

Steven Beattie

TPS

(FAO: Carillion Utility Services)

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Dear Steven

**EDINBURGH TRAM PROJECT – MUDFA**

**Project Wide Advance Construction/Enabling Works – (Including Side Entry Manholes)**

We write with regards to the documentation supplied by CUS as the proposed final accounts for the above works amounting to CUS valuation of £7,624,826.23.

To date CUS have provided two number proposed final account submissions in respect of the above works which were carried out in support of and as part of the MUDFA works. The two final accounts submitted are:

- Proposed Final Account for works carried out from January 2008 to July 2008 under cover of letter CUS/tie/Letter/JC/Projects/2220 dated 13<sup>th</sup> May 2009 amounting to £1,934,417.48.
- Proposed Final Account for works carried out from August 2008 to end of October 2009 under cover of letter CUS/tie/Letter/JC/Projects/2782 dated 25<sup>th</sup> Sept 2009 amounting to £3,288,890.59.

In addition to the above CUS have provided a summary, as part of their monthly applications for payment, in respect of the side entry manholes works undertaken amounting to £2,401,518.16.

**tie** has reviewed the CUS submissions, and any associated supporting information provided, and have endeavoured to rationalise and allocate CUS's purported final accounts to individual instructions/change orders. As confirmed in tie certification number 37 the current tie assessed value of the above works, based upon the information provided to date by CUS, is circa £5.8m. The basis of the tie assessment was included in Certification No 37 issued under cover of our letter reference DEL.MUDFA.19753.JC dated 29<sup>th</sup> January 2010, however as discussed and agreed the previously certified on account payment of £6,621,289 in respect of the above works has been maintained in Certification No 37. As discussed previously, due to the inadequacies of the information provided by CUS, we reiterate tie are currently unable to make any further assessments related to the above works.

The inadequacies and issues associated with the information provided are detailed within the tie assessment issued on the 29<sup>th</sup> January 2010, further copy disk attached to this letter, and can be summarised as, but not limited to, the following:

- The purported costs and all fully supporting and substantiated information provided by CUS are to be allocated and assigned to the relevant instruction/CVI by CUS.
- Duplication of invoices/substantiation within different sections of the same submission i.e. plant invoices listed and issued in support of labour costs are also claimed within the plant sections of the submission. CUS to re-evaluate their previous submissions and remove all duplication and erroneous items from all sections prior to re-submission.
- Approximately £681k of purported invoice costs incurred has been claimed without the support or issue of the relevant invoices to substantiate and justify the costs incurred. CUS to re-evaluate their previous submissions and provide full details and substantiation as required for the applicable items, allocated to the relevant instruction/CVI.
- CUS have arbitrarily spread elements of purported plant usage / cost across a number of change orders/work sections as a percentage rather than providing the demonstration and justification for allocation of the actual costs incurred to specific areas/instructions/CVI's. This is most prevalent in relation to the Gogar Earth works, where the total plant cost of circa £90k has been spread across the whole of the works claimed by Carillion Civil Engineering. This is despite the Gogar earthwork account being agreed and paid under a separate change control No 144 which is unrelated to the enabling works. CUS to re-evaluate their submission clearly delineating the works and removing all erroneous items prior to allocation to the relevant instruction/CVI and re-submission.
- There are a number of invoices and details submitted pertaining to works not related to advance construction/enabling works which are dealt with separately in the valuation of the MUDFA works and as such are duplications of the same issues i.e. invoices and costs submitted for labour and plant related to the diversion of the 1500mm diameter sewer at Gogar are also included, agreed and paid in change control 171 for the 1500mm diameter sewer diversion. CUS to re-evaluate their submission clearly delineating the works and removing all erroneous items prior to allocation of the advance works to the relevant instruction/CVI and re-submission.
- Carillion Civil Engineering have arbitrarily assessed and spread the purported costs relating to MUDFA contract works and remedial works carried out on behalf of CUS as an overall percentage, as opposed to substantiating, justifying and demonstrating the deduction for the actual cost associated with the remedial works and MUDFA contract works paid elsewhere. **Note** - based upon the information provided elsewhere by CUS, the actual costs associated with Carillion Project Services undertaking B0 remedial works alone, are greater than the total amount of deduction for MUDFA contract and remedial works contained within the CUS submissions. CUS to re-evaluate their previous submissions and provide detailed, justified substantiation for the delineation of advance construction/enabling works, MUDFA contract works and remedial works actually undertaken prior to re-submission.
- No correlation and demonstration that the labour, materials and plant claimed was actually utilised and incorporated in to the advance construction works. As discussed previously all daily allocation sheets/daily timesheets for each squad, copies of the daily site signing in records, purchase orders, signed delivery tickets and all validated invoices in support of the

