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**From:** Reeve W (Bill)  
**Sent:** 19 August 2009 18:24  
**To:** Morrissey J (Jerry); Ramsay J (John)  
**Cc:** Fairweather S (Sharon)  
**Subject:** Fw: Commercial in Confidence - Edinburgh Tram Project

**Importance:** High  
**Sensitivity:** Confidential

Dear Jerry and John,

Grateful if you can use this info as part of a financial update on trams to the Cabinet Secretary on Friday as discussed.

Regards,

Bill Reeve

Director, Rail Delivery  
Transport Scotland

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**From:** Barry Leathem <[Barry.Leathem@edinburgh.gov.uk](mailto:Barry.Leathem@edinburgh.gov.uk)>  
**To:** Reeve W (Bill)  
**Cc:** Donald McGougan <[Donald.McGougan@edinburgh.gov.uk](mailto:Donald.McGougan@edinburgh.gov.uk)>  
**Sent:** Tue Aug 18 17:36:08 2009  
**Subject:** INFO TO SEE -Commercial in Confidence - Edinburgh Tram Project  
**COMMERCIAL IN CONFIDENCE**

#### **EDINBURGH TRAM PROJECT**

I refer to our discussion of today and write to offer a bit more information surrounding the contingency planning options outlined in paragraphs 3.12 to 3.14 of the Council report of 20th August.

Firstly although there are risks to the Council's current funding package these relate primarily to cash flow issues and subject to a longer term recovery in the property market these risks are assumed to be manageable.

Secondly any view on a potential overspend on the £545m funding envelope will need to be informed by results from the Dispute Resolution Procedures and other contractual processes that tie Ltd are now putting in place. In any event to speculate on such a figure now may give a degree of comfort or encouragement to the consortium. I can advise you, however, that in the absence of any indicative figure our contingency planning will take place around hypothetical assumptions of 5% and 10% on the current funding level.

To let you know how this might work through the Prudential Framework a notional contribution from the TEL Business Plan to the Council of £2.3m p.a. over 20 years would allow Council borrowing (and a further contribution to the project) of around £28m. Taxation considerations may allow more benefit to be gained from such an arrangement. This could cover a 5% threshold. Further borrowing would incur costs of a similar nature which would push out other opportunities from future years Council Revenue or Capital Expenditure plans. There would be no need, however, to delete projects from our current programmes. The further revenue borrowing costs of a second 5% tranche would also equate to a 1% uplift on Council Tax levels although there has been no discussion with politicians yet on the detail of this proposal.

More work is required as the contractual process develops and more security is realised on the numbers but I trust this gives you a flavour of some of the options as things stand at the moment.

Donald McGougan

Director of Finance  
The City of Edinburgh Council

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*Sent by:*  
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