

## Tram Spend to Date - Feb 2010

£m	Cum Mar 08	08/09	09/10	Cum Feb 10
Infrastructure - BB/S	22.3	31.3	33.6	87.2
Infrastructure – Other	5.7	1.5	8.2	15.3
Vehicles – CAF	2.7	12.6	22.5	37.8
Utilities (Incl MUDFA)	18.4	33.4	10.5	62.2
Design (SDS)	21.4	4.7	2.0	28.1
Resource costs	35.7	13.8	12.1	61.6
Other Costs (incl land)	23.9	3.6	2.6	30.2
<b>Phase 1a</b>	<b>130.1</b>	<b>101.0</b>	<b>91.4</b>	<b>322.5</b>
Phase1b	3.0	-	3.2	6.2
<b>Total Costs</b>	<b>133.1</b>	<b>101.0</b>	<b>94.6</b>	<b>328.7</b>

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- Expenditure to date is £328.7m including £6.2m on Phase 1b
- Of the total £84m (25%) relates to Bilfinger and Siemens – CAF shown separately
- Mobilisation payments to BB, S and CAF in aggregate £22m were booked as expenditure in year to March 08 (even though contract wasn't signed till May 08!)

## Tram Approved Budget Status - Feb 2010

£m	Spend to Feb 2010	Finan'l Close Budget	Transfers	Risk Drawn	Approved Budget Feb 2010
Infrastructure - BB/S	87.2	236.7	1.8	6.4	244.9
Infrastructure - Other	15.3	10.6	2.7	3.8	17.1
Vehicles - CAF	37.8	58.2	-	0.3	58.5
Utilities (incl MUDFA)	62.2	48.4	(5.3)	13.0	56.1
Design (SDS)	28.1	26.9	-	2.0	28.9
Resource costs	61.6	68.3	0.4	2.8	71.5
Other Costs (incl land)	30.2	32.6	0.4	0.8	33.8
<b>Base Costs</b>	<b>322.5</b>	<b>481.7</b>	<b>-</b>	<b>29.1</b>	<b>510.8</b>
Risk Allowance (separate slide)	-	30.3	-	(29.1)	1.2
<b>Phase1a</b>	<b>322.5</b>	<b>512.0</b>	<b>-</b>	<b>-</b>	<b>512.0</b>
<b>Phase1b</b>	<b>6.2</b>	<b>-</b>	<b>-</b>	<b>6.2</b>	<b>6.2</b>

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- Since financial close in May 2008 we have processed Risk Drawdowns against the original risk allowance aggregating £29.1m
- This means there is just £1.2m left from the original risk allowance of £30.3m included in the £512m budget at financial close.
- These drawdowns have been reported to the TPB each period and have been specifically approved by the TPB where the value or nature of the change has been outwith the delegated authority of the Tram Project Director

## Risk Allowance Status – Feb 2010

£m	Finan'l Close	Risk Drawn	Balance Feb 10
Delay, Disruption & Acceleration	5.5	-	5.5
VE Deliverability	2.0	-	2.0
Ground conditions	3.4	(3.3)	0.1
Road reconstruction	1.5	(1.5)	-
Other Infraco	4.9	(3.3)	1.6
Design Development & Alignment	-	(1.7)	(1.7)
Princes Street	-	-	-
Burnside road	-	(1.5)	(1.5)
<b>Total Infraco</b>	<b>17.3</b>	<b>(11.3)</b>	<b>6.0</b>
Land related	2.5	-	2.5
Project Costs	-	(2.8)	(2.8)
SDS	3.9	(2.0)	1.9
Utilities	6.6	(13.0)	(6.4)
<b>Total Risk Allowance</b>	<b>30.3</b>	<b>(29.1)</b>	<b>1.2</b>

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- These drawdowns have been reported to the TPB each period and have been specifically approved by the TPB where the value or nature of the change has been outwith the delegated authority of the Tram Project Director
- It is proposed that we increase the risk allowance (and therefore the approved budget outturn for the project) on an interim basis now to reflect the impact on outturn costs of changes which have already taken place or those where we have visibility of them coming forward in the near future.
- The increased budget will still be below the level of £545m for which TEL has authority from CEC

## Proposed Increase in Risk Allowance

- The increased budget will still be below the level of £545m for which TEL has authority from CEC
- Two categories of increase:
  - (1) Changes already but where there was inadequate or no specific allowance for the cost concerned in the component of the original allowance.
  - (2) Anticipated changes principally as a result of items previously included in X but which are now crystallising now or in the near future – eg
    - Ground Conditions in S5&7,
    - Design Development settled by agreement or adjudication
    - PSSA final account
    - Resource Costs for programme prolongation and commercial engagement
- We are seeking an increase in the risk allowance – the changes will go through the rigours of the Change Management Procedure in the normal way
- The increased budget still does not make provision for potential costs items which are subject to the uncertainties of the current contractual engagement ('X')

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- We are seeking an increase in the risk allowance – the changes will go through the rigours of the Change Management Procedure in the normal way
- The increased budget still does not make provision for potential costs items which are subject to the uncertainties of the current contractual engagement ('X') and which is principally:
  - Design development liabilities except to the extent already settled
  - On-street cost issues associated with any further on-street agreement
  - Agreement on an updated programme and our liability for the BB/S prolongation costs associated with that new programme
  - Consequential impact on our own project management costs

## Drill down to BB and S – Feb 2010

£m	Budget			Costs to date		
	BB	S	Total	BB	S	Total
Mobilisation Payments	22.6	22.6	45.2	22.6	22.6	45.2
Preliminaries	30.8	13.5	44.3	20.7	8.9	29.6
Off street – Construction	46.7	36.1	82.7	5.9	0.3	6.2
On street – Construction	20.7	17.6	38.3	1.6	0.9	2.5
SDS Mgt	-	3.8	3.8	-	3.8	3.8
Sectional completion Milestones	2.4	2.4	4.8	-	-	-
Total Milestone Payments	123.2	95.9	219.1	50.8	36.5	87.3
Provisional Sums			19.5			-
<b>Construction Works Price</b>			<b>238.6</b>			<b>87.3</b>
Changes and Princes St			8.2			15.0
			246.8			102.3
Prov Sums Recoverable from 3 <sup>rd</sup> Parties			(3.1)			-
Contingency against VE deliverability			1.2			-
Treated as payment in advance			-			(15.1)
<b>BB/S Total</b>			<b>244.9</b>			<b>87.2</b>

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As a further analysis of the BB/S budget and costs to date....

- We have certified or accrued total costs of £102m – 40% of the budget of £247m.
- A large element of what has been certified to date is the £45m mobilisation payments – split equally between BB and S of which £15m has been treated as a prepayment (advance material purchases etc) in our accounts.
- £29.6m or 67% of the Preliminaries included in the original contract price have now been paid in accordance with the Milestone payments schedule.
- Construction milestones achieved total just £8.7m (7% of the total) with an additional £15m certified or accrued against agreed changes and Princes St
- All these figures are based on the contractual Milestone payment schedule. We estimate the costs actually incurred by BB and S to be:
  - BB – Prelims £xxm, Mobilisation and Construction £xxm
  - S – Prelims £xxm, Mobilisation and Construction £xxm