

Purpose	Financial Summary
Version:	1
Date:	21 June 2013
Status	Draft
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1. Purpose

This report has been prepared to summarise the financial assessments of Edinburgh Trams and Scottish Water on the Edinburgh Tram Project in order to promote an agreed close out position. The report is divided into Legacy Works and Post September 2011 works due to the way costs have been divided since re-commencement of the project.

This report is not a legal or engineering review.

2. Summary Proposal

2.1. Legacy works

A number of meetings were held between tie and Scottish Water to finalise the position on legacy works, however matters were not concluded. Following recommencement of the project in September 2011 the CEC/Edinburgh Trams team had a series of meetings with Scottish Water to resolve the differences in approach. Some progress has been made and it is proposed that the respective parties consider their positions at a summary level to achieve resolution.

2.2. Post September 2011 works

With regards to the post September 2011 works, the issues are less complicated and final resolution should be achievable with some discussion around the significant issues between the project Principals.

3. Legacy works

3.1. Introduction

The legacy scope is defined as work carried out up to September 2011. Relevant information in relation to the financial settlement of these works is as follows:

- SCOTTISH WATER CLOSE OUT POSITION dated 25 June 2012 (issued to Scottish Water 28 June 2012) contained in Appendix 1
- Scottish Water Close Out Position – Variations issued to Scottish Water 28 June 2012 – Contained in Appendix 1
- “The Red Folder” – tie Archive Documents requested by CEC supporting change amounts by reference to the Carillion Final Account, hand delivered by Colin Smith to Scottish Water in April 2013.
- SW response to “The Red Folder” – email: Donald Crawford to Rob Leech, Steven Jackson, Mark Marriott, Colin Smith 28/05/2013 11:45. The response and the Turner & Townsend comments to this response (not issued to Scottish Water) are included in Appendix 2.

3.2. Current Status

Prior to, and in the first half of 2012, tie and Edinburgh Trams shared financial review papers with Scottish Water which noted significant differences as a consequence of issues of both points of principle (e.g. the rules of valuation of diversions) and justification (e.g. the records required to support costs). In order to reach an

acceptable settlement to both parties, Edinburgh Trams prepared a summary attached in Appendix 1 which removed a number of items previously included within cost share calculations presented. The positions following this exercise are summarised as follows:

Description	Scottish Water Position At 5th June 2012	CEC/Edinburgh Trams Position	Notes
Scottish Water Contribution to Costs	4,956,486	8,517,945	
Scottish Water Costs to Date	7,921,993	7,291,719	Scottish Water costs £50,000 lower than shown in Appendix to match actual payments made to tie
Payment - Scottish Water to CEC	-2,965,507	1,226,226	

The difference in the respective parties positions shown above is £4,241,733 although it should be noted that the Scottish Water assessment makes no allowance for certain agreed scope items (e.g. side entry manholes) or any variations to the original work scope despite the fact that Scottish Water acknowledge that they have a liability for some of this work and they should clearly be part of the cost sharing calculations. Further to presenting the above summary position, CEC made a further offer of a final payment of £700k to Scottish Water.

The CEC/Edinburgh Trams position made some significant concessions to the costs previously proposed in the spirit of finding middle ground to the earlier proposals and in an attempt to reach a settlement with Scottish Water. The position outlined by CEC would result in a contribution from Scottish Water of £8.5m, reducing to £6.59m after the offer of a close out payment of £700k, towards the tram project and associated requested works.

It is unclear what funding Scottish Water have received from the Water Regulator, in the SR06 and SR10 periods, towards their portion of tram costs and it would be beneficial if this information could be provided to support the close out position.

3.3. The Issues

3.3.1. Valuation Principles

There are a number of issues where the respective parties have a different opinion on what should be included in the cost sharing assessment. In an effort to support the settlement of the account, CEC have taken a pragmatic view to some of the items previously claimed in order to reach a settlement. This is shown on the Close Out Position – Variations sheet which has omitted a number of items previously included in the CEC assessment. It should be noted that this was done in order to promote a settlement and does not indicate that CEC do not believe that these items should form part of the final account.

While it is not the purpose of this paper to provide a detailed commentary on each of the disputed items it should be noted that the Scottish Water figures make no allowance for a number of items which, although the value may be subject to some discussion, the principle of whether they should be included is not. These items are:

- Side Entry Manholes

- Abandonments
- Princes Street Works including 500mm twin crossing and Crawley Tunnel

In addition to the above items, Scottish Water have made no allowance in their assessment for any variations, despite the principle of a number of the items being agreed, or any cost sharing applied to their own costs beyond April 2010 on the basis that CEC agreed to pay 100% of costs in this period although it is not clear when this agreement was made.

