
From: Richard Jeffrey
Sent: 10 May 2011 17:28
To: Gregor Roberts
Subject: RE: MOV4 & Payments made to the Infraco - Governance

Gregor, thanks for your e-mail.

You raise a number of questions and points, I address them in order below.

First bullet point

The board approved the move to mediation, and empowered us to do the best deal we could at mediation. The strategy during the mediation process evolved very quickly, and was led by Sue Bruce, CEO of CEC. It is fair to say that there were mixed views expressed, and there was not necessarily consensus on the way forward, but Sue Bruce, rightly in my view, exercised her authority as CEO of CEC, our shareholder, and a deal was reached. This resulted in a non-binding head of terms, which it is intended will be converted into binding amendments to the infraCo contract, MoV4 covering prioritised works, and MoV5, covering the completion as far as St Andrew Square/York Place.

I am satisfied that all of the above was within the authority delegated to the management team by the TPB.

Since mediation, work has progressed (led by CEC) on producing MoV 4, which is now in its final form, but not signed. I believe that, under normal circumstances, MoV 4 should be scrutinised and debated by the TPB. However, given the particular circumstances, and as the TPB is not authorised to sign MoV4 without approval from the shareholder, the shareholder has taken the view that MoV 4 should be presented to the Council for approval without being scrutinised by the TPB. I have requested that the CEC paper reflects this. I am satisfied that the management have made our views on MoV 4 known to the authors of the Council paper. I have also shared these thoughts with our non-execs, although I appreciate that does not formally constitute a board meeting. I have agreed with Vic that we will note at tomorrow's TPB the current situation.

Second bullet point

I agree, and this has been notified to CEC. At a meeting on 28th April CEC informed me that, despite this, they are happy to accept the valuation certificate HG1, prepared by Colin Smith

Third Bullet point

Agreed, and my response is as above

Fourth bullet point

I think the piece of work I asked you to undertake yesterday covers this.

Final bullet point

I am satisfied that I have kept CEC fully informed of our views throughout this process.

I trust this clarifies matters for you, but if have any remaining concerns please raise them with me.

Regards

Richard

From: Gregor Roberts
Sent: 10 May 2011 17:18
To: Richard Jeffrey
Subject: MOV4 & Payments made to the Infraco - Governance
Importance: High

Dear Richard,

MOV4 & Payments made to the Infraco - Governance

I am writing to you as Finance Director of **tie** Limited in relation to a minute of variation to the Infraco contract (MOV4) and a payment of £27.0m (+VAT) which was made to the Infraco whilst I was on annual leave (from Friday 15th April to Tuesday 3rd May 2011).

My note to you yesterday (e-mail 09/05/2011 14:50) detailed the key correspondence which took place in the run up to making payment Hg1 under MOV4. I believe that the note highlights a number of potential issues which require to be discussed with the Directors of the company to ensure that we are satisfied that the correct processes and procedures have been followed in making this payment. In addition to those principal issues raised by Steven Bell in his report on MOV4 dated 20/05/2011 (20:32), my own key concerns/ queries are noted below:

- The draft MOV4 was agreed in principle between CEC and BB+S on 16th April 2011. This reflects a significant change in strategy for **tie** Ltd in our engagement with the contractor. Should this significant change in strategy have been approved at board level prior to agreement and implementation?
- The valuation attached to the payment schedule is not supported by our own commercial analysis.
- The payment referred to above was made in advance of the Minute of variation (MOV4) being signed off.
- What was the governance process followed to Certify and make the £27m payment?
- Are we satisfied that all key stakeholders were kept informed of the risks associated with making this payment?

Yours sincerely

Gregor Roberts
Finance Director

Gregor Roberts
Finance Director

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