

2BS 13/2



Board Meeting

4th March 2003



Agenda for Board Meeting

To be held at The Dean of Guild Room, City Chambers

on 4th March 2003 at 10:00 a.m.

1. Minutes of the meeting of 15th November 2003 for approval and signing
2. Matters arising from the minutes
3. Progress report from the Chief Executive, including financial report, for consideration and approval Michael Howell
4. Appointment of auditor to the company Stuart Lockhart
5. Progress report on projects and technical issues for consideration and approval Alex Macaulay
6. Next steps in
(a) tram procurement Alex Macaulay
(b) public relations Material will be Tabled
7. Project delivery activity by City of Edinburgh Council and linkage to tie 's own activity Keith Rimmer
Report will be Tabled
8. Heavy rail update (discussion) Michael Howell
/Keith Rimmer
9. Any other business
10. Date of next meetings



AGENDA ITEM 1

**Minutes of the meeting of
15th November 2002 and 9th January 2003
for approval and signing**



TRANSPORT INITIATIVES EDINBURGH LIMITED

Minutes of MEETING of DIRECTORS held
at 91 Hanover Street, Edinburgh at 2:30 PM
on 15th November 2002.

Present: Ewan Brown (Chairman)
Jim Brown
Gavin Gemmell
Andrew Burns
John Richards
Maureen Child
Ricky Henderson

In attendance: Michael Howell, Chief Executive of TIE
Alex Macaulay, TIE – Project Director
Eddie McDowell, City of Edinburgh Council (CEC)– Support Staff
Andrew Holmes, CEC, City Development Department (CDD), Director
Keith Rimmer, CEC, CDD, Head of Transport
Lynn Brown, CEC, Finance Department, Head of Corporate Finance

1. MINUTES OF THE MEETING OF 23rd SEPTEMBER 2002 FOR APPROVAL AND SIGNING

The minutes of the meeting on 23rd September were approved.

The minutes of the meeting on 2nd September were approved.

2. MATTERS ARISING FROM THE MINUTES OF THE MEETING OF 23rd SEPTEMBER 2002

MVA

The Chairman, together with Alex Macaulay, has assessed that MVA are entitled to payment of their outstanding monies with MVA taking responsibility for approximately £80,000 of overruns. The start of the maintenance contract will be deferred to commence from January 2003.

3. PROGRESS AND FINANCIAL REPORT FROM THE CHIEF EXECUTIVE

An addendum to the board papers was circulated.

30th September report submission

At the Partnership Liaison Group meeting held on 7th November, the deputy Minister, Lewis McDonald, confirmed that they expected to respond before the end of 2002.

Financial report

There is a significant underspend in 'Project' costs. This is primarily due to the budget having been set before **tie's** spending profile had been fully developed. It was agreed that an approach should be made to the Executive to secure the underspend for the next financial year (see 4 below).

'Overheads' were exceeding budget primarily due to temporary use of external secondments and also unbudgeted IT costs.

Operators

The next meeting with public transport operators will take place on 10th December.

Communication and public relations

Transport Partnerships Edinburgh (TPE) had held an initial meeting and will meet again during January 2003. Weber Shandwick had made a presentation on a possible PR theme, which had been well received. It was not however envisaged that TPE would put on a public face before the May 2003 elections as PR would be closely linked to the tram and charging roll-out.

Michael Howell confirmed he would be updating absentee TPE members.

The proposed TPE members are:

Jane Scott – Boots plc

Paul Lewis - SEEL

Bill Main – Scottish Widows (possible chair)

Alan Robertson – Jones Lang LaSalle

Alastair McIntosh - Scotch Whisky Heritage Centre Ltd

Bill Furness or Shonaig MacPherson - Edinburgh Chamber of Commerce and Enterprise

Alan Malloy – Marks & Spencer

Andrew Holmes - City Development Department (Observer)

Michael Howell – **tie** (Observer)

Andrew Holmes suggested that rather than involving SESTRANS with the TPE, it may be more beneficial to get a senior businessperson from West Lothian involved. Gavin Gemmell undertook to investigate a suitable person through SEEL. Gavin Gemmell confirmed he has kept SEEL briefed on **tie** progress. Present hope is that once the economic impact model results are known to be positive, SEEL may be in a position to assist with the TPE.



Property Gain

Michael Howell will meet with City of Edinburgh Council, City Development Department staff on 18th November to discuss council sites. He will also be evaluating E-Rail's proposal.

Meetings with the Scottish Executive

The Chairman and Michael Howell reported on a highly constructive meeting with John Martin and his senior colleagues. A suggestion that tie take over the remit for rail improvements in Scotland had been made. The Scottish Executive also appear unfazed by the Council's decision to hold a referendum on the ITI.

A pointer has been given that there should be contact with the finance team of the Scottish Executive. Andrew Holmes confirmed that he has discussed this matter with Donald McGougan (CEC Director of Finance) and Donald is willing to go with the Chairman to meet with David Reid (Scottish Executive – Finance)

Meeting with the Minister

The Chairman confirmed he would be meeting with Iain Gray MSP on 28th November and thanked Andrew Burns for his assistance in obtaining an early date in the Minister's diary.

4 REPORT ON PROJECTS AND TECHNICAL ISSUES FOR CONSIDERATION AND APPROVAL

There has been a substantial under spend during the current financial year on Tramlines 1 and 2. It is predicted that the next 2 years will show the spend being caught up bringing the schemes back to the projected spend profile. It is paramount that the Scottish Executive allows the total budget to be carried forward. No precedent has been set on this, as the Integrated Transport Fund is a new funding stream. Previous funding streams have permitted some flexibility for local authorities to swap consents with each other. Lynn Brown and Andrew Holmes undertook to investigate a 'trade off' between CEC's projected internal program overspend and tie's projected underspend.

Tram team

Lindsay Murphy will be joining tie from CEC on a permanent basis and will perform the role of assistant tram project manager. Richard Hudson will be kept on until a permanent appointment is made for tramline 3 tram manager.

Next phases of work

£10m has been allocated for the next phase of work in defining the congestion charging cordon scheme with associated traffic management measures. This sum will allow this work stream to be taken forward to completion on site.

Legal Advisors

It became clear during the recent interviews that the short-listed firms on their own did not have all the skills/knowledge required. A partnership between DLA and Dundas and Wilson overseen by Bircham Dyson and Bell as Parliamentary Agents would provide the required blend. Michael Howell expected an agreement with all three parties to be reached very soon.

5 DISCUSSION OF PRIORITIES AND ACTIONS FOR 2003

There was a wide ranging strategic discussion on the two papers "Brainstorm Session" and "What can go wrong / How would tie respond?". Much of the discussion was directed at the areas where tie could take initiatives and/or help to influence outcomes and included being involved in the wider SESTRAN issues, integrated ticketing, bus/tram integration, the tram procurement process and funding sources.

It was recognised that if London congestion charging was abandoned, it was most unlikely that it would win support in Edinburgh. It may therefore be necessary to consider a "Plan B" early in 2003 to achieve the objectives of the ITI by another route.

Risk management workshop

A date for this workshop was agreed as Tuesday 9th January 2003 at 1000hrs. John Richards will confirm the availability of Miller House for the workshop. It was expected that the senior members from most of tie's consultants and advisors (other than Grant Thornton) would attend.

6. tie BUSINESS PLAN FOR 2003/4

Section 3 and 4

The chairman asked Keith Rimmer what the likelihood was of tie being asked in the future to procure P+R schemes on CEC's behalf. Keith Rimmer explained that the purpose of tie when set up was to take forward major development work. Adaptive work such as interchanges, bus improvements and P+R schemes were envisaged as being done internally by CEC. Keith Rimmer explained that unlike WEBS and the Tramlines for which responsibility has been devolved to tie, the council has therefore held on to the responsibility for delivering P+R schemes. Straiton P+R is being delivered as part of the Quality Bus Corridor scheme and funding is in place. Hermiston P+R now has funding in place however delivery is the responsibility of SESTRANS. Todhills is the responsibility of Midlothian Council however funding is in place. Ferry Toll P+R extension is the responsibility of Fife Council however funding is now in place.

Ingliston P+R could be devolved to tie at some stage and at which point the associated budget would be transferred. At present there is a planning issue still to be overcome before Ingliston P+R can be taken forward.

Section 6

tie are in discussions to take over the administration of integrated public transport tickets within the SESTRAN area and this must be a major focus for next year.

WEBS will be the first project delivered and therefore tie must ensure it is delivered on time and a success.

Organisation

It should be noted that by the end of December, tie would know whether they would also perform the role of secretary of SESTRAN.



Ticketing challenge

The key is to convince Lothian Buses that it is in their interest to reduce the premium currently charged against 'one-ticket'. Current research shows that market growth in general bus patronage will result from a ticket with a reasonable premium (say 15 – 20%). Tyne Tees currently sell £14M p.a. worth of 'one-ticket' compared to SESTRAN present sales of £50K p.a.

Costs and funding

Alex Macaulay will go through the figures with Lynn Brown. Andrew Holmes and Lynn Brown will check if Council approval is required.

7. ANY OTHER BUSINESS

None.

8. DATE OF NEXT MEETING

As discussed above, the board will meet for a risk workshop on 9th January 2003 at 9am.

Subsequent board meetings will be held in tie's offices on 4th March 2003 at 10am and 12th May 2003 at 10am.



TRANSPORT INITIATIVES EDINBURGH LIMITED

Minutes of MEETING of DIRECTORS held at the City Chambers, Edinburgh at 9:00AM on 9th January 2003.

Present: Ewan Brown (Chairman)
Jim Brown
Gavin Gemmell
Andrew Burns
John Richards
Maureen Child
Ricky Henderson

In attendance: Alex Macaulay, **tie** – Project Director
Eddie McDowell, City of Edinburgh Council (CEC)– Support Staff
Andrew Holmes, CEC, City Development Department (CDD), Director
Keith Rimmer, CEC, CDD, Head of Transport
Lynn Brown, CEC, Finance Department, Head of Corporate Finance

Apologies: Michael Howell, Chief Executive of **tie**

1. MINUTES OF THE MEETING OF 15th NOVEMBER 2002 FOR APPROVAL AND SIGNING

The minutes of the meeting on 15th November were approved.

2. MATTERS ARISING FROM THE MINUTES OF THE MEETING OF 15th NOVEMBER 2002

ITI update

The Scottish Minister has granted Approval in Principle.

The Scottish Executive has awarded £3.5m towards progressing tramline 3.

Financial report

The under-spend identified on ITI schemes has been permitted by the Scottish Executive to be carried over without loss of funding.

Communication and public relations

Gavin Gemmell is still to confirm a suitable representative from West Lothian for inclusion on the T.P.E.

Legal Advisors

Lawyers for the tram projects have been appointed. DLA and Dundas and Wilson with Bircham Dyson and Bell as Parliamentary Agents and legal co-ordinators has been agreed.

SESTRAN

The Chairman reported that on 17 December SESTRAN had produced a strategy paper "A structure for Delivering Regional Projects". A central part of the strategy was the need for a SPV to deliver major projects throughout the SESTRAN area and the paper made reference to this mirroring the role of tie in delivering projects within Edinburgh. tie had pointed out in writing at the time to Keith Rimmer the considerable benefits to transport planning integration, and overall cost, which could be achieved by the creation of a single regional project delivery vehicle that covers multiple transport modes, the fact that tie had already responded positively in principle to the Scottish Executive's inquiry about rail project delivery and the possible conflicts which could arise over the recruitment of qualified and experienced staff and competition for specific projects. tie had thought that there was an acknowledgement that as a minimum any working group, which was set up by SESTRAN to consider the issue further, would include a representative from tie.

tie had just learned that a further meeting of SESTRAN was being held on 10 January including a report which indicated that tie was supportive of a new SPV in competition with tie. The board was concerned that tie had not been consulted about its views and asked Andrew Burns and Ricky Henderson who would be attending the meeting to make further representations for tie's inclusion on the working group.