If Scottish Water made even provisional assessment of the above items, the parties' respective positions would be considerably closer.

3.3.2. Justification of Costs

Scottish Water has consistently stated that they require further demonstration of costs to justify inclusion of further sums in their assessment. NRSWA does not prescribe the level of detail to be provided. The CEC position is that the costs form part of an overall final account to a contract which has been competitively tendered in accordance with procurement laws, has been administered by a public body, has been subject to a mediated settlement and as such should be sufficient to support the costs being claimed. CEC's position is that a reasonable justification to the costs included in the final assessment has been provided.

In order to provide necessary justification to Scottish Water, CEC provided the Carillion final account to Scottish Water ("The Red Folder"). Scottish Water has responded to this in the email referenced in section 3.1 above. In summary, the response states that information forwarded did not satisfy Scottish Water's requirement to substantiate the amounts included in Edinburgh Trams valuation. The response from Scottish Water and the CEC comments are contained in Appendix 2.

3.4. Summary of position

The two main issues are:

- Items of principle regarding the applicable rules governing the basis of cost share.
- Level of cost detail required by NRSWA to satisfy the requirement for the justification of reasonable costs. The Carillion final account was subject to mediation however Scottish Water believe that NRSWA entitles them to greater cost detail.

In recognition of some of the historic issues associated with the project and the interpretation surrounding some of the rules regarding cost share calculations, CEC have made some significant concessions surrounding the above issues in order to reach an agreement with Scottish Water. A close out offer of a £700k payment to Scottish Water makes further concessions and demonstrates CEC's commitment to finding a reasonable solution to the legacy costs associated with diversions of Scottish Water's assets.

4. Post September 2011

4.1. Introduction

This section of the report covers costs share calculations for utilities diversion works and Scottish Water supervision carried out post September 2011 to enable completion of the Edinburgh Tram project.

4.2. Current Status

The current position of the Scottish Water forecast for post September 2011 work is outlined below:

Item	Scottish Water (£k)	CEC Assessment (£k)	Notes
Costs to date (Scottish Water cost download to 31/3/13)	£1,313	£1,313	
Forecast Costs to complete	£1,058	£240	1
Total Scottish Water forecast	£2,371	£1,553	
Credit for Scottish Water cost share on Scottish Water costs	£0	-£116	
Credit for Scottish Water cost share on Edinburgh Tram costs	£0	-£35	
Credit for requested works	-£0	-£335	2
Scottish Water net costs	£2,371	£1,067	

Notes:

1. Scottish Water forecast costs are up to January 2014. T&T costs are generally up to June with some closeout staff allowed for in July and August in accordance with letter reference OSW.129.AS.
2. Includes Grosvenor Street Sewer.

The following issues require resolution to conclude the financial agreement for this period of work:

- Supervision Resource levels: To 25 April 2013 Scottish Water has applied for £1,313,003.42 to which Turner & Townsend have made an assessment of £705,930.63. Resource costs up to 30 June 2013 to be submitted by Scottish Water for review by Turner & Townsend. Edinburgh Trams has written to Scottish Water (letter Ref OSW.129.AS) to confirm acceptable resources beyond June 2013 are limited to the close out of the remaining live issues associated with the close out of the McNicholas and Infracore contract. It excludes recovery for costs associated with legacy issues.
- 7.5% advance payment discount: Scottish Water maintain that they should not have to contribute to the project beyond April 2010 as they should not be paying for delays to the project. They have also stated that this principle was agreed with Alan Coyle and Colin Smith in October 2011 although no record of this agreement exists. In the absence of any written agreement, CEC have followed the cost sharing principles contained in NRSWA.
- Requested Works: Scottish Water accept that they should contribute 100% of these costs but dispute what constitute requested works. In particular they dispute that the cost of rectification work to Grosvenor Street sewer should be included within this section as they have no indication that the issues with the sewer were a result of anything other than tram works. At present the cost of remedial work to Grosvenor Street Sewer has been deducted from the payment to Scottish Water as the CEC Loss Adjuster's report indicates that the most likely cause of the failure was an existing weakness in the sewer.

4.3. Summary

In order to close out the commercial element of the post September 2011 work, Scottish Water are to submit costs up to June 2013. CEC expect to be able to finalise the account at this stage, generally in line with the values contained in the above forecast table.

