

1. **Grant to Edinburgh Trams Project** – Transport Scotland makes a capped contribution to the costs of the Edinburgh trams project, with payments made via City of Edinburgh Council (CEC). In previous years we have monitored and commented on the prepayment of funding and note that the prepayment by Transport Scotland remains high. We also note that in June 2010 CEC indicated that it was unlikely that they would be able to complete the project as intended within the agreed funding. This triggered a breach of the terms of the conditions under which the grant funding was made. We understand that options as how to proceed are under consideration by CEC and by Scottish Ministers. Depending on the timing and outcome of any decisions, there may be merit in disclosures within the annual report and accounts, possibly as an event after the financial reporting period.

**Resolution:** We will continue to liaise with Transport Scotland and with colleagues in Audit Scotland who audit CEC and our Performance Audit Group to monitor the impact of developments.