3. PROGRESS AND FINANCIAL REPORT FROM THE CHIEF EXECUTIVE

Communication and public relations

The merits of aggregating the PR brief were discussed. DLA have advised tie that it is unlikely that the current PR brief for tramlines 1+2 can be extended to include the PR brief for congestion charging without being in breach of European Regulations. It was agreed that, if possible, the PR brief for tramline's 1+2 should be extended to include tramline 3. A review of future PR aggregation will be made in the run up to Parliamentary Orders being awarded for the tramlines and the Order being awarded for congestion charging. There should therefore be a cut off point available for the existing PR contracts at this stage. Factors to be considered are the additional PR roles to be played by the T.P.E and C.E.C. Alex Macaulay will ensure the various PR strands do not conflict or substantially overlap.

4 REPORT ON PROJECTS AND TECHNICAL ISSUES FOR CONSIDERATION AND APPROVAL

Tramline 1

The Board noted that a tram alignment along George Street is being looked at as a possible alternative to Princes Street and that **tie** has been asked to look into the feasibility of underground multi-storey car parking on the route of Tramline 1.

WEBS

The terms of the partnering contract being entered into with Balfour Beatty and Carl Bro, which will involve a target price being agreed prior to construction, were outlined. At the present time the contractual commitment covers only the design stage valued at £188k. Should the target cost prove to be unacceptable, there is a break in the contract prior to construction which would allow termination. Should the target cost exceed £5million, CEC approval will be required under the terms of the Operating Agreement. The Board ratified the appointment of Balfour Beatty.

ROAD USER CHARGING

Technology Trial

Progress on the technology trial, which is on programme, was reported. **tie** will not be in a position to comment on the completed Edinburgh trial if the question arises in connection with the launch of London' scheme on 17th February. The report will not be ready until summer 2003 as programmed.

LUTI model

Alex Macaulay will prepare statements for CEC and **tie** in advance of the press interest expected when the report on the economic impact of the ITI goes to the Council Executive later this month. The outcome of the economic impact is that any transport measures introduced have only a marginal effect on the economy. The effect of ITI will be marginally positive over the life of the scheme. This should be set in the context of existing rapid growth predictions for the region.

5 tie Business plan for 2003/4

Lynn Brown will discuss with Michael Howell, some outstanding issues in the business plan. Subject to the outcome of these discussions, the Board approved the business plan for submission to the Council.

6. ANY OTHER BUSINESS

None.

7. DATE OF NEXT MEETING

The next meeting of the Board of Directors will be held in **tie**'s offices, 91 Hanover Street on 4th March 2003 at 10am

The subsequent Board of Directors meeting will be held in **tie**'s offices, 91 Hanover Street on 12th May 2003 at 10am.



AGENDA ITEM 2

Matters Arising From The Minutes



AGENDA ITEM 3

Progress Report & Financial Report
From the Chief Executive
For Consideration and Approval



BOARD MEETING – 4TH MARCH 2003

Chief Executive's Report - October

Introduction

The eighth board meeting of **tie** will be held on Tuesday 4th March 2003 at 91 Hanover Street.

Foreword

It is nearly four months since our last formal board meeting, although we have met for two workshops in the interim – one on project risk and the other on procurement strategy for trams.

In the interim, we received before Christmas formal approval in principle from the Scottish Executive for the Integrated Transport Initiative and I would like to offer formal, if belated, thanks to all those both within **tie** and without who played a part in this achievement.

This report focuses on the financial results for January and the activity since the last board meeting. Progress has been good, especially in the bedding down of the tram advisory team and in the maturation of the formal linkage arrangements with the City Council. There are also new opportunities for **tie** which are discussed below.

We have developed an effective and easy to understand process for monitoring projects that is common to **tie** and to the City Council's own transport projects and the Operating Committee has met monthly since the last **tie** board meeting. Keith Rimmer will talk about the processes that have been established during the meeting.

The work is broadly on schedule. The only slippage has been for political reasons – namely that we have not wanted to become engaged in a detailed public consultation on Tramline one ahead of the election. This also avoids a timing clash with the City Centre Traffic Management inquiry, which is ongoing. The result is that we have moved the consultation timing to June, when both Tramlines one and two can be consulted simultaneously.

Integrated Transport Initiative

The best news for the future of the scheme is that the very bold London congestion charging scheme has, so far, been a conspicuous success. Traffic levels, and especially congestion, have noticeably declined and the motoring public has been

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willing to pay the charges. The press has appeared almost crestfallen by the smoothness of the scheme's introduction.

As a result, there was a very intense level of interest in Edinburgh's plans from the national media, which coincided with the launch on 17th February. We were able to emphasise the differences between Edinburgh's scheme and that of London, and were able to make some favourable comparisons. For example, much was made in London of the problem of lower paid employees who work unsocial hours who must drive into the city before the scheme is live. Because London's is an area scheme, such employees must pay the charge to return home during its daytime hours of operation. In Edinburgh, where we plan a cordon scheme, there would be no charge because the vehicle would be outbound, not inbound. The £2 proposed in Edinburgh also compares favourably with the £5 in London.

This has materially enhanced the prospects for congestion charging in the City and the signs are that the recent unwillingness of the City Council to discuss the issue before the election may be about to change.

On a strictly practical level, the technical trials of the automatic number plate recognition have now concluded and have been successful in providing data on number plate data collection, and scheme administration.

Trams

tie has been formally requested to undertake the development work for tramline three which is now added to our list of active projects.

The tram team has bedded down well. We are managing no less than seven different consultancies and working as closely as possible with the Council. The mechanisms for lateral linkage are therefore both complex and critically important. A seminar was held with CEC planners and was well received. Ongoing linkage to planning has been established.

The work since New Year has fallen into three areas. First, the nuts and bolts engineering has been progressing according to schedule. Some of the work undertaken has been presented to the Transport Advisory Panel, and they were encouraged by evidence of the detail that is already on paper, and our commitment to submit this for public scrutiny during consultation in mid-year.

Second, we are planning to start our public communication exercise during March with the distribution of materials to households that will lie close to the proposed tram routes for lines 1 and 2. Some of this material will be available for inspection at the board meeting. The programme will be called TramTime and the website will be www.tramtime.com.

Third, we have been concentrating upon the legal and tactical intricacies of our decision to achieve early operator involvement in the tram procurement. We shared our thinking with you on 26th February and a synopsis of the next steps is attached.

It was mentioned above that the start of consultation has been delayed. However, this will not adversely affect the overall programme.

Heavy Rail Projects

There are significant schemes under consideration in the Edinburgh area, including the proposed airport rail link, and associated improvements at Waverley station that will facilitate a major expansion of capacity. **tie** has been requested by the Scottish Executive and by West Lothian council to demonstrate how it would expand its mission to encompass heavy rail projects, using a third project, the proposed Airdrie-Bathgate rail link as the example.

Lawyers have been engaged to help us with this preliminary task and the framework of an approach that should be acceptable both to Edinburgh City Council and to neighbouring authorities is emerging.

It is possible that an announcement regarding funding for rail projects may be forthcoming before the election, in which case, subject to broad agreement by the various stakeholders, this activity should move into high gear.

If it is agreed to add heavy rail to the mandate of **tie**, the impact upon the company and upon the board should not be underestimated. The projects in question are potentially at least as big as those planned for Edinburgh. The burden of communication and lateral linkage to major national organisations such as Network Rail, the SRA on the one hand, and new local stakeholders such as ScotRail, SPT and neighbouring SESTRAN authorities on the other, will be profound.

Travelticket

tie will assume administrative responsibility for Travel Ticket with effect from 1st April. At our own expense, we have prepared a business plan for the company which includes advertising and much wider availability of tickets through Pay Point. The plan looks exciting and will materially improve the visibility and financial viability of the scheme. We are now in discussion with the Travel Ticket board on the roll out plan which looks set to emerge in two stages, with availability via internet and call centre now, and sales through Pay Point outlets (tobacconists and other retail stores throughout the SESTRAN area) later in the year.

An advertisement for an administrator for the scheme has generated over 120 responses.

Financial report

The financial report for January is attached. Trends visible earlier in the year continue with the spend on tram development lagging behind the original plan. It has been agreed that these budgets can be rolled into 2003/4.

Business plan for 2003/4

Will be presented to the City Council for approval on 11th March with the attached recommendation for acceptance.

SESTRAN

tie's bid to administer SESTRAN was initially passed over in favour of a private sector bid from Capita Group plc. Capita have now withdrawn and the matter is under renewed consideration by the SESTRAN management team and steering group.

There appear to be concerns about a possible conflict of interest between **tie** in its role as secretary of SESTRAN, and **tie** as a possible procurer and deliverer of transport projects for SESTRAN. We do not feel these are material, because of **tie's** position as a public sector procurement body. However, it means that the outcome of **tie's** bid for secretarial services is, as yet, unclear and will be decided by the **tie** strategy board during March. A letter to formally state the case to the board for **tie's** appointment is under consideration.

This would also fit with the agreed need for close integration of the Integrated Transport Initiative, which has significant application within these neighbouring authorities as well as within Edinburgh itself.

City Centre Car Parking

It has been agreed that **tie** should add the possible provision of additional underground city centre car parking to its proposal for the trams. The sites under consideration are beneath George Street and beneath Coates Crescent. The timing of such schemes would coincide with the advent of the tram. Such sites would generate revenue and would also have the benefit of demonstrating that the City is not anti-car, and that provision for the motorist will parallel congestion charging and spending on public transport.

Communication and public relations

The inauguration of Transport Partnership Edinburgh has been delayed by the political uncertainty surrounding congestion charging prior to the election, and by the associated difficulty in finding a suitable Chairman. We are evaluating the prospective role of TPE in the context of **tie's** increasing visibility in promoting the tram and the ITI.

People

Alex Macaulay returned from the Advanced Management Programme in INSEAD on 26th February. He has reported very favourably on the course. In view of all that is going on, we are glad to have him back!

Lindsay Murphy has joined **tie** as Assistant Project Manager.

Declan Lannon has been working with us on preparing the business plan for Travel Ticket, and has done an admirable job of bringing coherence and commercial flair to the project.

Paul Prescott, former Zone Director of Railtrack Scotland, and Peter Brown, former Commercial Manager, have been advising us on the establishment of a heavy rail project management group.

We shall be appointing two new employees for SESTRAN Travel Ticket, an Administrator and Business Development Manager, during the next few months.