Appendix 1 – Commercial Position papers issued to Scottish
Water 28 June 2012

SCOTTISH WATER CLOSE OUT POSITIONS

25th June 2012

	SCOTTISH WATER POSITION AT 15th MARCH 2012		SCOTTISH WATER POSITION AT 5th JUNE 2012		T & T	
SR06						
Tie Costs						
CUS Measured Works		4,709,219	Based upon SW assessment of CUS final account	4,709,219		4,923,000 See note 1
CUS Tender Prelims	11.6%	546,269		546,269	11.6%	2,028,672 See note 2
CUS Work Section Prelims	5.3%	249,589		249,589	5.3%	value inc above
CUS Change Control		0	No substantiation has been provided so unable to agree any value	0		7,080,976 See Note 3
Subtotal		5,505,077		5,505,077		14,032,648
CUS Overheads & profit	8.8%	484,447		484,447	8.8%	1,234,873
Subtotal		5,989,524		5,989,524		15,267,521
Farrans Measured Works		674,273		674,273		674,273
Clancy Docwra - Diversions 1A / 1C / 1D		315,386		315,386		1,795,896
Barhale South Gyle Sewer		747,806		747,806		912,675
Frontline - Side Entry Manholes						43,000
Land Engineering - Side Entry Manholes						236,000
Clancy Docwra - Abandonments						310,000
BBS - 500mm twin crossing / Crawley Tunnel / Princes St.						500,000
Subtotal		7,726,989		7,726,989		19,739,365
SDS Design	5.0%	386,349		386,349	5.0%	986,968
Tie Overheads	11.0%	849,969		849,969	11.0%	2,171,330
Total Measured Works		8,963,307		8,963,307		22,897,663
DoR	33.0%	2,671,631	Excluding South Gyle Sewer (no DoR on sewers)	33.0%	2,671,631	5,242,910 See Note 5
Advance Payment Discount	7.5%	471,876		471,876		1,207,666
CCTV Surveys outwith the DKE + 2		0		0		495,000 See Note 6
Total Payable by SW - Works		3,143,507		3,143,507		6,945,576
Total Paid by SW to Date		3,010,817		3,010,817		3,010,817
Residual to be paid by SW - Works		132,690		132,690		3,934,759
SW SR06 Costs		7,867,864		7,867,864		
Ddt						
Tie Payment 01		-1,885,817		-1,885,817		
Tie Payment 02		-1,125,000		-1,125,000		
Gogar Works		-48,607		-48,607		
TIE Accrual				-700,400		
Grade 3 Sewers				-326,405		
Deductions		-3,059,424		-4,086,229		
Total SW SR06 Costs		4,808,440		3,781,635		3,526,373 See Note 7
DoR	33.0%	1,586,785		1,247,940		1,217,892
Advance Payment Discount	7.5%	241,624		190,027		354,477
Total Payable by SW - Watching Brief		1,828,409		1,437,967		1,572,369
Residual for Payment by tie		2,980,031		2,343,668		1,954,004
Total SW SR06 Liability		-2,847,341		-2,210,978		1,980,755
Total Paid by tie to SW to date		325,000		325,000		375,000 See Note 8
Outstanding Liability		-2,522,341		-1,885,978		2,355,755
SR10						
SW SR10 Costs to Date		1,129,529		2,039,142	Taken to include May 2012	1,129,529
SW Forecast SR10 Costs to Complete		2,259,499	Based upon Completion in December 2014	2,796,400	Based upon Completion December 2014	1,525,686 Based upon SW completion Dec 2013
Total SW SR10 Liability		3,389,028		4,835,542		2,655,215
Total to be paid by SW to tie		-5,911,369		-6,721,520		-299,460

SUMMARY

Total Payable by SW - Works		3,143,507		3,143,507		6,945,576
Total Payable by SW - Watching Brief		1,828,409		1,437,967		1,572,369
Payments Made to Date by SW		-3,010,817		-3,010,817		-3,010,817
Payments Made to Date by CEC		325,000		325,000		375,000
SW SR06 Costs		-4,808,440		-3,781,635		-3,526,373
SW SR10 Cost to Date (Oct 2011)		-1,129,529		-1,129,529		-1,129,529
SW SR10 Cost from Oct 2011 to May 2012)		-2,259,499		-909,613		-584,471
SW SR10 Forecast Cost		-2,796,400		-2,796,400		-941,215
Total to be paid by SW		-5,911,369	CEC due SW £5.9m	-6,721,520	CEC due SW £6.7m	-299,460 CEC due SW £0.3m

