
From: Duncan Fraser
Sent: 16 August 2007 11:18
To: Andrew Holmes
Cc: Rebecca Andrew; John Jenkins; Jim Grieve
Subject: Financial pressure on tram budget

There are growing tensions arising with tie in the context of budgets and costs. Assumptions have been made right or wrong in the past that are now part of the business case and assumed budgets. Departure and potential increases to costs from these assumptions are regarded as unacceptable from tie. Based on WG comments yesterday about being "on time and on budget" this is understandable. So how do we move this forward?

CEC require a cost control system that is approved in principle by the Directors of CDD and Finance then ratified by IPG (a paper is being prepared for the next IPG). In some ways as funders of last resort this is more manageable because TS are no longer directly involved. However it does not remove the obvious need for there to be some controlled additional funds to support the costs to achieve better value that is for CEC to manage. This means we require a sources of additional funding, which are being explore in terms of higher land sale values, developers contributions, asset stripping through the Asset Management Group, borrowings etc.

I am aware that there has been a suggestion that any "added on cost" should be separated from the basis tram costs by tie. This would lead to a complex accounting process which would not be welcome. there may however be a presentational point about how the figures are presented which you could perhaps discuss with Willie.

Also what flexibility financial guidance can you give me on additional costs. For example the provision of footways within FP is an extra cost to the scheme which will be off-set against the settlement with FP, the saving on wearing course along the tram route is a saving to SFC is the available for public realm, betterment to the road asset and etc. I would appreciate your guidance on this matter, especially in this period of political scrutiny and financial constraint.
Regards

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