Michael Howell
Chief Executive
28th February 2003



transport initiatives edinburgh Ltd

Month End Financial Reports

31st January 2003

Item

- 1 Summary of Expenditure (Accruals Basis)
- 2 Commentary on Financial Results (Accruals Basis Reporting)
- 3 Summary of Expenditure (CEC Format - Accruals Basis)
- 4 Profit & Loss Statement
- 5 Balance Sheet
- 6 Capital Expenditure – Current & Forecast
- 7 Aged Creditors Report
- 8 Cash Flow – Actual to Date and Forecast

TIE
Main Board Report

	Current Month (Jan'03)			Year to Date (10mths to 31/1/03)			Year End (12 mths ending 31/3/03)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Project Costs									
Road User Pricing	90,830	47,301	43,529	823,782	925,511	-101,729	923,932	1,067,617	-143,685
WEBS	57,230	35,813	21,417	276,660	268,799	7,861	332,771	340,425	-7,654
Tram 1	81,638	292,807	-211,169	915,022	1,939,530	-1,024,508	1,298,561	2,667,987	-1,369,426
Tram 2	98,907	228,450	-129,543	249,150	1,193,987	-944,837	607,333	1,762,925	-1,155,592
Tram 1+2 Joint Commissions	0	0	0	0	0	0	0	0	0
<i>Sub-Total (Trams)</i>	<i>180,545</i>	<i>521,258</i>	<i>-340,713</i>	<i>1,164,172</i>	<i>3,133,517</i>	<i>-1,969,344</i>	<i>1,905,894</i>	<i>4,430,912</i>	<i>-2,525,018</i>
Sub-Total (Project Costs)	328,606	604,372	-275,766	2,264,614	4,327,826	-2,063,213	3,162,597	5,838,954	-2,676,357
Overheads									
IT	2,573	160	2,413	52,106	32,410	19,696	54,933	32,730	22,203
Administration	40,682	20,100	20,582	287,504	207,650	79,853	332,083	251,600	80,483
Sales & Marketing	763	500	263	5,203	5,000	203	5,702	6,000	-298
Legal & financial	12,649	1,222	11,427	91,756	77,556	14,200	91,814	80,000	11,814
Overheads	3,574	417	3,157	16,939	7,167	9,772	19,973	8,000	11,973
Sub-Total (Overheads)	60,241	22,399	37,842	453,508	329,783	123,725	504,505	378,330	126,175
VAT	0	0	0	0	0	0	0	0	0
Interest on Overdraft	1,066	0	1,066	6,441	8,934	-2,493	9,681	10,588	-907
Tax & Dividends	0	0	0	0	0	0	0	0	0
Sub-Total (Miscellaneous)	1,066	0	1,066	6,441	8,934	-2,493	9,681	10,588	-907
TOTAL	389,912	626,771	-236,859	2,724,563	4,666,543	-1,941,980	3,676,783	6,227,872	-2,551,089
CAPITAL EXPENDITURE:									
Computer Equipment	0	0	0	33,050	0	33,050	33,050	0	33,050
Furniture, Equipment etc.	0	0	0	595	0	595	595	0	595
	0	0	0	33,646	0	33,646	33,645	0	33,645

(i) **Commentary on financial results as at 31st January 2003 (“Accruals Basis” Reporting)**

The basis of comparison used is on the accruals basis, as follows—

- Actual costs – those costs incurred for the month of January (Current Month), and cumulatively for the ten months to 31st January (Year to Date).
- Budgeted costs – month ten costs (Current Month) and months one through ten cumulative (Year to Date) from the ENTICO year one cost model prepared by Andersen, dated 21st March 2002, as amended by the final adjustments to the IBC made in the CEC “*NTI: Framework for Delivery*” document of 2nd May 2002.
- Year End costs – the Year End Forecast combines cumulative actual costs incurred to 31st January (Year to Date) together with the remaining budget for the period 1st January through 31st March incorporating appropriate amendments. The Forecasts have been further amended this month. The Year End Budget is the annual budget extracted from the documents detailed above.

The actual figures are now compared with budget figures on a like-for-like basis, with variances reflecting any differences between the two sets of figures.

The main reasons for the variances are as follows –

Project Costs

The main issues in summary are:

- Road User Pricing – a significant amount of work has been carried out by consultants to date. It is expected that actual costs will accelerate over the next two months, albeit it is forecasted that the year end spend will be £144k down on budget. Future years’ budgets have been uplifted to account for the shortfall this year.
- Tram Lines 1 and 2 – a separate report was submitted by the Tram Integration Manager at a previous Board meeting.
- WEBS - costs incurred to date are ahead of budget. It is forecasted that the year end spend will be ahead of budget, albeit in line with Halcrow’s programme.

Overheads

Are allocated, and charged to CEC on a monthly basis, to each project pro rata as per business plan budget:

• WEBS	18%
• Tram Line 1***	28%
• Tram Line 2***	15%
• Congestion charging	<u>39%</u>
	100%

The main reasons for the variances are as follows:

- IT costs are higher, cumulatively, than budget, primarily as Accounting software and associated costs of £29k (see table below) have been incurred which were not budgeted for. Hardware has been capitalised. The main remaining costs are leased line rental, maintenance costs and time costs associated with the installation. These costs are included in the year end forecast.
- Computer equipment costs are higher, cumulatively, than budget, primarily as an Accounts dedicated PC (£3.1k) and Plotter (£2.4k) were not budgeted for. In addition, the unit cost of each workstation was higher (£1.4k) than the budget of £1k per station. There should be no further purchases before year end.

		Y-T-D	Forecast
Software:	4 User SunSystem Ledger Accounting	£10,940	£10,940
	Vision XL Accounting	£2,188	£2,188
	MS Office/Project/Visio	£8,944	£8,944
	Anti Virus/Firewall/Acrobat/Paintshop	£4,401	£4,401
Training/Consulting:	Castle (Accounting)	£16,408	£16,408
Consulting	ByteBack Consultancy	£2,590	£2,590
Network Main:	ByteBack Consultancy	£1,050	£1,750
Leased Line Inst.	Executive Centre	£1,250	£1,250
Monthly Charge	Executive Centre	£750	£1,250
Depreciation:		£2,814	£3,284
Miscellaneous:		£771	£1,928
Total		£52,106	£54,933

- Administration costs (Chief Executive and Non Project Staff costs, Temporary Staff, Recruitment and Accommodation costs) are greater, cumulatively, than budget, as recruitment costs to date of £14k (Finance Manager and Secretary) and temporary staff (primarily Nick Ruane/PWC) costs of £43k have been incurred which were not budgeted for. In addition, non-productive time of CEC seconded staff is treated as an overhead which accounts for additional costs of £39k.
- Sales and Marketing costs are greater, cumulatively, than budget, albeit the year end forecast is slightly down on budget.
- Legal and financial costs are higher, cumulatively, than budget, and the year end forecast is ahead of budget. The PUK invoice for £70k (budget £60k) has been allocated to this heading. Costs associated with the year end audit are being accrued.
- Overheads are higher, cumulatively, than budget, and the year end forecast is ahead of budget. Costs have been incurred thus far in relation to external printing associated with the "Vision for Edinburgh" report, new address notifications, insurance cover and various CEC re-charges.
- Overdraft Interest is lower, cumulatively, than budget, and is forecasted to be lower at year end. Charges are being levied at 1% over base (base currently 4%) whereas the budget was calculated on an interest rate of 7.5%.
- Depreciation is a Profit & Loss item and charges are therefore included within Overheads (see table below). The full cost of the asset however is recoverable from the CEC.

Overheads		Y-T-D
IT	Computer Equipment	£2,814
Overheads	Fixtures & Fittings	£7
	Office Equipment	£45
	Total	£2,866

(ii) Bank

The bank balance (overdrawn) as at 31st January totalled £332k. An overdraft limit of £2m has been established.

(iii) Relationship with CEC

tie has issued invoices to CEC to 31st January. Accrued costs, depreciation and late supplier invoices are not included in these re-charges to CEC. It has been agreed with Ewan Kennedy and Christine Rigouleau of CEC to hold regular CEC / tie relationship meetings. These are held on a monthly basis.

(iv) Business Plan Review

The tie Business Plan will be submitted to the Executive Committee of the CEC for approval on Tuesday 25th February.

Stuart J Lockhart

Year 2002-2003

Financial Reports for Period Ended 31st January 2003 (Summary of Expenditure)

ACCRUALS BASIS-CEC Format

	Actuals to 31st January 2003						BUDGET	
	Total	RUC	Tram 1	Tram 2	WEBS	Overheads	to 31st March 2003	
Project Staff	268,397	122,245	84,984	47,261	13,908		412,954	
External Advisors	1,996,216	701,537	830,038	201,889	262,752		5,426,000	
Support Costs								
Chief Executive						109,669	150,000	
Non Exec Directors Fees						11,250	15,000	
Finance Director						0	0	
Finance/Admin Staff Salaries						23,016	50,000	
CEC Seconded Staff (Non Chargeable Time)						38,816	0	
Temporary Staff Costs						43,347	0	
Training						21,615	12,000	
Recruitment Costs						14,014	0	
Office Space						25,776	24,600	
Computer Equipment						33,050	0	
Computer Software						26,473	30,550	
Internet Access						2,301	2,180	
Other Computer Costs						23,332	0	
Sales & Marketing						5,203	6,000	
Legal & Professional						91,756	80,000	
Sundries						16,939	8,000	
Other Capital Equipment						595	0	
Overdraft Interest & Charges						6,441	10,588	
						493,595	388,918	
Total Costs (excluding overheads)	2,264,614	823,782	915,022	249,150	276,660		5,838,954	
Overheads Allocated	493,595	192,502	138,207	74,039	88,847			
<i>Proportion</i>	<i>100%</i>	<i>39%</i>	<i>28%</i>	<i>15%</i>	<i>18%</i>			
TOTAL COSTS	2,758,208	1,016,284	1,053,228	323,190	365,507		6,227,872	

Commentary on Overheads:

tie

Profit & Loss Account for the 10 Month Period Ended 31st January 2003

	Actual Y-T-D	Budget Y-T-D	Variance
INCOME	2,192,956	3,728,713	-1,535,757
	<u>2,192,956</u>	<u>3,728,713</u>	<u>-1,535,757</u>
PROJECT COSTS			
Personnel	268,397	341,597	-73,200
Advisors/Contractors	1,989,868	3,986,229	-1,996,361
Travel & Subsistence	5,410	0	5,410
Conferences	938	0	938
Project Overhead Reallocations	0	0	0
	<u>2,264,614</u>	<u>4,327,826</u>	<u>-2,063,213</u>
NON PROJECT COSTS			
Employee Costs-Professional	148,485	130,000	18,485
Employee Costs-Non Exec Directors	11,250	11,250	0
Employee Costs-Admin Staff	23,016	40,000	-16,985
Other Staff Costs	78,976	10,000	68,976
Occupancy & Property Costs	25,776	16,400	9,376
IT	52,106	32,410	19,696
Sales & Marketing Costs	5,203	5,000	203
Legal & Financial	91,756	77,556	14,200
Other	16,939	7,167	9,772
Overhead Reallocation	0	0	0
Finance Costs	6,441	8,934	-2,493
Taxation	0	0	0
Dividends	0	0	0
	<u>459,949</u>	<u>338,717</u>	<u>121,232</u>
SURPLUS/(DEFICIT)	<u>-531,607</u>	<u>-937,830</u>	<u>406,223</u>

Reasons for Surplus/(Deficit):

Accrued Charges at Month End - not yet invoiced to CEC

Depreciation-not recoverable from CEC

Late Supplier Invoices-processed but costs not yet recovered from CEC

Notes:

"Employee Costs-Professional" comprises Chief Executive Fees & CEC Seconded Staff (Non Project costs).

"Other Staff Costs" comprises temporary staff, training & recruitment costs.

