

Mr Dave Anderson  
 Senior Responsible Officer (SRO)  
 Edinburgh Tram Project  
 The City of Edinburgh Council  
 Waverley Court  
 4 East Market Street  
 Edinburgh  
 EH8 8BG

Our Ref: VE/JPT

6<sup>th</sup> May 2011

Dear Mr Anderson,

**FUNDING AGREEMENT AND DELEGATED AUTHORITY**

We refer to the letters from Brian Cox (Interim Chairman of TEL/TPB) to Marshall Poulton (TMO) on 17<sup>th</sup> and 18<sup>th</sup> January 2011 (Reference: INFCORR7150/BC & INFCORR7152/BC) and the letter from Marshall Poulton to Brian Cox on 27<sup>th</sup> January 2011 (Reference: SS1).

On behalf of TEL and authorities delegated by TEL to the TPB, it is my obligation to inform you under clauses 2.22 and 2.24 of the TEL/CEC Operating agreement of all "matters affecting the programme, cost and scope of the project".

At the last TPB on 13<sup>th</sup> April 2011 it was reported that spend on the Edinburgh Tram Project is now £411.5m to the end of Period 13, 2010/11. The value of budget contingency remaining available to drawdown as at the end of Period 13–2010/11 was £2.8m\* following the approval of the Staff PM/DRP change paper (-£2.5m) submitted to the FCL and TPB. See table below:

**Funding Summary - P13 - 2010/11**

	<u>£k</u>	<u>actual - £k</u>	<u>forecast - £k</u>
<u>Risk/ Funding Summary</u>		(P 13 - 2010/11)	(P 1 - 2011/12)
Original QRA Risk	30,336		
Further Funding Approved (TPB)	32,983		
Uncommitted Budgets 'on hold'	12,690		
Additional +£1m per TEL/CEC MOU	1,000		
<b>Total Risk/ uncommitted funding</b>		<b>77,009</b>	
<u>Drawn Down</u>			
Risk drawn down to end Period 12		-71,194	
<b>Risk remaining start Period 13 - 2010/11</b>		<b>5,815</b>	
Risk drawn down in Period 13		-517	
<b>Risk remaining start Period 1 - 2011/12</b>			<b>5,299</b>
Change Paper (PM Staff Costs/ DRP)			-2,476
<b>Risk remaining end Period 1 - 2011/12</b>			<b>2,823</b>

\* including the provision of the +£1m funding variance allowed in the TEL/CEC Memorandum of Understanding over and above the original funding cap of £545m for the ETP

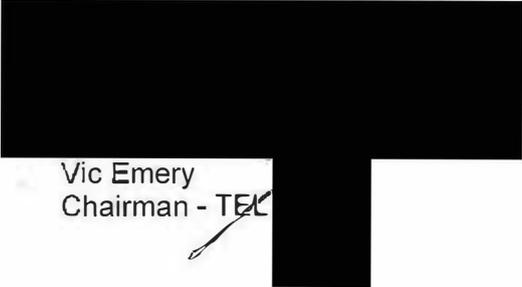


The management of TEL and **tie** will continue to minimise additional funding commitments and we are reviewing expenditure on an ongoing basis. In the last period we have reviewed our contracting resource in full, and reduced headcount by seven during March 2011. Further reductions are being implemented. Despite this, the available funding of £2.8m remaining to draw down against is now under pressure. We have exhausted the majority of the £12.69m of Uncommitted budgets put 'on hold' in January, and we now anticipate that we will have committed any residual funding within the current delegated limits before the end of May 2011.

In terms of the CEC/TEL and CEC/**tie** Operating Agreements, TEL and **tie** are unable to make any further commitments without a change in the authorised and delegated funding from CEC.

I request an increase in TEL's delegated authority to make financial commitments exceeding the £546m in the TEL/CEC Operating Agreement and MOU.

Yours faithfully



Vic Emery  
Chairman - TEL

cc: Sue Bruce, CEC  
Donald McGougan, CEC  
Richard Jeffrey, **tie**