
From: Fairweather S (Sharon)
Sent: 09 July 2010 11:05
To: Reeve W (Bill); McLaughlin AC (Ainslie); Middleton DF (David)
Cc: PS/Transport Scotland; Morrissey J (Jerry)
Subject: TRAMS - Funders Oversight Group

Sensitivity: Confidential

Jerry and I attended our second FOG meeting yesterday, so this is just to keep you posted on what we discussed / agreed.

In attendance: Sharon Fairweather, Jerry Morrissey, Gregor Roberts (Deputy FD tie Ltd), Alan Coyle (Finance CEC); Ailie Wilson (Finance CEC)

- Until "Project Carlisle" is completed and the outcome known and agreed, there inevitably remains a high degree of uncertainty around future projections for cost, timescale and scope;
- The Council are due to receive a detailed update on 16th September (papers to be issued 9th Sept) by which time the outcome of Project Carlisle will be known;
- At present we have approx. £160m of the £500m contribution outstanding, with £131m forecast for 2010-11 and the remainder forecast for 2011-12. Based on the current forecasts from tie, the maximum contribution they would need this year would be £110m and this will be reflected in their next report to us;
- We discussed our concern that based on the present projections for the range of scenarios, and assuming we continue to pay 91% of costs as incurred, the £500m contribution would be fully utilised before the project was completed (even if the scope was reduced). This carries both presentational and audit risk for SG should the project encounter further difficulties in completing once the SG funding has finished. This needs to be discussed with Ministers as they may wish to see the remaining funding commitment re-phased in line with revised scope / cost so that the final payments tie in with completion of the project and the running of a tram;
- We would look to work with the Council and tie Ltd to assess the implications of re-phasing of payments before any potential recommendations could be made. Amendments may need to be made to the grant letter to reflect any changes in phasing;
- Alan Coyle from CEC talked through the Council's funding sources and contingency plans, and outlined the work ongoing. It was agreed that I may spend some time with the Council closer to September to understand their overall financial position in order to gain some confidence around their projections. Whilst I have reasonable comfort that they will be able to deliver against their original commitment of £45m, at this stage I have far less comfort on their ability to fund significantly more than this.
- The group will meet again once Project Carlisle is complete and prior to the CEC meeting in September.

Jerry, is there anything I may have missed?

Thanks
Sharon



Sharon Fairweather

Director - Finance
Transport Scotland
8th Floor

Buchanan House
58 Port Dundas Road
Glasgow
G4 0HF

Tel: [REDACTED]

Fax: [REDACTED]

Blackberry: [REDACTED]