"Other" comprises Insurance, Postage, Stationery, Printing, Telephone, Depreciation & Sundry costs.

tie

Balance Sheet as at 31st January 2003

		31/1/03	31/1/02
FIXED ASSETS		30,779	0
		<u>30,779</u>	<u>0</u>
CURRENT ASSETS			
Trade Debtors	752,308		0
Other Debtors	524		0
Prepayments & Accrued Income	0		0
CEC Loan	1,000		0
Petty Cash	16		0
	<u>753,848</u>		<u>0</u>
CURRENT LIABILITIES			
Trade Creditors	508,190		0
Employee Creditor	0		0
Bank Account	331,521		0
Pension Creditor	6,135		0
Lease Liabilities	0		0
Accruals	468,988		0
VAT Payable/(Refundable)	-4,426		0
PAYE/NIC	4,825		0
Corporation Tax	0		0
Other Creditors	0		0
	<u>1,315,233</u>		<u>0</u>
NET CURRENT ASSETS/(LIABILITIES)		-561,386	0
Liabilities > 1 Year		0	0
NET ASSETS		<u>-530,607</u>	<u>0</u>
Represented by:			
Share Capital		1,000	0
Reserves		0	0
Profit & Loss Account		-531,607	0
Balance as at 31st January 2003		<u>-530,607</u>	<u>0</u>

Transport Initiatives Edinburgh Ltd
Fixed Asset Register as at 31st January 2003

CAPITAL EXPENDITURE - ACTUAL TO DATE

Account Code	Purchase Date	Invoice Number	Supplier Name	Description	Asset Serial No.	Asset Cost
B1150-Fixtures & Fittings						
	02/07/2002	Invoice 67216	Wallace Brown	2 Drawer Filing Cabinet		49.99
						49.99
B1450-Computer Equipment						
	29/05/2002	June 02	Nick Ruane	2 x HP Deskjet 960c Printers & Modem		314.49
	13/06/2002	Invoice 003139	Castle Computer Services	Acer Veriton 7200 PC		2,930.00
	28/10/2002	Invoice 1631	ByteBack Consultancy	Workgroup Server		4,050.00
	28/10/2002	Invoice 1631	ByteBack Consultancy	9x ByteBack Workstations		7,929.00
	28/10/2002	Invoice 1631	ByteBack Consultancy	10x 17 inch LCD Panels		5,250.00
	28/10/2002	Invoice 1631	ByteBack Consultancy	1x 15 Inch Flat Panel		-235.00
	28/10/2002	Invoice 1631	ByteBack Consultancy	HP Designjet 500 Colour A0 Plotter		2,355.00
	28/10/2002	Invoice 1631	ByteBack Consultancy	HP Laserjet Colour 8550N Printer		2,689.00
	28/10/2002	Invoice 1631	ByteBack Consultancy	Toshiba 1000Lms Projector		2,715.00
	02/12/2002	Invoice 1642	ByteBack Consultancy	Dell Latitude C640 Notebook		1,608.00
	02/12/2002	Invoice 1642	ByteBack Consultancy	Dell Latitude C640 Notebook		1,608.00
	02/12/2002	Invoice 1644	ByteBack Consultancy	HP Scanjet 7450C		370.00
	02/12/2002	Invoice 1644	ByteBack Consultancy	HP JetDirect 600N Network Card		172.00
	17/12/2002	Invoice 1655	ByteBack Consultancy	1x ByteBack Workstations		781.00
	17/12/2002	Invoice 1655	ByteBack Consultancy	1x 17 inch LCD Panels		514.00
						33,050.49
B1700-Other						
	21/10/2002	Invoice 003760	Wallace Brown	HSM 90S Shredder		69.25
	21/10/2002	Invoice 006849	Wallace Brown	Brother 580 Fax Machine		130.00
	25/11/2002	Invoice 003760	Wallace Brown	GBC P400 Comb Binder		345.92
						545.17
						33,645.65

CAPITAL EXPENDITURE - FORECAST TO YEAR END

Account Code	Purchase Date	Invoice Number	Supplier Name	Description	Asset Serial No.	Asset Cost
B1150-Fixtures & Fittings						
						0.00
						0.00
B1450-Computer Equipment						
						0.00
						0.00
B1700-Other						
						0.00
						0.00
						0.00

Base Date 31/01/2003

Account Code	Trans Date	Description	Reference Alloc	After 31/01/2003	31/01/2003	31/12/2002	30/11/2002	31/10/2002
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Account Code CA4PR01 4Projects Ltd Priority Payment Terms 30 Discount Days
Tel: 0191 525 2400 Fax: 0191 520 1815

CA4PR01	21/01/2003	365	FP000756		2,232.50			
CA4PR01	31/01/2003	383	FP000783		2,294.07			

4Projects Ltd
4,526.57 4,526.57

Account Code CAAQU01 AquAid (Lothian) Priority Payment Terms 30 Discount Days
Tel: 01506 872806 Fax: 01506 873209

CAAQU01	31/01/2003	388	13204		46.99			
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AquAid (Lothian)
46.99 46.99

Account Code CABYT01 ByteBack Consultancy Priority Payment Terms 30 Discount Days
Tel: 0131 654 1784 Fax: 0131 654 1796 George Philp

CABYT01	30/01/2003	376	1668		822.50			
CABYT01	30/01/2003	377	1669		822.50			

ByteBack Consultancy
1,645.00 1,645.00

Account Code CACAS01 Castle Computer Services Ltd Priority Payment Terms 30 Discount Days
Tel: 0131 317 1314 Fax: 0131 317 1615 Amanda Miller

CACAS01	31/01/2003	389	000305		687.08			
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Castle Computer Services Ltd
687.08 687.08

Account Code CADOT01 Douglas Thomson Priority Payment Terms 30 Discount Days
Tel: 020 7790 4444 Fax: 0870 132 8588

CADOT01	24/01/2003	373	301		587.50			
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Douglas Thomson
587.50 587.50

Account Code CAFEN01 First Engineering Ltd Priority Payment Terms 30 Discount Days
Tel: 0141 335 5300 Fax: 0141 335 5301

CAFEN01	10/01/2003	364	CSG0813		15,251.50			
CAFEN01	30/01/2003	382	CSG0869		6,697.50			

First Engineering Ltd
21,949.00 21,949.00

Account Code CAIAN01 Ian Allan Publishing Priority Payment Terms 7 Discount Days
Tel: 01932 266622 Fax: 01932 266633

Base Date 31/01/2003

Account Code	Trans Date	Description	Reference	After					
				Alloc	31/01/2003	31/01/2003	31/12/2002	30/11/2002	31/10/2002
CAIAN01	24/01/2003	384	10910		35.40				
		Ian Allan Publishing		35.40		35.40			
Account Code CALON01		Lonsdale Travel Ltd		Priority	Payment Terms	30	Discount Days		
		Tel: 01332 331 132		Fax: 01332 291 485					
CALON01	30/01/2003	378	ED041960		65.00				
		Lonsdale Travel Ltd			65.00				
Account Code CAMAT01		John Mathieson & Co Ltd		Priority	Payment Terms	30	Discount Days		
		Tel: 0131 225 6798		Fax: 0131 220 2574					
CAMAT01	31/01/2003	385	SI050313		17.77				
		John Mathieson & Co Ltd			17.77				
Account Code CARBS01		Royal Bank of Scotland M/card		Priority	Payment Terms	7	Discount Days		
		Tel: 0870 154 1234		Fax: 0170 242 4267					
CARBS01	28/01/2003	372	28/01/2003		49.50				
		Royal Bank of Scotland M/card			49.50				
Account Code CAWIL01		Willis Limited		Priority	Payment Terms	30	Discount Days		
		Tel: 0131 553 8031		Fax: 0131 553 8034	Alistair Ball				
CAWIL01	29/01/2003	379	T03181394W		118.36				
		Willis Limited			118.36				
Account Code CAYEL01		Yellow House Consulting		Priority	Payment Terms	30	Discount Days		
		Tel: 01794 324122		Fax: 01794 324122	Guy Stratford				
CAYEL01	31/01/2003	387	028		3,181.31				
		Yellow House Consulting			3,181.31				
Account Code CCBIR01		Bircham Dyson Bell		Priority	Payment Terms	7	Discount Days		
		Tel: 020 7227 7067		Fax: 020 7233 1351	Ian McCulloch				
CCBIR01	27/01/2003	358	1026863		12,964.25				
		Bircham Dyson Bell			12,964.25				
Account Code CCBUC01		Colin Buchanan & Partners		Priority	Payment Terms	28	Discount Days		
		Tel: 0131 226 4693		Fax: 0131 220 0232	David McGuigan				

Base Date 31/01/2003

Account Code	Trans Date	Description	Reference	After				
				Alloc	31/01/2003	31/01/2003	31/12/2002	30/11/2002

CCBUC01	01/01/2003	359	30106						3,501.50
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Colin Buchanan & Partners
3,501.50 3,501.50

Account Code CCCEC01 The City of Edinburgh Council Priority Payment Terms 7 Discount Days
Tel: 0131 469 3736 Fax: Gary Frater

CCCEC01	09/01/2003	360	76516355						21,294.63
CCCEC01	23/01/2003	361	76605660						54,768.04

The City of Edinburgh Council
76,062.67 76,062.67

Account Code CCFAB01 Faber Maunsell Ltd Priority Payment Terms 30 Discount Days
Tel: 0131 313 7600 Fax: 0131 313 7689 Gavin Murray

CCFAB01	07/01/2003	363	39452						40,537.50
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Faber Maunsell Ltd
40,537.50 40,537.50

Account Code CCHAL01 Halcrow Group Ltd Priority Payment Terms 30 Discount Days
Tel: 0141 552 2000 Fax: 0141 552 2525

CCHAL01	10/01/2003	366	TJ/WEBS/01						51,731.59
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Halcrow Group Ltd
51,731.59 51,731.59

Account Code CCMOT01 Mott MacDonald Ltd Priority Payment Terms 30 Discount Days
Tel: 020 8774 2190 Fax: 020 8681 5706

CCMOT01	20/12/2002	392	IN00023076						181,812.45
CCMOT01	20/12/2002	393	IN00023080						4,043.32
CCMOT01	31/01/2003	386	IN00025018						85,003.03

Mott MacDonald Ltd
270,858.80 85,003.03 185,855.77

Account Code CCMVA01 MVA Ltd Priority Payment Terms 30 Discount Days
Tel: 01483 728 051 Fax: 01483 755 207

CCMVA01	17/01/2003	367	83006046						1,378.30
CCMVA01	17/01/2003	368	83006047						10,084.19
CCMVA01	17/01/2003	369	83006048						1,940.97
CCMVA01	17/01/2003	370	83006049						30.61

MVA Ltd
13,434.07 13,434.07

Account Code CCWES01 University of Westminster Priority Payment Terms 30 Discount Days
Tel: 020 7911 5000 Fax: 020 7911 5144

Base Date 31/01/2003

Account Code	Trans Date	Description	Reference Alloc	After				
				31/01/2003	31/01/2003	31/12/2002	30/11/2002	31/10/2002
CCWES01	10/01/2003	381	DT-0000324		5,257.33			
CCWES01	15/01/2003	375	D-00011192		933.00			
University of Westminster					6,190.33			
GRAND TOTALS					508,190.19	322,334.42	185,855.77	

