
From: Guy.Houston@transportscotland.gsi.gov.uk
Sent: 05 December 2007 08:46
To: Alan Coyle
Cc: Rebecca Andrew
Subject: Re: Feedback from last Friday's meeting

Hi Alan

I can't really answer the 2nd point until we know the spend and cash profile from Tie and therefore we can put an estimate on the interest cost, but in principle we're willing to discuss how best to finance this cost.

On the 1st point I'm going through the hoops with central finance colleagues to determine accounting rules. After gentle persuasion I think they are with us on it and now we've had initial chats with Audit Scotland (yesterday), they too are OK in principle (I've asked what else they need to get them comfortable), but are concerned about the risks of this sort of deal:-

i.e. What if the suppliers go bust before we have any assets in our hands?

i.e. What if the TRAM doesn't proceed (for whatever reason) and you are left with assets that cannot be used?

I've said this will all be covered in the contract which will be looked over by lawyers, but can you ask for a 1 pager from Stuart or more probably the commercial director on the contractual terms of the deal, confirm my comments and how they propose to mitigate the risks of payments in advance. I'm sure Audit Scotland will ask for this, so might as well get it now and not hold the process up.

They have also questioned the savings (i.e. Why this is a good deal?) and if we can't prove it, then they will accuse us of giving money in advance of need. Therefore, they may well ask for written evidence of why this is a good deal. I've got the original paper from Stuart, but they may ask for more (e.g. Priced alternatives from suppliers). If Stuart or the commercial director has more at their fingertips, then it would be good to get that now, so I can get Audit Scotland on board quicker.

Thanks

Guy H

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

From: Alan Coyle <Alan.Coyle@edinburgh.gov.uk>
To: Houston G (Guy)
CC: Rebecca Andrew <Rebecca.Andrew@edinburgh.gov.uk>
Sent: Tue Dec 04 18:27:12 2007
Subject: Feedback from last Friday's meeting

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Guy

Thanks for your input to the meeting with tie last week.

You were going to provide feedback on a couple of key points:

* The advance material purchases (c£27m) will be funded separately as a prepayment you were going to look at the mechanism for giving us the cash to make these payments. The related expenditure will be accounted for in the periods in which the materials are delivered and become part of the works in progress – c£9m in 0809. This is the basis on which tie are preparing our P9 report to go out this week.

* There was also consideration of helping with the interest costs on any borrowings we have to undertake as a result of the £120m cap on 0809 funding.

The other outstanding point was tie providing the spend/cash profile - I believe they are busy on this just now and hope to have it to you soon. It will be interesting to see this from a CEC perspective then we can perhaps get together to see what the implications will be for CEC.

Kind Regards

Alan

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