

## Headline cost report

### *Current financial year*

	COWD (YTD)	COWD YTD + forecast to year end	Funding authorised current year	COWD YTD + forecast to period to Financial Close (end Period 11)
Phase 1a	£45.5m	£95.0m	£77.1m <sup>2</sup>	£60.3m <sup>3</sup>
Phase 1b	£ 0.0m <sup>1</sup>	£ 0.0m <sup>1</sup>	£ 0.0m <sup>1</sup>	£ 0.0m <sup>1</sup>
Phase 1a+1b	£45.5m	£95.0m	£77.1m <sup>2</sup>	£60.3m <sup>3</sup>

#### Notes:

1. Phase 1b design costs are to be expended against Phase 1a budget as agreed by the Tram Project Board and as previously reported;
2. This comprises £60m Grant for 07/08 plus £10.6m grant carried over from 06/07 for land purchases plus £6.5m free issue land which is an injection of funding by CEC rather than TS; and
3. The forecast costs to Financial Close (end Period 11) includes anticipated costs of £7.25m to be paid to the Infraco and Tramco Preferred Bidders under mobilisation agreements but does not include any allowance for risk.

The forecast outturn expenditure for the year has reduced from £132.7m to £95.0m as a result of:

	£m
Milestone payments to Infraco / Tramco re advance material purchases (see Note)	26.7
Other reductions in forecast Infraco / Tramco expenditure in P12 & 13	10.0
Reduction in level of risk allowed for	2.5
Net other changes	(1.5)
<b>Total reduction in forecast outturn</b>	<b>37.7</b>

Note: Following discussion with CEC and TS, it is now anticipated that the milestone payments for advance material purchases will still be made before the end of FY07/08, but will be classified as prepayments. These will then be reclassified as expenditure against funding in the periods in future years when the related materials are delivered to site and incorporated in the works. This is subject to confirmation by TS that there is a mechanism to provide cash to make these prepayments during the current year.

New funding required for during the current financial year is now **£17.9m** (£95m less £77.1m already authorised). Should this all be granted by TS then the total expenditure for the year of £95m will be funded as £6.5m from CEC and £88.5m from TS.

The forecast expenditure for the remainder of the year is summarised in the following table (NB - excludes payments for advance material purchases £26.7m, as explained above):

<b>Nature of expenditure</b>	<b>P10-11</b> £m	<b>P12-13</b> £m	<b>Total</b> £m
SDS design	1.06	2.21	3.27
MUDFA and other utilities	2.64	5.20	7.84
Infraco	7.00	20.74	27.74
Tramco	0.25	0.60	0.85
Land	0.51	0.00	0.51
Other	3.04	2.90	5.94
Risk	0.00	2.50	2.50
<b>Phase 1a Total</b>	<b>14.50</b>	<b>34.15</b>	<b>48.65</b>
Phase 1b (Design)	0.26	0.58	0.84
<b>Overall Total</b>	<b>14.76</b>	<b>34.73</b>	<b>49.49</b>

### ***Next Financial Year***

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total FYF
Phase 1a	£41.1m	£36.6m	£29.5m	£54.4m	£161.6m
Phase 1b	£ 0.5m	£ 0.1m	£ 0.9m	£ 2.3m	£ 3.8m
Phase 1a+1b	£41.6m	£36.7m	£30.4m	£56.6m	£165.4m

Note: Any variance in summation of table figures is due to rounding.

The forecast for FY08/09 remains highly sensitive to:

- Commencement of Infraco works in February 08;
- Treatment of advance material purchases as prepayments (see above);
- The continued negotiation of the Infraco/Tramco expenditure profiles which will take cognisance of the current £120m cap on TS funding for FY0809 to the extent it makes commercial sense; and
- The proportion of the overall risk allowance allocated to the year (the estimate for FY08/09 includes £23.6m).

### ***Total project anticipated outturn versus total project funding***

	FUNDING (total project)			Total COST (To Funders)
	TS	Other	Total	Promoter TOTAL AFC
Phase 1a	£500m	£ 45m <sup>1</sup>	£545m	£498.1m <sup>2</sup>
Phase 1b	£ 0m	£ 0m	£ 0m	£ 87.3m <sup>2,3</sup>
Phase 1a + 1b	£500m	£ 45m	£545m	£585.4m
Phase 1a + 1b concurrent	£500m	£ 45m	£545m	£580.4m

Total anticipated outturn is as per the Final Business Case.

Notes:

1. Includes £6.5m of CEC / s.75 free issue land.
2. If Phase 1b did not proceed then £3.0m of design costs for Phase 1b would require to be expended against Phase 1a funding.
3. Estimate is valid for Phase1b if option under Infraco contract is exercised prior to 31<sup>st</sup> March 2009 as per FBC.

Significant work remains through to Financial Close (Jan 08) to ensure the current position is maintained. This will primarily include the pricing of provisional sections contained within the bids as detailed design is issued and targeted savings from value engineering initiatives are realised.