

1.1 Cost

	COWD Period	COWD (YTD)	COWD YTD + forecast to year end	AFC
Phase 1a	£4.1m	£57.5m	£85.5m	£498.1m
Phase 1b	£0.0m	£ 1.1m	£ 2.0m	£ 87.3m
Phase 1a+1b	£4.1m	£58.6m	£87.5m	£585.4m

The COWD in the year to date primarily comprises continued development of design, advance works at the Gogar depot, utilities works under both MUDFA and direct works by utility companies, project management costs and land costs.

The forecast outturn for the year has fallen from £88.8m to £87.5m reflecting a reestimate of outturn costs across all categories and the removal of a £0.5m risk/contingency allowance included in the period 11 report. The forecast outturn is highly sensitive to achieving Financial Close during the period – approximately £19.4m out of the total forecast would not be expended during FY0708 year in the absence of Financial Close during the current year.

The cost of land included in the year to date totalling £16.6m (comprising both land acquired under the GVD process and land injected into the project by CEC) is included in this report for completeness. However, all payments have and will be made directly by CEC.

Costs for Phase 1b relate purely to finalising design works, as previously agreed by the Tram Project Board.

As previously reported, payments to be made in the current year for advance material purchases (£24.2m) will be treated as prepayments following discussion with TS. These prepayments would not be made until the start of the FY0809 in the absence of Financial Close before the end of March 08.

Forecast expenditure during FY 08/09 (now estimated at £162.9m on Phase1a) and subsequent years is subject to finalisation of tendered costs and related cost profiles with the Infraco and Tramco bidders and the element of the risk allowance allocated to that year. Cognisance is being taken of the current £120m cap on TS funding for FY 08/09 to the extent it makes commercial sense.

2 Headline Cost Report

2.1 Current Financial Year

	COWD (YTD)	COWD YTD + forecast to year end	Funding authorised current year
Phase 1a	£58.6m	£87.5m	£77.1m ²
Phase 1b	£ 0.0m ¹	£ 0.0m ¹	£0.0m ¹
Phase 1a+1b	£58.6m	£87.5m	£77.1m ²

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 £1.8m grant funding from 05/06 in respect of a single property purchase plus £4.7m free issue land which is an injection of funding by CEC rather than TS; and
3. The above estimates are based on achieving Financial Close during period 13 (i.e. during March 2008).

As previously reported and agreed with CEC and TS, Milestone payments under the Infraco and Tramco contracts for advance material purchases to be made before the end of FY 07/08 will be classified as prepayments. The aggregate amount of these payments for advance material purchases is £24.2m. These prepayments will 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.

The forecast outturn expenditure for the year has reduced from £88.8m to £87.5m, reflecting a reestimate of outturn costs across all categories and the removal of a £0.5m risk/contingency allowance included in the period 11 report. The forecast expenditure in period 13 is summarised in the following table (NB - excludes payments for advance material purchases £24.2m, as explained above):

Nature of expenditure	P13 £m
SDS design	1.76
MUDFA and other utilities	3.23
Infraco	18.06
Tramco	2.71
Land	0.86
Other	1.41
Risk	-
Phase 1a Total	28.03
Phase 1b (Design)	0.90

Overall Total	28.93
----------------------	--------------

The forecast expenditure in period 13 is highly sensitive to achieving Financial Close during the period – approximately £19.4m out of the total forecast for period 13 of £28.9m would not be expended during FY0708 year in the absence of Financial Close during the current year. In addition the £24.2m advance material purchases described above would not be made until the start of the FY0809.

2.2 Next Financial Year

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total FYF
Phase 1a	£38.8m	£31.4m	£41.9m	£50.8m	£162.9m
Phase 1b	£ 0.5m	£ 0.1m	£ 0.9m	£ 2.3m	£ 3.8m
Phase1a+1b	£39.3m	£31.5m	£42.8m	£53.0m	£166.7m

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

The forecast for FY 08/09 remains highly sensitive to:

- Award of the Infraco and Tramco contracts prior to the end of the FY0708;
- Treatment of advance material purchases as prepayments (see above);
- The final negotiation of the Infraco / Tramco expenditure profiles taking cognisance of the current £120m cap on TS funding for FY 08/09 to the extent it makes commercial sense; and
- The proportion of the overall risk allowance allocated to the year (the estimate for FY 08/09 includes £24.6m).

The profile for FY0809 reflects an advanced stage of agreement with the Infraco and Tramco preferred bidders and is unlikely to change materially except in regards to the profiling of the Risk Allowance.

2.3 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 ¹	£545m	£498.1m ²
Phase 1b	£ 0m	£ 0m	£ 0m	£ 87.3m ^{2,3}
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. If Phase 1b did not proceed then £3.0m of design costs for Phase 1b would require to be expended against Phase 1a funding.

2. Estimate is valid for Phase1b if option under Infraco contract is exercised prior to 31st March 2009 as per FBC.

Significant work remains through to Financial Close to ensure the current position is maintained include the pricing of provisional sections contained within the bid and realising the targeted savings from value engineering initiatives.

2.4 Change Control

The current change control position is summarised in the table below.

£m	Phase1a	Phase 1b	Phase 1a+1b
Project baseline (FBC)	498.1	87.3	585.4
Anticipated changes	-	-	-
Potential AFC	498.1	87.3	585.4

2.5 Summary Breakdown

Latest Estimate/AFC (including escalation)

	Base Cost	Risk	Opportunity	OB	(or)Contingency	Total
Phase 1a	£449.1m	£49.0m	£0	£0 ¹	£0 ²	£498.1m
Phase 1b	£ 77.7m	£ 9.6m	£0	£0 ¹	£0 ²	£ 87.3m
Phase 1a + 1b	£526.8m	£58.6m	£0	£0 ¹	£0 ²	£585.4m

Notes:

1. OB included in risk (QRA at P90 confidence level) as agreed with TS.
2. Contingency included as part of risk at present.