END OF REPORT

Transport Initiatives Edinburgh Limited

Cash Flow

Jan-03

	ACTUAL										FORECAST	
	Apr-02	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Jan-03	Feb-03	
Balance b/forward	0.00	0.00	0.00	-57,608.22	-191,378.86	-207,145.22	-253,895.16	170,118.99	-523,041.55	24,749.76	-331,521.04	
Income												
Sales Ledger	0.00	0.00	0.00	0.00	96,325.38	225,725.66	552,090.29	0.00	950,274.27	0.00	752,307.64	
Miscellaneous	0.00	0.00	0.00	0.00	0.00	0.00	32,316.18	12.00	58.75	233.24	0.00	
	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>96,325.38</u>	<u>225,725.66</u>	<u>584,406.47</u>	<u>12.00</u>	<u>950,333.02</u>	<u>233.24</u>	<u>752,307.64</u>	
Expenditure												
Purchase Ledger	0.00	0.00	57,164.51	133,418.20	112,080.12	268,281.93	156,019.23	688,039.97	345,959.25	342,055.51	598,961.12	
Expenses Ledger	0.00	0.00	443.71	342.29	0.00	215.20	380.39	409.26	0.00	124.44	2,300.00	
Miscellaneous	0.00	0.00	0.00	10.15	11.62	3,978.47	3,992.70	4,723.31	56,582.46	14,324.09	25,240.28	
	<u>0.00</u>	<u>0.00</u>	<u>57,608.22</u>	<u>133,770.64</u>	<u>112,091.74</u>	<u>272,475.60</u>	<u>160,392.32</u>	<u>693,172.54</u>	<u>402,541.71</u>	<u>356,504.04</u>	<u>626,501.40</u>	
Net Movement in Month	0.00	0.00	-57,608.22	-133,770.64	-15,766.36	-46,749.94	424,014.15	-693,160.54	547,791.31	-356,270.80	125,806.24	
Balance c/forward	<u>0.00</u>	<u>0.00</u>	<u>-57,608.22</u>	<u>-191,378.86</u>	<u>-207,145.22</u>	<u>-253,895.16</u>	<u>170,118.99</u>	<u>-523,041.55</u>	<u>24,749.76</u>	<u>-331,521.04</u>	<u>-205,714.80</u>	

FORECAST: Assumptions

Income

Sales Ledger											
	Invoices issued to CEC	No. 6 Due 22/1/03 (Received 10/2/03)									398,897.00
	Invoices issued to CEC	No. 7 Due 28/2/03									353,410.64
											<u>752,307.64</u>

Expenditure

Purchase Ledger											
	Aged Creditors List @ 31/1/03										508,190.19
	Post January Invoices required payment in February:										70,770.93
		Contingencies									20,000.00
											<u>598,961.12</u>
Expenses Ledger											
		Contingencies									2,300.00
Miscellaneous											
	HM Customs & Excise - VAT Return to 28/02/03										0.00
	PAYE/NI - Due on 19/2/03										4,825.48
	February Payroll - 7 members of staff										14,150.00
	Lothian Pension Fund - Contributions Due on 19/2/03										6,134.80
	Bank Interest - Quarter ending 15/3/03										0.00
	Bank Charges for month										30.00
	Petty Cash for month										100.00
											<u>25,240.28</u>

Transport Initiatives Edinburgh (tie) Business Plan – 2003/4

Executive of the Council

11 March 2003

1 Purpose of report

The purpose of this report is to seek approval from the Executive for the contents of a draft business plan submitted to the Council for approval by Transport Initiatives Edinburgh (tie) for the financial year 2003/4. A further report reviewing overall financial performance of tie will be submitted to the Executive early in the new financial year.

2 Summary

- 2.1 tie is a private company wholly owned by the City of Edinburgh Council. The company assists the Council with the development, procurement, project management and implementation of certain nominated projects as determined by the Council and contained in the Integrated Transport Initiative .
- 2.2 The legal operating agreement between CEC and tie, identifies the requirement for an annual business plan which sets out the company's activities, costs and funding to be approved by the Council.
- 2.3 This report summarises the status of tie, the monitoring arrangements put in place and projects remitted to tie. Progress on these projects is described and staffing and accommodation 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).

- 3.2 With respect to 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.
- 3.3 **tie** has submitted a draft Business Plan for financial year 2003/04 (appendix 1). The plan also contains projections for 2004/05 based on the continuation of the programmes for the development of the ITI project. Internal **tie** costs are based on continuation of 2003/4 with allowance for anticipated cost increases. The major part of the budget relates to the development and promotion of tram routes and WEBS.
- 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. What has been included is an indication based on current information of some of the costs that are likely to accrue.

tie Monitoring

- 3.5 **tie** confirms its commitment to high standards of corporate governance in the Business Plan. To ensure these standards are maintained the Council has put several levels of monitoring in place. These include:
- a Elected member representation on the Board and on the Remuneration committee and other committees.
 - b The Council solicitor is the **tie** company secretary.
 - c The Company articles of association were drawn up by the Council Solicitor
 - d An Operational Agreement is in place between the Council and **tie**. That agreement includes specification of the arrangements for monitoring **tie**'s activity, which are centred on the Annual business plan and its quarterly reviews.
 - e Individual project agreements.
 - f The nomination of a Council officer to liaise with **tie**.

tie Projects

- 3.6 The Council has directed **tie** to progress 6 key projects from its Integrated Transport Initiative as listed below:
- a A system for Road User Charging. Following approval in principle from the Scottish Executive **tie** will undertake the next stages in development, taking forward statutory procedures including the preparation and publication of a Charging Order and associated Traffic Regulation Orders. Confirmation will be the subject of a separate referendum as previously agreed by the Council.
 - b Edinburgh Tram Line 1 (serving the city centre and north Edinburgh). **tie** will undertake a stage 2 transport assessment following the Scottish Transport Appraisal Guidance (STAG) procedures. Development work will also be undertaken to obtain powers to construct Tram Line 1 by promoting a Parliamentary Order.
 - c Edinburgh Tram Line 2 (serving west Edinburgh). **tie** will undertake a stage 2 transport assessment following the Scottish Transport Appraisal Guidance (STAG) procedures. Development work will also be undertaken to obtain powers to construct Tram Line 2 by promoting a Parliamentary Order.
 - d A recent bid by CEC to the Scottish Executive for funding of Tram Line 3 (serving the south east of the city) was successful, and the Council has been awarded a total of £3.5 million from the Integrated Transport Fund. **tie** have been recently actioned by the Council to develop and integrate this scheme with Lines 1 and 2. **tie** has included costs in their draft business plan to undertake this work.

- e West Edinburgh Busway Scheme (WEBS). **tie** will undertake development procurement and implementation of this project. Contracts for the design and build of the off road guideway sections of this scheme are in place and consultants are currently developing designs for the on street sections.
- f SESTRAN 'One-Ticket' travel ticket scheme. This project provides a travel ticket scheme throughout the SESTRAN area and its business plan requires a significant growth in ticket sales. **tie** will provide a full time marketing manager and appropriate administrative support. This will be funded through the One-Ticket company.

Progress to Date

Road User Charging

- 3.7 **tie** met the deadline for producing its report to the Council and the Scottish Executive of 30th September 2002. Following a Council decision on 17 October 2002 the report was formally submitted to the Scottish Executive who shortly before the end of the year granted Approval in Principle to the Council to proceed with the statutory process required to introduce a charging scheme. Trials have begun on number plate identification systems required to implement a cordon-charging scheme subject to future approvals.

Tram Lines 1 and 2

- 3.8 Consultants have been appointed for separate commissions for the development of professional engineering and environmental issues related to Tram Lines 1 and 2.
- 3.9 Joint commissions for Tram Lines 1 and 2 have been awarded for the provision of financial, legal and public relations/communications services.
- 3.10 Key tasks have mostly been completed in line with the project programme.

WEBS

- 3.11 Consultants have been appointed to provide professional engineering services and client support. Following a tender process a contractor has been appointed for the design and build contract for the off road guideway sections.

Public Transport Integration Issues

- 3.12 Integration of public transport is a key issue for the successful delivery of the Councils Integrated Transport Initiative. **tie** has instigated a number of initiatives to support this, some of which are still at an early stage of development. These include a transport operator forum, Transport Partnership Edinburgh: a stakeholder forum to build consensus with key sectors, and an agreement for **tie** to provide operational support to running the SESTRAN 'One Ticket' integrated ticketing scheme.

Staff and Accommodation

Chief Executive

- 3.13 An interim Chief Executive was appointed in May 2002 and it was expected that a permanent Chief Executive with similar curriculum vitae would be recruited before the end of 2002.

- 3.14 The **tie** board considered this matter and felt that due to the evolving role of **tie** and short term uncertainties, it would not be possible to recruit a permanent Chief Executive of the appropriate calibre at the end of the initial term of engagement of the current interim Chief Executive.
- 3.15 The board recommended extending this contract until the end of July 2003 on a 2 days per week basis with the objective of recruiting and appointing a permanent post holder thereafter.
- 3.16 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

- 3.17 A chart setting out the proposed medium-term operating structure is contained in the draft Business Plan. This makes provision for sixteen posts of which nine are currently filled, and it is proposed to fill a further three posts by April 2003.
- 3.18 It is anticipated that as **tie** expands a Finance/Business Director will be required to take overall responsibility for the financial management of the company. This post is scheduled to be filled during 2004/05.

New Office Accommodation

- 3.19 Initially **tie** occupied Council office accommodation. The company has now moved to serviced office accommodation at 91 Hanover Street, Edinburgh.

Costs

- 3.20 The Initial Business Case for **tie** assumed that the interim Chief Executive would be in post until September 2002, being replaced at that time by a permanent CE. The **tie** Board has concluded that recruitment of a permanent CE should be deferred till July 2003. This extended temporary post together with the conclusions of an independent review of comparative remuneration in the private sector have led to an increase in Chief Executive remuneration costs to £160,000 from the £103,000 assumed in report to Council of 2 May 2002.
- 3.21 A performance related staff bonus scheme has been introduced to partly compensate for differentials with private sector terms and conditions and partly to ensure that employees have a direct incentive for effective performance. This has led to an increase in staff costs of £68,000 in financial year 2003-04. The bonus scheme is centred on the achievement of key targets in the operation of **tie** and the achievement of specific project targets central to the success of **tie**. This is an evolving scheme and will be monitored closely to ensure its effectiveness. Project delivery staff are now being mainly drawn from the private sector.
- 3.22 The budget for staff training has increased from £12,000 to £24,000 in 2003-04 and £25,200 in the following year.

3.23 tie costs for years 2002-3 to 2004-5 inclusive are summarised below.

Summary of tie Costs and funding 2002-3 to 2004-5

	2002-3 £000	2003-4 £000	2004-5 £000	Total £000
Costs				
Congestion charging (RUC)-tie costs	996	1,053	803	2,850
Trams schemes	2,282	6,878	4,560	13,720
WEBS	832	5,801	3,267	9,900
One ticket		84	84	168
Total tie costs	4,110	13,816	8,714	26,638
tie Funding				
Congestion Charging (RUC)				
EU/SESTRAN/Private Sector	60	38	52	150
CEC CIP-S94 tie costs	0	212	0	212
CEC-CIP 2003-6 precluded bid	0	0	231	231
CEC-Spend to Save	343	182	0	525
CEC-CFCR	125	129	129	383
Scottish Executive RUC Match Funding	468	507	70	1,045
	996	1,068	482	2,546
WEBS				
PTF	1,000	4,093	1,500	6,593
Rail passenger partnership	0	220	0	220
S94 City of Edinburgh Council CIP	2,895	55	0	2,950
CIP 2003-6 precluded bid	68	0	69	137
	3,963	4,368	1,569	9,900
Tram Schemes				
ITF	3,725	5,453	4,541	13,719
	3,725	5,453	4,541	13,719
One Ticket	0	84	84	168
	0	84	84	168
Total available Funding	8,684	10,973	6,676	26,333
Funding shortfall	-4,574	2,842	2,037	305
Met by:				
CEC WEBS additional contrib - CIP adjustment	-3,130	1,431	1,699	0
CEC RUC additional contrib - CIP adjustment	0	-15	15	0
tie slippage in Trams	-1,443	1,424	19	0
SE additional match fund	0	0	305	305
Net shortfall	-1	2	-1	0

****Note: A request has been made to the Scottish Executive for the additional match funding shown.**

Summary of costs and funding for 2005/06

The business plan includes preliminary projections for costs which may be incurred in financial year 2005/06. This comprises a notional figure for external advisor costs of £0.5m for Road User Charging (which could perhaps attract funding support from Scottish Executive) The plan also assumes that external funding will become available for Tram lines 1 and 2 in their implementation stage, while development costs will be incurred for Tram line 3. The following summarises the costs initially anticipated for 2005/06

