
From: John.Ramsay@transportscotland.gsi.gov.uk
Sent: 14 July 2006 15:42
To: rebecca.andrew@edinburgh.gov.uk; Stewart McGarrity; lex.harrison@edinburgh.gov.uk; max.thomson@edinburgh.gov.uk; Lorna.Davis@transportscotland.gsi.gov.uk
Cc: david_mackay@[REDACTED] Graeme Bissett; Andie Harper
Subject: [SPAM] RE: TS/CEC funding and risk sharing agreement

Importance: Low

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Rebecca

Agreement in principle from senior officers only is probably the most realistic proposition on your timescales but we will need some further reassurances at the higher level ASAP thereafter- tho this might actually flow from a meeting of respective chief executives / directors of CEC, tie, TEL and Transport Scotland which is being mooted for next month.

John Ramsay
Project manager - Edinburgh Trams
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-----Original Message-----

From: Rebecca Andrew [mailto:rebecca.andrew@edinburgh.gov.uk]
Sent: 14 July 2006 10:16
To: Stewart McGarrity; Ramsay J (John); lex.harrison@edinburgh.gov.uk; max.thomson@edinburgh.gov.uk; Davis L (Lorna)
Cc: david_mackay@[REDACTED] Graeme Bissett; Andie Harper
Subject: Re: TS/CEC funding and risk sharing agreement

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Stewart,

As far as I am concerned, this is largely correct. I have some reservations regarding the second bullet point. The agreement cannot be fully endorsed and committed to at officer level. Even if the Chief Exec/Director of

Finance agree to it in principle, they can only **recommend** it to elected members, who must have the final say.

John/Lorna - can you confirm that you need full Council endorsement by September, or would an agreement in principle from officers be sufficient?

If we need a report to Council prior to September, timescales will be very tight, as we'd need to hit the 24th August Council, which would require a report signed off by 17th **at the latest**. Given the amount of work involved and the risks of programme delay, my preferred option would be to issue tenders based on what can be agreed at senior officer level, and to formalise that agreement in the report going to Council on the draft final business case.

I would welcome any thoughts other people have on this.

Kind regards,

Rebecca

----- Original Message -----

From: Stewart McGarrity

To: john.ramsay@transportscotland.gsi.gov.uk ; lex.harrison@edinburgh.gov.uk ;

max.thomson@edinburgh.gov.uk ; rebecca.andrew@edinburgh.gov.uk ;

Lorna.Davis@transportscotland.gsi.gov.uk

Cc: david_mackay@; Graeme Bissett ; Andie Harper

Sent: Friday, July 14, 2006 8:31 AM

Subject: TS/CEC funding and risk sharing agreement

Dear All,

Following the meeting today, I wanted to take the liberty of noting the main points made during the time that David and I were present.

- This was anticipated to be the first of several working sessions to determine an agreement between TS and CEC on funding and risk sharing
- Such an agreement will need to be endorsed and committed to at the highest level (Ministerial / Council Chief Executive?)
- Time is of the essence: The agreement must be in place in principle prior to issue of Infraco tenders (as required by the draft grant offer letter for Apr to Dec 06), to be scrutinised as part of the Gateway Review to be performed prior to Infraco tender issue and to be documented in the Draft Final Business Case which is programmed to be delivered to CEC and TS on 9th November 06. In addition if there are any elements of the agreement which might be required to be reflected in the Infraco documentation then it is needed to be considered immediately. The progress to achieving this agreement must be visible to all stakeholders.
- The capital cost estimates and therefore affordability of the Tram are, as ever, sensitive to the construction programme (and therefore to the commencement of utility diversions and Infraco as planned). We all recognise the challenge of reflecting an evaluation of Infraco tender prices in the capital cost estimates prior to the currently assumed closure of the window for endorsement of utility diversion commencement (end January 2007).
- The current capital cost estimates are based upon Tramco / Infraco payment mechanisms which, although effective in incentivising the private sector, are not envisaged to require the private sector to provide significant levels of finance, the cost of which would be reflected in tender prices.
- The terms of the agreement will be wide ranging and will include (but not necessarily be limited to) the following:
 - The nature and timing of delivery of the presently agreed funding package £500m (max) from TS plus £45m from CEC.
 - What constitutes adequate 'headroom' between the risk inclusive capital cost estimates (or range of possible outcomes) and the funding available.

- The decision making process, criteria and timing for determining whether phase 1b should be included in the first phase of construction.
- The stage-gate points at which the 'headroom' would be reassessed prior to the project continuing – likely to include pre Infraco tender issue, at the point the DFBC is considered and again when Infraco tenders have been received and evaluated. Each re-evaluation would necessarily include an examination of whether there are any additional sources of funding.
- The way in which any capital cost overruns (or underruns – it can happen!) would be borne. This would include any financial support TS might provide to CEC in respect of any determined CEC share.
- The exact nature of any financing arrangements (borrowings) to be employed by CEC/TS to manage the timing of their respective cash inputs to the project – including any agreements to guarantee or otherwise provide support for the servicing (payment of interest) on such financing arrangements.

Please let me know if any of this is off base. I am now on leave till 31st August but am willing and able to help in anyway I can to support the development of this agreement thereafter.

Regards,

Stewart

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