Liability to 1st Oct 2011		3,651,870	CEC due SW £3.6m	3,015,507	CEC due SW £3.0m	-1,226,226 SW due CEC £1.2m
Liability post 1st Oct 2011		2,259,499		3,706,013		1,525,686

Notes -

- 1 - T & T value is based on the Tie position whilst discussions on rates etc. haven't concluded.
- 2 - Scottish Water are applying the initial (C4) estimate rates for preliminaries when calculating final amounts due. For the purposes of establishing a settlement figure we have followed this method however the amount due should be calculated on the actual cost and not the estimated cost.
- 3 - Scottish Water have made no allowances for variations despite having accepted in principle some of the items. For the purposes of achieving a settlement we have included for items such as trial holes, archaeological works, A8 sewer diversion and side entry manholes (Items graded 1 and 2 on the variation schedule). Whilst there may be valid claims (they were after all costs incurred by MUDFA as a consequence of carrying out the diversion works), we have not included labour escalations, sub-contract prolongation etc. (Graded 3 on the variation schedule).
- 4 - SW have not made allowances for all diversion works (and associated works such as abandonments) carried out, including works to Princes Street (carried out by BBS). The value for Princes Street is an estimate at this time.
- 5 - Scottish Water have stated that they are looking to use the calculation rules issued in late 2010. Scottish Water's budget position would appear to take the opposite position where it is based on the original HAUC calculations rules. Our view is that the original HAUC calculations apply and therefore that method has been used. It should be noted that for the purposes of achieving a settlement that no Deferment of Renewal has been calculated on an apportionment of the variations. A significant reason for the difference is due to the depot water main diversion which as it lies outwith a road SW have made no allowance for. We believe the 3rd Party Agreement makes specific arrangements for works not under a road.
- 6 - SW asked Tie to carry out CCTV works outwith the DKE + 2m. The 3rd Party Agreement asks for CCTV within DKE + 2m but not outwith. SW's position is that any project would have to carry out CCTV works on the local network. There are also a number of items (such as new fire hydrant installations) for which there is correspondence that SW have agreed to pay. For the purposes of achieving a settlement, these extra works have not been included within these figures.
- 7 - SW re-issued their SR06 costs when issuing their 1st position paper. T & T have used the figures issued by SW to Tie in Aug 11 as the basis for their establishment of the SR06 costs.
- 8 - CEC & SW seem to be in agreement that £375k has been paid to SW however SW have not confirmed this in writing. To be closed out.