Project	External Funding	CEC Funding
Integrated Transport Initiative	£250,000	£250,000
Tram Lines 1 and 2	Full	Nil
Tram Line 3	£980,000	Nil
WEBS	Nil	Nil
tie internal costs	£550,000	£80,000

4 Financial Implications

- 4.1 There is no increase in **tie** funding requirements from the report to the Executive in May 2002. This conclusion is based on the draft business plan supplied for 2003-4 and 2004-5 and the **tie** projected out-turn for 2002-3 (from **tie** December monitoring).
- 4.2 As agreed by Council on 2 May 2002, **tie** total funding for 2003-4 and 2004-5 can be contained within the approved City Development CIP. This will require a substitution of £368k (precluded bids items per table 3.22) from projects within the CIP for 2003-6. This will be included in a separate report by the Director of City Development.
- 4.3 Additional funding from Scottish Executive for £305k for RUC, as reported in the May 2002 report, is required. Approval for this is outstanding. A request has also been made to the Scottish Executive for funding of 50% of **tie**'s client monitoring costs. The Scottish Executive are considering the request. In the meantime £80k per annum has been included in the CIP for 2003-6 for the financial years 2003-4 and 2004-5 to cover these costs.
- 4.4 The current revenue budget of £128,600 used to fund staff transferred to **tie** will continue to be used to fund **tie** costs after staffs have transferred to **tie**.
- 4.5 No detailed forecasts have been prepared for 2005/06. There is likely to be a major change in the work programme for **tie** after April 2005. The development stages of Tram lines 1 and 2 will be completed, and WEBS will be operational. The ITI project will have completed all approval stages and procurement of an implementing consortium will be in progress. Indicative figures have been included in the Business Plan but this will be reviewed next year in light of future developments.
- 4.6 The new business plan cost for WEBS include costs for the Southern Access Road Link which is funded by a £220k award from the Strategic Rail Authority through the Rail Passenger Partnership.

5 Conclusions

- 5.1 The establishment and first year of **tie** as an arms length company has proved a success. Continuing close partnership and implementation of the **tie** Business Plan should ensure a successful outcome for all **tie** projects.

6 Recommendations

- 6.1 To approve the **tie** Business Plan for the financial year 2003-04 – subject to any expenditure in excess of **tie** projected out-turn for 2002-03 (per **tie** monitoring report at 31 December 2002) being contained within the **tie** 2003-4 budget.
- 6.2 To note the detailed forecasts contained in the Business Plan for year 2004-05.
- 6.3 To note the summary of indicative costs for year 2005-06.
- 6.4 To note that the total **tie** funding for 2003-04 and 2004-05 can be contained within the approved City Development CIP as detailed in paragraph 4.2
- 6.5 To note that the revenue budget of £128,600 currently used to fund staff seconded to **tie** shall continue to be used to fund **tie** costs after the seconded staff have be transferred to **tie**
- 6.6 To instruct the Council's liaison officer to enter into discussions with **tie** with the objective of reducing **tie**'s cost base in future years thereby providing scope to lower the Council's **tie** funding requirements – particularly from the revenue budget.
- 6.7 To note the good progress on project delivery made by **tie** since May 2002.
- 6.8 To note the arrangements now in place for monitoring **tie** activities.
- 6.9 To note that the contract of the Interim Chief Executive has been extended until the end of July 2003 on a 2 day per week basis.
- 6.10 To note that a further report reviewing the overall financial performance of **tie** will be submitted to the Executive early in the financial year.
- 6.11 To note the introduction of a staff bonus scheme, which the liaison officer will closely monitor.

Andrew Holmes
Director of City Development

Contact/tel	Ewan D Kennedy / 0 [REDACTED] Lex Harrison / 0131 [REDACTED]
Wards affected	All Wards
Background Papers	Transport Initiatives Edinburgh Business Plan – 2003/04



AGENDA ITEM 4

Appointment of Auditor to the Company



Introduction

TIE's financial year end has been established as 31st March and the production of a Directors Report and audited Statutory Accounts will shortly be required. Consideration must therefore be given to the appointment of an external firm of Chartered Accountants who are registered to carry out audit work.

A letter and Audit Tender Document (Appendix I) was issued on 16th January and three small-medium sized Edinburgh firms were invited to tender for this work.

Meetings took place week commencing 27th January with representatives of two of the firms and further documentation was made available to each of the three firms.

Each firm submitted their tender, and supporting documentation, prior to the deadline of noon on Friday 7th February 2003.

Each tender was acknowledged and each firm informed that a paper would be prepared and submitted to our Board of Directors for their consideration.



Services Required

The services required are split into three sections:

- Year End Audit including liaison (where appropriate) with the external auditors of the City of Edinburgh Council.
- Assistance and/or Production of Year End statutory accounts and agreement of same with Inland Revenue.
- Year End Corporation Tax Computation and agreement of same with Inland Revenue.

Additional work may be required from time to time which will be subject to a separate commission.



Invitees

Firm: Chiene & Tait CA
Address: 61 Dublin Street
Edinburgh EH3 6NL

Telephone No.: 0131 558 5800
Fax No.: 0131 558 5899
Web-site: www.chiene.co.uk
Contact Name: Jeremy M Chittleburgh
Designation: Partner
E-mail address: Jeremy.Chittleburgh@Chiene.co.uk

Firm: Geoghegan & Co. CA
Address: 6 St Colme Street
Edinburgh EH3 6AD

Telephone No.: 0131 225 4681
Fax No.: 0131 220 1132
Web-site: www.geoghegans.co.uk
Contact Name: Mike Crerar
Designation: Partner
E-mail address: Mike@Geoghegans.co.uk

Firm: Johnston Smillie CA
Address: 22 Craigmount Avenue
Corstorphine
Edinburgh EH12 8HQ

Telephone No.: 0131 317 7377
Fax No.: 0131 317 7311
Web-site: www.Johnston-Smillie.co.uk
Contact Name: Ross McKay
Designation: Partner
E-mail address: Ross.McKay@Johnston-Smillie.co.uk



Submission Documentation

Chiene & Tait

“The name of Chiene & Tait is an enduring sign of quality. Founded in 1885, today we are one of the largest independent accountancy firms in Edinburgh and, indeed, Scotland. Over the years our specialist services and high standards have won the respect of our clients and professional peers alike. Chiene & Tait offer an extensive range of personal, business and advisory services which we have developed to help look after your best interests. In addition to accounting, we provide auditing, taxation, corporate finance, business support and financial planning services.”

This is an extract from their corporate brochure which also included recent client alerts on the Data Protection Act, The Role of the Audit Committee, Corporate Governance in Private Companies, Company Secretarial-Filing Requirements and FRS19 Deferred tax.

Reference and quotation extracts from their 12 page “Tender for External Audit and Corporate Taxation Services” report are detailed later in this document.

Geoghegan & Co.

“Over the past eight decades Geoghegan has become established as one of Scotland’s leading independent firms of accountants. We attribute this success to our continuing belief that true value is delivered only by harnessing the best facets of both old and new. The old because the truly traditional values of services and quality are fundamental to satisfying client needs. The new because modern technology and progressive thinking provide a positive environment where services can be delivered quickly and efficiently. Geoghegans belief in these values is summed up in our commitment to deliver more. More in terms of expertise, more in terms of services and more in terms of quality. In the simplest terms it means delivering a service that exceeds expectations.”

This is an extract from their 8 page “Proposal for the Provision of Audit and Related Services” report.

Reference and quotation extracts from this report are detailed later in this document.



Johnston Smillie

“Johnston Smillie is a medium sized four Partner independent CA practice, having been in existence for in excess of 100 years. As might be expected, the client base is wide-ranging and varied, extending from sole proprietor businesses and personal Tax Return work through a variety of professional Partnerships to the audit of Limited liability companies. Charities and related entities are additionally well represented within this client base”.

This is an extract from their 3 page “Audit /Accountancy Tender” report.

Reference and quotation extracts from this report are detailed later in this document.



Client References

Chiene & Tait

Client Name: Kilmartin Group
Address: 11 Glenfinlas Street
Edinburgh EH3 6AQ

Contact Name: Neil McGuinness
Designation: Finance Director

Client Name: Waterfront Edinburgh Ltd
Address: Madelvic House
Granton Park Avenue
Edinburgh EH5 1HS

Contact Name: Rankin Laing
Designation: Head of Finance

Geoghegan & Co.

Client Name: Edinburgh & Lothian Tourist Board
Address:

Contact Name: Brian Robson (473 3600)
Designation: Finance Director

Client Name: Edinburgh World Heritage Trust
Address:

Contact Name: Richard Griffith (220 7720)
Designation: Director



Johnston Smillie

Client Name: Rock Steady Security Ltd
Address: 93 Constitution Street
Edinburgh EH6 7EE

Contact Name: Mark Hamilton
Designation:

Client Name: David Flatman Ltd t/a Bargain Books/Bookworld
Address: 36 West Shore Road
Edinburgh EH5 1QD

Contact Name: Robert Flatman
Designation:



Quotations

Chiene & Tait

Audit

Year End 31 st March 2003	£5,750
Year End 31 st March 2004	£6,000-£8,000
Year End 31 st March 2005	£6,000-£8,000

Production of Statutory Accounts

Year End 31 st March 2003	£1,250
Year End 31 st March 2004	£750
Year End 31 st March 2005	£750

Taxation

Year End 31 st March 2003	£750
Year End 31 st March 2004	£775
Year End 31 st March 2005	£800

Geoghegan & Co.

Year End 31 st March 2003	£2,000
Year End 31 st March 2004	As above + RPI
Year End 31 st March 2005	As above + RPI

Production of Statutory Accounts

Year End 31 st March 2003	£400
Year End 31 st March 2004	As above + RPI
Year End 31 st March 2005	As above + RPI

Taxation

Year End 31 st March 2003	£400
Year End 31 st March 2004	As above + RPI
Year End 31 st March 2005	As above + RPI



Johnston Smillie

Audit

Year End 31 st March 2003	£5,500
Year End 31 st March 2004	£7,000
Year End 31 st March 2005	£6,500

Production of Statutory Accounts

Year End 31 st March 2003	£750
Year End 31 st March 2004	£800
Year End 31 st March 2005	£850

Taxation

Year End 31 st March 2003	£250
Year End 31 st March 2004	£275
Year End 31 st March 2005	£300



Summary

Geoghegan & Co have provided the most economically advantageous tender (Appendix II) for audit, production of statutory accounts and taxation. They should be awarded a three year contract on that basis.



APPENDIX I AUDIT TENDER DOCUMENT



1. Introduction

tie was registered at Companies House in April 2002 and the first formal board meeting took place on 3rd May 2002. The Company is a private limited company with a share capital of £1,000 and is wholly owned by the City of Edinburgh Council. The objects of the company include “to promote, support and/or effect the development, procurement and implementation of projects defined or referred to in an integrated transport strategy as determined and reviewed from time to time by The City of Edinburgh Council.”

In effect this requires the company to:-

- Develop, finance and procure certain major transport schemes identified in the Local Transport Strategy of the Council.
- Develop the business case for congestion charging for submission to the City Council and The Scottish Executive and, on approval of that business case, to procure the implementation and operation of the scheme.
- Manage the finances arising from congestion charging and to invest these, along with other sources of public and private funding, to deliver additional transport infrastructure improvement.

A detailed legal agreement exists between **tie** and CEC. It is this agreement which, among other things, requires **tie** to submit a business plan in draft to the Council by 31st December each year to cover the next financial year and project future years. The financial year starts 1st April and ends 31st March each year.

