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Transport Scotland  
25<sup>th</sup> July 2007

Cabinet Secretary for Finance and Sustainable Growth

## **EDINBURGH TRAM: THE ROLE OF TRANSPORT SCOTLAND**

### **Purpose**

1. To inform the Cabinet Secretary the proposed redefined role of Transport Scotland with respect to the Edinburgh Tram Project.

**Priority:** Routine

### **Background**

2. The position reached by Parliament on 27 June 2007 follow the debate on transport.
3. The minute of 9 July 2007 from Transport Scotland 'Earl and Trams: The Next Steps'.
4. The following proposals aim to define, in practical terms, 'scaling back' the role of Transport Scotland.

### **Basis of the Proposals**

5. The Scottish Executive to grant up to a maximum of £500m to City of Edinburgh Council to construct Phase 1A of the project (i.e. the airport to Newhaven waterfront via Haymarket and Princes Street).
6. Expectation that Phase 1A will be operational during Q1 2011.
7. The system will not require any operating subsidy (although it is expected that the network will be able to participate in the National Concessionary Travel Scheme).

### **Governance & Engagement**

8. Transport Scotland to provide the associated funding to City of Edinburgh Council via standard Section 70 grant conditions (against an agreed draw-down profile).
9. Transport Scotland to surrender its seat on the Tram Project Board. City of Edinburgh Council, as the promoter, to re-structure the governance arrangements as appropriate.
10. City of Edinburgh Council to meet with Transport Scotland at official level on a four-weekly basis to present a progress report (based on the standard Transport Scotland reporting process).
11. City of Edinburgh Council Chief Executive to provide confirmation on a quarterly basis that the conditions of grant are being complied with.

### **Milestones & Short Term Funding Profile**

12. City of Edinburgh is currently drawing on an initial grant of £60m to take the project to a position of financial close. This was originally planned for October 2007 but will now slip to January 2008.

13. Transport Scotland will not offer any further funding until financial close is achieved i.e. any shortfalls in the lead-up to this milestone will need to be met by the council (theoretical £12m exposure for them but more likely to be in the range £0 to 5m).
14. Grant funds post financial close will only be provided on the condition they are accompanied by funds from the Council in the ratio of 9 to 1. This is to ensure; 1) the Council provide their commitment of £45m as outlined in the draft final business case 2) in the event of phase 1A only costing £500m the Executive's contribution will be a maximum of £455m and 3) none of the Executive's contribution can be channelled to phase 1b or 2 of the project.

**Timing**

15. These proposals have been discussed with officials at Tie Limited. It is the intention to discuss the proposals with City of Edinburgh Council w/c 30 July 2007 to allow the arrangements to be formally adopted following the Transport Scotland meeting of directors on Wednesday 8 August 2007.

**Risk Profile**

16. The £500m capped grant offer is based on Scottish Minister's original of £375m (to be indexed in accordance with published inflation criteria). Latest estimates suggest this would result in a final out-turned contribution of circa £494m. Within the context of the current discussions TS intend to update this figure in line with latest programme information and potentially use any remaining headroom to the £500m cap in final negotiations to ensure a clear and defined risk transfer to the Council.

**Matthew Spence**

25<sup>th</sup> July 2007

Copy List:	For Action	For Comments	For Information		
			Portfolio Interest	Constit Interest	General Awareness
Minister for Transport, Infrastructure & Climate Change					X

PS/Transport Scotland  
 Bill Reeve, Director - Rail Delivery, TS  
 Frances Duffy, Director – Strategy & Investment, TS  
 Guy Houston, Director – Finance TS  
 Mark Pettit, Rail Finance  
 Jerry Morrissey, Head of Major Projects  
 Martin McKinlay, Major Projects Technical Advice  
 Lucy Adamson, Communications TS  
 Press Transport Scotland  
 Communications Finance & Sustainable Growth