
From: Smith JC (Jennifer) on behalf of Minister for Finance and Public Service Reform
Sent: 15 December 2005 11:48
To: Minister for Transport; Deputy First Minister & Minister for Enterprise; Minister for Parliamentary Business; Minister for Communities
Cc: First Minister; Minister for Finance and Public Service Reform; Deputy Minister for Enterprise and Life Long Learning; Deputy Minister for Finance Public Service Reform and Parly Business; Deputy Minister for Communities; PS/Perm Sec; PS/ETLLD; PS/FCSD; PS/LPS; PS/DD; PS/Transport Scotland; Ewing JA (John); Reeve W (Bill); Howison J (John); Duffy F (Frances); Sharp DP (Damian); Reid DNG (David) (Finance); Dow DM (David); Spencer FM (Fiona); McLaughlin AC (Ainslie); Dunbar-Jubb C (Claire); Adamson L (Lucy); Lewis E (Liz) (Head of MSG); Naysmith R (Robin); Watson AA (Andrew); Naysmith R (Robin); Ghibaldan S (Sam); Colwell A (Adrian); Strategy & Delivery Unit Mailbox; Press Transport
Subject: RE: Cabinet Paper: Transport Infrastructure Investment Plan : Update - Pre Digest Minute for clearance by 8th December 05

PS/Minister for Transport
PS/DFM
PS/Minister for Parliamentary Business
PS/Minister for Communities

Cabinet Paper: Transport Infrastructure Investment Plan : Update - Pre Digest Minute for clearance by 8th December 05

With apologies for the delay in responding, Mr McCabe has commented as follows on the Pre-Digest Paper.

“Thank you for your minute of 2 December. I am sorry to have missed your deadline, but hope you can still accommodate my comments.

I am glad that you can deliver the Transport commitments within existing budgets and that you are developing control and planning mechanisms that will achieve this. It is important that you secure delivery within your present level of resources, because there can be no presumption that additional resources will be available in future Spending Reviews. Even if we are able in Spending Reviews to maintain the value of the programme, you cannot assume that it will be possible to compensate the programme for the level of growth which the indexes you use for road and rail capital spending might imply.

I would therefore find it helpful, and I believe Cabinet colleagues would benefit considerably, if you could include a simple presentation in the main body of your paper which shows the overall impact year by year of the revised costs on both the Transport capital programme and the Transport programme as a whole – because some of what you are proposing, in budgeting terms, will not score as capital spending, as I know you will appreciate. This will provide the assurance that the longer term plans take into account potential new costs and do not rely on increases in the budget in future spending reviews.

I am glad to see that issues of cost and timing are being addressed, and that savings are being pursued to bring projects within the bounds of affordability. But are you also monitoring the impact on the value for money of higher costs or later completion? Some of the major Transport projects were at the margins of what might be regarded as acceptable value for money, and the changes described in your paper suggest that the value for money may have deteriorated further. Do you envisage any process by which compensating adjustments are made to ensure that value for money is maintained?

On affordability, I note that you plan to use CUP resources for the present Spending Review period. It will be important not to use any resources which have been set aside for other purposes, and therefore not be available when they might be required at a later date for their original purpose. As for dealing with the bulge in the next Spending Review period, you set out some helpful options, but we might usefully consider

these together in more detail before any commitments are made. It must be clear that the choice of these options delivers value for money, and does not simply defer costs, or result in new or higher future costs. I note the reference to meeting costs through increased track access charges, but that is no advantage to us if that simply creates a new pressure on the funding of the rail franchise.

Equally, I would like to know more about the “pay on completion” arrangement, which would seem to leave the Executive to pick up the developer’s higher financing charges.

On roads, you state that certain schemes will be procured by PPP. It is important first that the best value method of procurement is established, in line with the new procedures we have recently introduced. But we will also have to take into account the availability of budget cover for a PPP approach, and weigh that against the other pressures against your operating budget, and what the opportunity cost might be. This is again a matter which you and I might need to take forward, but meantime, I do not see that you could make any firm commitment along the lines of what you say in paragraph 24 about your procurement approach for the roads.

I note your proposal about indexing the Executive’s support for Edinburgh trams. This may be a way to take the project forward, but I am not satisfied that the case has been made in your draft paper. Could we have a fuller presentation that looks at what it is the Executive expected by way of outcomes from the original offer of £375m, and what you are now suggesting we would achieve? Are we clear that value for money will be maintained under the new proposal and any future scheme?

Finally, the paper looks at whether the road and rail construction industry can cope with the level of activity involved in the current programme, but for my interests and for colleagues who also have substantial capital or infrastructure programmes to take forward, I am sure we would all find it helpful to have an assessment of the capacity of the construction industry as a whole to accommodate your investment programme and all the other investment that we are wanting to take place over this period. Have your advisers taken into account the other pressures on the industry in their work?”

Many thanks,

JENNIFER SMITH

PS/Minister for Finance and Public Service Reform



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

From: McMahon T (Tom) **On Behalf Of** Minister for Transport

Sent: 01 December 2005 17:49

To: Deputy First Minister & Minister for Enterprise; Minister for Finance and Public Service Reform; Minister for Parliamentary Business; Minister for Communities

Cc: First Minister; Deputy Minister for Enterprise and Life Long Learning; Deputy Minister for Finance Public Service Reform and Parly Business; Deputy Minister for Communities; PS/Perm Sec; PS/ETLLD; PS/FCSD; PS/LPS; PS/DD; PS/Transport Scotland; Ewing JA (John); Reeve W (Bill); Howison J (John); Duffy F (Frances); Sharp DP (Damian); Reid DNG (David) (Finance); Dow DM (David); Spencer FM (Fiona); McLaughlin AC (Ainslie); Dunbar-Jubb C (Claire); Adamson L (Lucy); Lewis E (Liz); Naysmith R (Robin); Watson AA (Andrew); Naysmith R (Robin); Ghibaldan S (Sam); Colwell A (Adrian); Strategy & Delivery Unit Mailbox; Press Transport

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Importance: High

PS / DFM
PS / Minister for Finance and Public Service Reform
Minister for Parliamentary Business
Minister for Communities

I enclose for your Ministers' attention a proposed cabinet paper on the Transport Infrastructure Investment Plan. I would be grateful for clearance to submit this to cabinet by 8th December.

Many thanks

Tom

<< File: Annex E.xls >> << File: Annex C.xls >> << File: Transport Invest Infrastructure Plan - Cabinet - November 2005.doc >> << File: Transport Invest 2005- Pre-digest Minute.doc >>
<< File: Annex D.xls >>