The company structure involves a board of seven non-executive directors, four from the private sector including the chairman and three from the City of Edinburgh Council. At present the company is staffed by a mixture of staff seconded from the Council, direct employees of **tie** and staff seconded to the company. It is intended to rationalise this situation before the start of financial year 2003/4.



2. Objectives of tie

tie is seen as a key element in improving the quality of public transport in the city and its surroundings through effective delivery of schemes identified in the Local Transport Strategy. The Local Transport Strategy (2000) set out the following vision for transport in Edinburgh.

“Edinburgh aspires to be a city with a transport system that is accessible to all and serves all. Edinburgh’s transport system should contribute to better health, safety and quality of life, with particular consideration for vulnerable people such as children, and elderly and disabled people; it should be a true Citizen’s Network. The transport system should support a strong sustainable local economy.”

“The Council will seek to maximise people’s ability to meet their day to day needs within short distances that can easily be undertaken without the need to use a car. The city should develop and grow in a form that reduces the need to travel longer distances, especially by car. Choice should be available for all journeys within the city.”

The City has one of the fastest growing economies of any major city in the country and as a consequence is facing the prospect of significant expansion in employment and housing. Population within the City is forecast to increase by 12,000 with employment projected to grow by 24,000 in the period to 2011. For the Lothian’s as a whole, population is forecast to increase by over 30,000 in the same period and approximately 20% of the City’s workforce comes from outwith the City boundaries.

In order to cope with this projected expansion a number of transport schemes have been identified in the Local Transport Strategy. Some of these schemes would take place outside the City limits within the wider SESTRAN area.

This has been refined to a total of 52 schemes included in the **tie** report to the Council dated 30th September 2002. Accordingly there is a major task to be performed to procure and deliver these schemes, some of which will be achieved through a traditional procurement route and some through a public/private partnership or joint venture approach.

The time-scale for delivery of these schemes will range over some 10 to 15 years and it is likely that new schemes will emerge during this period which requires to be implemented. It is intended that **tie** would



provide the procurement, project management and finance management capability to take forward a number of these projects. The projects to be delivered by **tie** will be agreed with the Council, and will focus in particular on the major schemes in the programme.

A second major element of work for **tie** is the development of the proposed congestion charging scheme business case, procurement strategy, implementation and funds management. The core team that has transferred from the City Development Department to **tie** has led the development of the charging scheme to date. Securing the approval of the Scottish Executive to the establishment of the charging scheme will be predicated on the hypothecation of revenues from charging for reinvestment in transport improvements; namely those schemes identified in the Local Transport Strategy. Introduction of a charging scheme could occur in 2006; subject to the necessary local and national approvals being granted.

tie is seen as a means of addressing these development and resourcing issues by way of the establishment of a dedicated project management and procurement resource for these projects.

tie's key tasks will be as follows:-

- Procurement
- Project management
- Finance management

tie is not responsible for the strategic direction or key transport policy matters nor decisions on the level of charge to be applied. These issues remain within the control of the Council or, for those policy issues relating to their own geographical area, the neighbouring Councils.

It is not intended that **tie** replaces or duplicates the work currently undertaken by the City Development Transport Function.

A third area of activity for **tie** is to take responsibility for the further development and ongoing management of the "one-ticket" scheme which is a travel ticket scheme covering the whole of the SESTRAN area. The scheme is currently administered through a joint public/private company "SESTRAN Travel Tickets Limited" with the implementation managed through a joint SESTRAN/operators group and Scottish Executive finances managed by East Lothian Council. From 1st April 2003, it is proposed that **tie** take responsibility for the scheme.



3. Company Structure

The company currently has 12 full time staff working at its serviced office in Hanover Street. Further appointments are likely to be made bringing the compliment up to a maximum of 14 in the short term.

All staff are provided with a desktop PC and software with network access to printers, e-mail and Internet access through a local area network.

The accounts package was installed as a stand alone system, with potential to be networked, by Castle Computer Services. The package is SUN Accounts version 4.2.6 which is published by Systems Union. The suite of software includes Sales, Purchase and Nominal Ledgers. It does not include a Fixed Asset Register or Payroll. Payroll is out-sourced. SUN interacts with a package called Vision for SunSystems which offers greater flexibility of output. This package is compatible with MS Excel.

The Accounting system is the responsibility of Stuart Lockhart (Finance Manager).

4. Services Required

The services required are split into three sections:

- Year End Audit including liaison (where appropriate) with the external auditors of the City of Edinburgh Council.
- Assistance and/or Production of Year End statutory accounts and agreement of same with Inland Revenue.
- Year End Corporation Tax Computation and agreement of same with Inland Revenue.

Additional work may be required from time to time which will be subject to a separate commission.



5. Appointment Process

A proposal will be sought from a maximum of three Edinburgh based firms of Chartered Accountants. The proposal should contain details of existing small company clients who can be approached for references. A fixed price fee should be provided for each section of work and will be applicable for work pertaining to years ending 31st March 2003, 2004 and 2005.

Each proposal should be submitted by noon on Friday 7th February 2003. The proposals will be assessed and the one deemed most economically advantageous will be recommended for acceptance. It is expected that an appointment will be made shortly afterwards but the company reserves the right not to accept any of the proposals.

6. Confidentiality

This document, and enclosures, is strictly confidential. It may be legally privileged, and is intended solely for the use of the individual or entity to whom it is addressed.

7. Contact Information

Further information on this commission can be obtained from the undernoted. The proposal document should be marked for the attention of:

Stuart J Lockhart
Finance Manager
Transport Initiatives Edinburgh Limited
91 Hanover Street
Edinburgh EH2 1DJ

Direct Dial: 0131 [REDACTED]
E-mail: Stuart.Lockhart@TIEdinburgh.co.uk



APPENDIX II

RECOMMENDED SUBMISSION

PROPOSAL FOR THE PROVISION
OF
AUDIT AND RELATED SERVICES

TRANSPORT INITIATIVES EDINBURGH LIMITED

PROPOSAL FOR THE PROVISION OF AUDIT AND RELATED SERVICES

TRANSPORT INITIATIVES EDINBURGH LIMITED

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- A Proposal Summary
- B Geoghegan & Co
- C Approach and Method
- D Fee Proposal

Appendix

- 1. Partner and Staff
- 2. Timetable
- 3. References

PROPOSAL FOR THE PROVISION OF AUDIT AND RELATED SERVICES

TRANSPORT INITIATIVES EDINBURGH LIMITED

Proposal Summary

Geoghegan & Co

- An established firm and one of Scotland's leading independent firms of Chartered Accountants.
- Current experience in working with Local Authority funded organisations.
- Resources and expertise to meet your current and future needs.
- Structured to provide a competitive and value for money service.

Approach and Method

- Providing worthwhile advice and ideas in a helpful manner.
- Robust procedures to maximise audit assurance for Directors and Stakeholders.
- Working in a flexible but efficient manner to ensure reporting deadlines are met.

Fee Proposal

- | | |
|--|---------|
| • Statutory audit of accounts | £ 2,000 |
| • Assistance with the production of the statutory accounts | £ 400 |
| • Corporation Tax Return completion | £ 400 |

Subject to increase of RPI in years 2 and 3.

Geoghegan & Co

5 February 2003

PROPOSAL FOR THE PROVISION OF AUDIT AND RELATED SERVICES

TRANSPORT INITIATIVES EDINBURGH LIMITED

Geoghegan & Co

(a) *Firms Philosophy and History*

Over the past eight decades Geoghegans has become established as one of Scotland's leading independent firms of accountants. We attribute this success to our continuing belief that true value is delivered only by harnessing the best facets of both old and new. The old because the truly traditional values of service and quality are fundamental to satisfying clients needs. The new because modern technology and progressive thinking provide a positive environment where services can be delivered quickly and efficiently. Geoghegans belief in these values is summed up in our commitment to deliver more. More in terms of expertise, more in terms of services and more in terms of quality. In the simplest terms it means delivering a service that exceeds expectations.

With seven partners supported by an experienced team of staff there is a breadth of experience and depth of resource to meet the varying needs of our clients while still providing the personalised service that really matters.

(b) *Experience*

The firm has extensive experience in providing audit and other professional services to commercial and "not for profit" organisations and is therefore well placed to understand the company's operations and requirements. This will enable a more effective direction of audit effort and advice.

In particular among our many clients are the following organisations which are predominantly centrally funded:

Edinburgh & Lothians Tourist Board
Edinburgh World Heritage Trust
Scottish Conveyancing and Executry Services Board

The firm is also a member of ACUMET, a UK Network of independent accounting firms which provides additional technical and professional support to assist in maintaining high technical and service standards.

PROPOSAL FOR THE PROVISION OF AUDIT AND RELATED SERVICES

TRANSPORT INITIATIVES EDINBURGH LIMITED

Approach and Method

Our client service approach would be based on building on our knowledge of the company's activities in order to provide an efficient and comprehensive service.

Audit Services

Our audit approach and method would involve the following stages:

- *Development of the Overall Audit Strategy*

We would carry out a detailed review of the company's activities and accounting procedures and controls. Based on this, an assessment of risk would be developed to assist in directing audit effort into the key areas identified. Our audit would then be tailored to address these key areas. This approach allows us not only to efficiently carry out the audit but also allows us to focus on the areas that are critical to the company's operations.

It is anticipated that in the first year of appointment there will be additional work required in reviewing and recording the systems and controls. The cost of this and other set-up work would be absorbed within our charging structure.

- *Fieldwork and Review*

Our audit fieldwork would be carried out based on the above strategy and would focus on balance sheet and systems testing, combined with analytical review. This fieldwork will be fully supervised and reviewed. At the end of the audit the accounts will be reviewed analytically for reasonableness and compliance of the appropriate legislation and accounting standards.

- *Reporting*

In addition to the formal audit report we would report to the Directors with any recommendations for improvements, identified from our audit procedures, in relation to the accounting systems and controls.

PROPOSAL FOR THE PROVISION OF AUDIT AND RELATED SERVICES

TRANSPORT INITIATIVES EDINBURGH LIMITED

Approach and Method (Continued)

Taxation Services

- *Corporation Tax Compliance*

The accounts information relevant to the company's tax position would be reviewed and checked at the time of our audit. This information will then be collated to prepare the company's corporation tax return and to correctly calculate the corporation tax position. These aspects are particularly important under the corporation tax self-assessment regime.

- *Minimising Taxes*

In conjunction with our tax compliance procedures a review would be undertaken to assist the company in taking advantage of any tax opportunities arising.

Accountancy Services

- Assistance with the production of the year end statutory accounts including advice on the necessary disclosure requirements under the Companies Act 1985 and UK GAAP. A number of changes may arise following the current company law review and the introduction of international accounting standards.

Value Added Services

In all aspects of our service provision we aim to develop close working relationships with our clients and therefore you should find us approachable, available and easy to work with.

We produce a quarterly client newsletter which includes issues relevant to clients and we have a website (www.geoghegans.co.uk) which in addition to providing details about the firm, our partners and services, includes news updates and links to relevant web sites such as the DTI and the Inland Revenue. Through these mediums and direct contact changes in legislation or new opportunities are communicated to our clients. For example we have been advising our corporate clients about the new FRS17 requirements referring to pension costs.

A full range of services can be provided with some examples as follows:

- (a) *Systems and Risk Management*

Help with risk management and system reviews.

- (b) *VAT Consultancy*

Our specialist VAT consultant can advise on more complex areas such as partial exemption recovery and the VAT reliefs available.

- (c) *Payroll Services*

As well as providing advice on a range of payroll issues (e.g. family tax credits, benefits, etc) we can provide a full payroll bureau service.