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ITEM	Value	Proportion attributed to SW	Take Forward Value	SW's Latest on File Comment	T & T Comments	GRADE		
						1	2	3
Sewer CCTV inspections	495,000.00	100%	495,000.00	SW maintains that these are covered by Clause 4.4 of the TIE/SW/CEC agreement. TIE to provide copies of either letters, emails of Confirmation of Verbal Instructions requesting surveys.	Clause 4.4 refers to surveys within DKE plus 2m (either side). These works refer to surveys taken outwith that area.	Taken forward to the summary sheet as full value		
Trial Holes in various locations throughout the route to facilitate the establishment of existing water services	445,883.52	36%	160,384.30	Trial holes were required to provide information on existing services then they are included with Clause 4.4 of the tie/SW/CEC agreement and are at Tie's cost.	SW have a responsibility under Clause 4.1 & 4.2 of the 3rd Party Agreement to provide all contemporary data relating to the presence and location of all buried and above ground Apparatus within the limits of deviation and particularly focusing upon the DKE plus two metres on either side thereof. Trial holes were deemed necessary due to the non provision of that complete information from all utility providers.	160,384.30		
800mm water main diversion at Gogar Depot	1,838,000.00	100%	1,838,000.00	The original apparatus for the Gogar Main was not in a highway, street or road and therefore does not fall within the NRSWA cost sharing legislation and is a cost for Tie.	3rd Party Agreement includes for works not included under a road.	Taken forward to the summary sheet as full value		
AS sewer diversion	1,792,924.00	100%	1,792,924.00	Tie to provide details		1,792,924.00		
Remove central reserve and kerb outcrops on Leith Walk to facilitate Traffic Management	161,500.00	36%	58,091.55	SW maintain that this item is kerbing and making good and therefore covered under the original scope of works. TIE require to provide detailed substantiation of variation for consideration by SW. Substantiation to be provided will include correspondence between TIE and CUS, contemporaneous records of labour, plant, materials and sub-contractors utilised for the works and detailed reasoning as to why SW are liable for a share of the costs associated with these works.	The original scope of the works did include kerb removal and re-instatement (as noted in the BoQs) however this was for measured works (items and in local areas to suit the works. The claimed works relate to the complete removal of central reserve of Leith Walk to allow traffic management to be put in place.	58,091.55		
Hire of MASS barrier for TM	1,041,894.53	36%	374,769.46	Substantiation to be provided as to why this was not included in the original contract. Substantiation to be provided will include correspondence between Tie and CUS, contemporaneous records of labour, plant, materials and sub-contractors utilised for the works and detailed reasoning as to why SW are liable for a share of the costs associated with these works.	Works were part of the TM necessary to carry out the works. TM was greater than initially anticipated due to the amount of additional work associated with unknown services. Works included in the agreed final account with CUS which was subject to mediation.		374,769.46	
Design of TM	183,198.50	36%	65,896.50	Substantiation to be provided as to why this was not included in the original contract. Substantiation to be provided will include correspondence between Tie and CUS, contemporaneous records of labour, plant, materials and sub-contractors utilised for the works and detailed reasoning as to why SW are liable for a share of the costs associated with these works.	Works were part of the TM necessary to carry out the works. TM was greater than initially anticipated due to the amount of additional work associated with unknown services. Works included in the agreed final account with CUS which was subject to mediation.		65,896.50	
Provision of AMIS Insurance	70,883.51	36%	25,496.80	Why was the contract let without the inclusion of insurance provision by either the contractor of Tie on behalf of CUS.	The insurance provision cost would have been a cost to the project whether it was included at contract award or not. Reasons for not being in contract are irrelevant.	25,496.80		
Archaeological works	124,562.40	36%	44,805.10	Agreement in principle. Tie to provide proposed cost share split between relevant parties prior to final acceptance	As per split noted	44,805.10		
Escalation of labour	144,769.52	36%	52,073.60	Quantum supplied. Tie to provide additional details of change control background to demonstrate why cost share to be considered by SW.	This is increase in costs for works due to delays. Works prolonged as a result of increased scope and lack of knowledge of proximity of apparatus.			52,073.60
Prolongation of Sub-Contractors	130,000.00	36%	46,761.00	Quantum supplied. Tie to provide additional details of change control background to demonstrate why cost share to be considered by SW.	This is increase in costs for works due to inflation. Works prolonged as a result of increased scope and lack of knowledge of proximity of apparatus.			46,761.00
Indexation	1,837,000.00	36%	660,768.90	Quantum supplied. Tie to provide additional details of change control background to demonstrate why cost share to be considered by SW.	This is increase in costs for works due to delays. Works prolonged as a result of increased scope and lack of knowledge of proximity of apparatus.			660,768.90
Overheads	198,000.00	36%	71,220.60	Overheads are included as a fixed percentage relative to the measured works. Therefore SW deem overheads to be included in the measure works and applied uplifts so no additional cost share relative to overheads to be considered by SW.	This is increase in costs for works due to delays. Works prolonged as a result of increased scope and lack of knowledge of proximity of apparatus.			71,220.60
Logistics support	856,484.36	36%	308,077.42	Quantum supplied. Tie to provide additional details of change control background to demonstrate why cost share to be considered by SW.	This is increase in costs for works due to delays. Works prolonged as a result of increased scope and lack of knowledge of proximity of apparatus.			308,077.42
August 08 embargo	56,225.99	36%	20,224.49	Tie have not provided SW with dates of their construction programme. Please provide details of the agreement to pay embargo costs to CUS and the timeline established.	This is increase in costs for works due to delays. Works prolonged as a result of increased scope and lack of knowledge of proximity of apparatus.			20,224.49
Working of Non Productive Overtime	229832.05	36%	82,670.59	Tie have not provided any details as to what this change control item relates to. Full substantiation and contemporaneous records to be provided	This is increase in costs for works due to delays. Works prolonged as a result of increased scope and lack of knowledge of proximity of apparatus.			82,670.59
Works to meet Embargo restrictions including backfill of trenches/ excavations that will require re-opening and demobilisation of affected sites	119,000.00	36%	42,804.30	Tie have not provided SW with dates of their construction programme. Please provide details of the agreement to pay embargo costs to CUS and the timeline relative to embargos included in the original Tie / CUS contract and the establishment of those in addition.	This is increase in costs for works due to delays. Works prolonged as a result of increased scope and lack of knowledge of proximity of apparatus.			42,804.30
Additional TM works - Nov 08 to Aug 09	227,000.00	36%	81,651.90	TIE require to provide detailed substantiation of variation for consideration by SW. Substantiation to be provided will include correspondence between TIE and CUS, contemporaneous records of labour, plant, materials and sub-contractors utilised for the works and detailed reasoning as to why SW are liable for a share of the costs associated with these works.	This is increase in costs for works due to delays. Works prolonged as a result of increased scope and lack of knowledge of proximity of apparatus.			81,651.90
Gain Share	102,585.84	36%	36,900.13	No allowance for Pain/Gain share detailed in Tie / CUS contract. Profit already resolved via fixed percentage relative to the measured works.	This is increase in costs for works due to delays. Works prolonged as a result of increased scope and lack of knowledge of proximity of apparatus.			36,900.13
Hand digging	152,000.00	36%	54,674.40	Hand digging is included in the rates	Rates include for machine digging only.			54,674.40
Side Entry Manholes	2,225,608.00	100%	2,225,608.00	No comments received		2,225,608.00		
						4,307,309.75	440,665.96	1,457,827.32