items claimed are to be provided. CUS to provide the required, previously requested, information allocated to specific instructions/CVI's in support of their re-submission.

- Claims for plant within areas that CUS were also undertaking utility diversion works, which are recovered and paid through the prelims. I.e. road sweeper for Lothian Road during concurrent utility diversion works. CUS to re-evaluate their submission clearly delineating the works and removing all erroneous items prior to allocation of the advance works to the relevant instruction/CVI and re-submission.
- No delineation or evidence of details or substantiation to support where subcontractors were working and what they were doing, specifically related to subcontractors that CUS also utilised as part of the utility diversion works i.e. Doocey Reinstatements, Markon, Classone etc who also carried out utility diversion works during the same periods. CUS to re-evaluate their previous submission and clearly substantiate and justify the delineation of the works undertaken, allocating any advance construction/enabling works to the relevant instruction/CVI and re-submit.
- Not all daily allocation sheets/daily timesheets or site signing records have been submitted in support of the submission yet CUS appear to be charging all costs and invoices to the advance construction works, despite the knowledge and acceptance from CUS that the resources claimed also carried out elements of the utility diversion works such as installation of trench support, excavating and backfilling utility diversions etc. CUS to provide the, previously requested, information allocated to specific instructions/CVI's to support their re-submission.
- A significant number of accruals are contained within the CUS submission despite the works to which they relate having been completed, in some instances, up to 18 months previously, with no explanation, substantiation or justification for same. CUS to re-evaluate their previous submissions, providing and allocating all relevant verified invoices applicable to the relevant instruction/CVI or alternatively substantiation and justification for any accrual in support of their re-submission.
- No details, substantiation, justification or explanation of the works carried out by Carillion Civil Engineering staff. It is noted that during the currency of the advance construction works, Carillion Civil Engineering were also undertaking the Gogar earthworks, Gogar 1500mm diameter sewer diversion, Gogar 800mm water main diversion, MUDFA contract works and an unrelated flood alleviation scheme for others from the same office accommodation at MUDFA, however the full staff costs incurred for the entire duration appear to be allocated to the advance diversion works. CUS to re-evaluate their previous submissions and clearly substantiate and justify the delineation of the works undertaken, allocating any advance construction/enabling works to the relevant instruction/CVI and re-submit.
- No detailed substantiation or justification provided for the side entry manholes other than summary spreadsheets produced by CUS. CUS to produce and submit a fully detailed, substantiated and justified submission in respect of the side entry manhole works allocated to specific instruction/CVI and specific location including, but not limited to, the provision of actual labour daily allocation sheets/timesheets, daily site signing in records, material and plant purchase orders, signed delivery tickets, invoices, justification/build up of labour rates applied etc to enable this element of the works to be assessed.

Whilst the above and the attached are not exhaustive, it demonstrates there are significant issues associated with the current CUS submissions which CUS are required to address prior to re-submission and tie undertaking any further assessment of the advance construction/enabling works.

We trust you will find the above and the attached to be in order and look forward to receipt of your revised submission which takes cognisance of all the issues raised.

Yours

Graeme Barclay

Cc Fiona Dunn, Thomas Caldwell, John Casserly

Enc.