- (d) *Company Secretarial Services*

Currently carried out by the Council but we could provide assistance with a company secretarial compliance service.

PROPOSAL FOR THE PROVISION OF AUDIT AND RELATED SERVICES

TRANSPORT INITIATIVES EDINBURGH LIMITED

Fee Proposal

Our fees are based on the level of skill and responsibility involved as well as time necessarily spent on the work. Following discussions with Stuart Lockhart and based on our initial assessment of the company we quote the following level of fees for the provision of audit and related services for the year ended 31 March 2003. Assuming there are no significant changes in the organisation or level of activities from that detailed in the business plan the expected fees for the year ended 31 March 2004 and 2005 would be as for the current year quoted plus any RPI inflationary increase.

Statutory Audit of Accounts:

- Planning, fieldwork, review and reporting £ 2,000

Accounting Assistance

- Assistance with production of the statutory accounts £ 400

Corporation Tax Compliance:

- Preparation of Company Tax Return and supporting computation £ 400

These fees quoted exclude VAT.

These fees are quoted on the basis that complete and accurate accounts are presented for audit with full supporting working papers. As part of our audit planning procedures we would agree with Stuart Lockhart our specific information requirements. In addition you have assured us that the various accounting records are in good order and appropriate financial controls in place.

If specific additional work is requested we would agree the scope of this work and the relevant fee in advance of carrying out any work. Minor general queries are responded to free of charge.

PROPOSAL FOR THE PROVISION OF AUDIT AND RELATED SERVICES

TRANSPORT INITIATIVES EDINBURGH LIMITED

1 Partner and Staff Profiles

The planned team is as follows:

Audit Partner - Mike Crerar, Bcom, CA

Geoghegan partner for over 16 years having originally trained and worked with Ernst and Whinney (now Ernst & Young). He has specialist expertise in auditing and is head of the firm's audit quality control committee. Responsible for a large number of audit clients including the Edinburgh & Lothians Tourist Board.

Audit Senior

A senior member of our team of qualified chartered accountants with relevant technical and practical experience will be selected as part of the audit team.

Audit Assistants

A trainee Chartered Accountant with suitable experience will be selected as part of the audit team.

Subject to unforeseen circumstances, it is the intention that the selected staff will be involved in the audit on an ongoing basis. If there are any changes, the replacement staff will be of a similar training standard.

The firm is an equal opportunities employer, makes no distinction on account of sex, race, creed, or social persuasion and makes every feasible arrangement to ensure disabled persons are given full and fair consideration for employment.

2 Timetable

The following is the general timetable to meet your reporting requirements but is obviously subject to detailed agreement with yourselves:

March	Preliminary planning and review of activities and systems. This phase will include a planning meeting to discuss any anticipated audit and accounts issues and other relevant issues.
31 March	Year end.
Late April/Early May	Audit fieldwork carried out.
Late May	Completion meeting, reporting and management letter.
End of May	Final approval and signing of accounts by Directors.

3 Referees

Brian Robson – Finance Director, Edinburgh & Lothian Tourist Board (4 [REDACTED])
 Richard Griffith – Director, Edinburgh World Heritage Trust ([REDACTED])



AGENDA ITEM 5

**Progress Report on Projects and
Technical Issues for
Consideration and Approval
(See Separate Report)**



AGENDA ITEM 6

Next Steps in
(a) Tram Procurement
(b) Public Relations

INDICATIVE PROGRAMME FOR EOI

- A. The indicative programme put forward for discussion at the procurement workshop on February 26th set out a draft timetable for the selection and appointment of a tram operator prior to the passage of enabling legislation through the Scottish Private Bill process. Its objective is to achieve EOI to support the development of Edinburgh Tram in advance of projected commencement in May 2004 of the parliamentary committee stage. The draft programme presented a sequence and timing based on experience of procurement on other large infrastructure projects. Discussion indicated a broad acceptance of the sequencing but concern over the time allocated to finalise contract award, post Best and Final Offers and the selection of a preferred candidate. This is addressed by the recommendation in Section B below.

The rationale behind each programme stage is in brief:

1. **Market testing and Prior Information Notice ('PIN') - estimate 8 weeks**

EOI entails the selection of a tram operator as a partner in development phase of Edinburgh Trams with a view to a contractual relationship extending through implementation, commissioning and a medium term operating franchise. This is a novel procurement concept for the light rail sector. It is expected that major transport sector providers will respond favourably to the project. **tie** wishes to equip itself with improved insight into the commercial expectations and technical capabilities of likely interested parties. The PIN process (see C) below provides a recognised formal methodology for market appetite and capacity testing. This exercise can be effectively complimented by accompanying concerted and coordinated more informal market sounding¹. This combination should best capture the benefit and engagement from that response, as well as garnering information on competent and experienced transport operators' attitude towards the design and substance of the contractual relationship and **tie's** emerging requirements for service delivery.

2. **Preparation for and issue of OJEC - estimate 6 weeks**

The OJEC notice to commence procurement is published in the Official Journal of the European Community and will formally invite expressions of interest. The OJEC Notice content in terms of the definition of the project and services, their expected characteristics with degree of flexibility about the contracting authority's requirements is very important since this step creates the framework of necessary public information and statement of intent and to best protect **tie** from risk of challenges under the relevant procurement rules.

¹ See however Section C on management of the process

3. Pre-qualification and issue of Invitation to Negotiate – estimate 12 weeks

This phase involves the evaluation of the returned expressions of interest and selection of pre-qualified candidates who will receive an ITN package. The preparation of the ITN package (e.g. technical, financial and commercial specifications and requirements, project information memorandum and data, bid rules, evaluation criteria and contract documentation) to be provided to parties expressing interest will be an intense, complex and vital task. The challenge to the combined resources of the Lines One, Two and Three project teams should not be underestimated.

4. Tender Phase - estimate 8 weeks

Tenders will be submitted on an appointed date and assessed in accordance with the pre-set bid evaluation criteria communicated in the ITN document. The evaluation period may also need to include time for clarification meetings with bidders. Bidders' ability to respond clearly and competitively will be impacted by the quality of the package against which they must tender. tie should be prepared to be asked to cover losing bidder costs .

5. Select final two competing parties (BAFO Phase) - estimate 14 weeks

This process will assist in maintaining competitive tension for as long as possible until contract award. Following clarifications, parties will be given a period a time in which to prepare their refined Best and Final Offers.

6. Contract finalisation - estimate 12 weeks

This period allows time necessary to chose and complete negotiation with the winning bidder.

7. Contract Award - April 2004

The contract award in this instance may not initially involve the provision of committed private sector financing, hence no allowance is made for a period following contract award to achieve financial close.

B Recommendation

To address the concerns at A above, it is proposed that the indicative programme procuring EOI be adjusted to show contract award in Jan 2004 by telescoping selection of two final competing

parties, representation of Best and Final Offers and the contract finalisation into an **twelve week** period following submission of tenders, currently shown at 31 October 2003.

It is not recommended that the PIN/market testing, OJEC and pre-qualification, ITN or tender phases of the proposed EOI procurement timetable are compressed. Preparation of a mature and comprehensive project description, contractual documentation backed by a fully developed set of technical, financial and commercial requirements is cardinal, as is sufficient time for tenderers to formulate meaningful, robust and durable solutions within their bids. Poorly prepared, unresponsive or heavily qualified bids will absorb time and cost and arrest critical momentum. It should be noted that shortening the timetable shown after bid submission would create pressure on the process of bid evaluation, in turn hazarding flaws/inadequacies being concealed because of insufficient time to clarify or interrogate bidder assumptions.

Too aggressive a timetable jeopardises the necessary balance between (a) delivering a EOI procurement programme protecting against bidder leverage on **tie** because of the commercial imperative to have a tram operator in the project team by latest end Q2 2004 and (b) the need for measured due diligence and solid preparation to give the optimum end product: a long term contractual relationship containing proper risk and reward delineation, incentives to grow the tram businesses and which is capable of responding to **tie**'s and the ITI's key requirements in a flexible, cost efficient and highly durable way over a possible 25 year term. The programme should be managed prudently to prevent drift or slippage but lockstep with the Private Bill timetable should not be the sole driver.

C. **Market testing and PIN**

As a matter of law, it is unclear precisely what is and what is not allowed in relation to pre-OJEC discussions. Inevitably, the holding of such discussions does entail some degree of risk. The conservative view is that no such discussions should be held because they could compromise fairness by, for example, alerting certain providers to a forthcoming procurement; the better view is that discussions should be permitted within certain clear parameters and subject to particular safeguards and limitations. The basic premise of EU Directives is that **tie** can seek advice to improve the procurement competition. However, that consultation must not compromise a fair and transparent competition held subsequently in line with the other fundamental Community Law requirements of non-discrimination on grounds of nationality², equality of treatment and objectivity. If material information were released to potential providers in pre-OJEC discussions, **tie** would need take steps to redress any real or perceived imbalance by making that information available to all participants in any subsequent procurement process.

² Hence the desirability of having non-UK providers involved

Some procuring authorities use the publication of a Prior Information Notice ("PIN") to invite interested parties to come forward and enter into pre-OJEC discussions. This course of action does have the advantages of transparency and of alerting all potential providers to the likelihood of future procurement. The main issue will be how to select serious interlocutors in a wholly objective way. Thus, the PIN would be published indication of tie's intent that a public services concession contract will be put to competition. It would contain basic description of the tram project and services and carry no obligation on tie to proceed and no commitment to engage responding parties. In order to maintain a level playing field, it should be possible to devise a questionnaire to facilitate comparison/analysis of responses on core issues. The information gathered will be part of the toolkit to align tie's requirements and the ITN realistically and methodically with market configuration/capability/interest. It should also serve to give early warning of potentially unmanageable or difficult issues.

Transport Operators in United Kingdom

Operator	System	Other Interested parties	Web Address	Contacts
Serco	Manchester Metrolink Phase 1&2 Short-listed for new Manchester Franchise Docklands Light Railway Copenhagen Metro (with Arriva)	GMPTE DLRL (Transport for London)	www.serco.com	Serco Group plc Dolphin House Windmill Road Sunbury-on-Thames Middlesex TW16 7HT 01932 755900
Transdev	Nottingham (from late 2003) One of the short-listed bidders (with Arriva) for Leeds Supertram	Nottingham City Council Arrow Consortium Carillion Bombardier West Yorkshire PTE	www.transdev.fr	l'atrium 6 Place Abel Gance 92652 Boulogne Billancourt France +33 1 46 94 48 11
Stagecoach	Sheffield Supertram	South Yorkshire PTE	www.stagecoachplc.com	Stagecoach Holdings plc Group Headquarters 10 Dunkeld Road, Perth
First Group	Croydon Tramlink One of the short-listed bidders for Leeds Supertram	Transport for London Tramtrack Croydon Ltd.- Amey Sir Robert McAlpine Bombardier West Yorkshire PTE	www.firstgroup.com	First 395 King Street Aberdeen AB24 5RT 01224 650100
National Express as TRAVEL MIDLANDS EXPRESS	Midland Metro	Centro Altram consortia :- Ansaldo Transporti John Lang	www.nationalexpressgroup www.travelmetro.co/uk	National Express Group PLC 75 Davies Street London W1K 5HT 0207 529 2000
Arriva	Short-listed for Leeds Supertram (with Transdev) Copenhagen Metro (with Serco)	West Yorkshire PTE	www.arriva.co.uk	
CGEA Connex subsidiary of Vivendi Environment SA	Dublin LRT		www.connex.co.uk	CGEA Connex Connex siège social 169, av. Georges Clémenceau 92735 Nanterre cedex

list transport operators