Appendix 2 – Scottish Water Response to “The Red Folder” with
Turner & Townsend comments in red

Report on file entitled “Carillion Final Account” as presented by Colin Smith of CEC to Mark McEwan of SW on 3rd April 2013.

The document presented by CEC gives the impression that the Carillion Final Account for all Utility Work i.e. water, gas, power, telecom, C & W, and Virgin media etc, was agreed between Carillion and Tie as a result of a mediated settlement.

This is correct

The amount originally requested by Carillion is stated as £68,971,000.00 and the mediated settlement amount is stated as £62,500,000.00. **This is correct**

Included within the stated settlement to Carillion by Tie of £62,500,000.00, are sums totalling £6,525,000.00 in respect of disruption claims originally requested by Carillion in the amount of £10,729,000.00 before settlement was reached between the parties. **This is correct**

Tie considered that the disruption claims paid to Carillion in the amount of £6,525,000.00 should be included within the NRSWA cost sharing calculations and that this amount be shared by all Utilities, including Scottish Water, on a pro-rata basis, depending on the value of the Diversions carried on behalf of the respective Utilities. **This is correct**

Disruption claims between Tie and CUS have not been demonstrated as being as a result of any action on the part of Scottish Water and the value of £6,525,000.00 should not be considered by Scottish Water when cost sharing is calculated.

Disruption claims are not uncommon on complicated construction projects and form part of the final cost which is recoverable under NRSWA.

Examination of the file presented by CEC shows that it consists of a series of one line values entered into the overall costs submitted by Carillion to Tie against certain items, having no invoice back up to substantiate the cost or, of equal importance, any narrative to justify the reason for the payment being considered in the first instance, and these items should not form the basis of cost sharing calculations between Tie and Scottish Water. **All costs have been reviewed and assessed by the tie commercial team as part of the administration of the contract and the final account process. The fact that Scottish Water are unable to drill down to lower levels of the account does not make the costs invalid.**

Other items included have been valued on a labour, plant and material basis, the sheets which have been used in the calculation of the values and entered into the overall costs submitted by Carillion to Tie, do not contain any confirmation that the resources used in the execution of the items were in fact on site at the time or, of equal importance, any narrative to justify the reason for payment being considered in the first instance, and these items should not form the basis of cost sharing calculations between Tie and Scottish Water. **As per comment on paragraph above, we do not believe there is an obligation in NRSWA to provide this information.**

We have demonstrated that costs were incurred and how they fit into the final account.

CEC by their own admission within the submitted file, have indicated that further back-up behind the values mentioned above is not readily available. **Noted**

In conclusion, the file contains almost the same information which was submitted to Scottish Water about two years ago when Tie were requested to justify additional costs in relation to items covered by Change Control, the value of which Tie requested that Scottish Water include in accordance with cost sharing calculations between the parties. **Tie were acting reasonably**

No new information has been presented by CEC on behalf of the Tie/Carillion Final Account to enable Scottish Water to reconsider their original position with regard to increasing the amounts included within cost sharing calculations between the parties, and the previous position stated by Scottish Water to Tie should not be altered to CEC. **Final agreement of the legacy account is currently the subject of separate discussion between Colin Smith and Mark McEwan.**