

---

**From:** Tony Glazebrook  
**Sent:** 07 October 2009 14:59  
**To:** Steven Bell  
**Subject:** RE: Network Rail Costs: Budget Management and Controls  
**Attachments:** Value of APA Works; RE: APA Cost estimates; NR APA Estimate - AG mods - 14 Jan 2008.xls

Hi Steven,

Based upon Gregor's serious allegations against me, here are some early thoughts . . .

In respect of why wasn't the NR risk fund sum in the NR budget I have appended some emails from way back. My clear recollection is that I believed that someone other than me was dealing with putting together tie's NR budget; certainly lots of people, including Matthew Crosse, were dealing with the budget figures generally - including the associated issue of incentivising BSC for the NT system immunisation costs.

I am also quite sure that my entry in the attached spreadsheet from 2008 (which was an attachment to your email of same date – appended above) under the item "Industry Risk Fund" which says "Already covered in other authorities" was because someone had told me that was the case. I certainly would not have invented that comment. I am also concerned that, at the time, no one challenged those words.

Quite simply, it was because I believed that this Industry Risk Fund figure was covered elsewhere – and no one had advised me to the contrary – that I was not concerned at those costs arising; indeed, Kirsty and I monitored the other NR variable costs as required, but took it that the fixed risk fund costs would be allocated to the budget that we believed existed.

Cheers,

Tony

---

**From:** Steven Bell  
**Sent:** 07 October 2009 13:00  
**To:** Tony Glazebrook  
**Subject:** Network Rail Costs: Budget Management and Controls  
**Importance:** High

Tony

To summarise on actions from our discussions.

The following details work Gregor Roberts has done to track down the history. (*shown in italics*)

*Budget History (Colin Kerr)*

*The original Network Rail budget was collated prior to all of the agreements being finalised and in particular the CAB (£1445k) was arrived at prior to the Asset Protection Agreement (APA) being signed off. In order to build-up a bottom-up budget Colin Kerr collated a budget which was linked to the signed agreements and his view of forecast APA programme of works (at the time for Mathew Cross), which came to £1544k. In the rounds this budget was amended for PM savings to the Current Agreed Budget (CAB) of £1445k. Colin was able to provide a breakdown of what was included in the NR budget linked to the main contract agreements (prior to APA sign off).*

*Following the budget process, there was correspondence between Steven Bell and Sandy Tuckerman 14/01/08 (cc Tony Glazebrook; Alastair Sim) regarding APA cost estimates. Network Rail had originally provided APA costs of £2,329k and Steven had provided a more realistic tie view of costs of £797k back to NR. The tie cost estimate*

specifically excluded the Industry Risk Fund (2% of project cost est.) on the basis that this cost was already covered by other authorities. During negotiation of the APA agreement an e-mail from Chris Horsley 18/01/08 (to Steven Bell; Alasdair Sim, cc Andrew Fitchie; Tony Glazebrook) at DLA advised that the APA should be payable to NR 'which provides NR with a pot of money to pay out for any claims arising in relation to Projects countrywide'. The APA was agreed and signed off between tie and Network Rail on 13/03/08 (and CEC 14/03/08). The APA included a clause for tie to pay 2% of £45,000,000 as fixed Industry risk fee (cost £900,000). The budget was not updated to reflect the APA Industry Risk fee on sign-off. See summary of Budgets (cost and forecasts) below:

**Table 1**

<u>Contract Type (covers T09.01 &amp; T19.01.07) - £k</u>	<u>Paid to P6 - £k</u>	<u>CAB -£k (per CK)</u>	<u>Current AFC - £k</u>	<u>Delta vs CAB - £k</u>
Non NR costs (inc legal set-up)	9		27	27
Framework Development Agreement Contract 1 (FDA)	217	252	217	(35)
Development Services Agreement (DSA)	213	293	213	(80)
Basic Implementation Agreement (Lift & Shift)	115	144	136	(8)
Asset Protection Agreement (APA) – excl risk fee	238	756	517	(239)
Asset Protection Agreement (APA) – risk fee	510	-	889	889
Immunisation Implementation	-	-	129	129
<b>Total</b>	<b>1,302</b>	<b>1,445</b>	<b>2,128</b>	<b>683</b>

**Notes:**

- the actual current agreed budget has a cost reallocation against the £9k legal setup costs which are not included in CK view of the budget
- NR Fee and Risk Fund are included in AFC against FDA 1, but were not included in the original CAB
- it is assumed that no further costs will be incurred against the FDA1 contract or the DSA
- detail relating to this table is available if required

Forecasting History (Colin, Tony, Alastair)

Historically, forecasts had been collated by Kirsty Wilson on behalf of Colin and the engineering team (with Hamish inputting onto PD review format). PD review forecasts submitted were all based upon Colin's original base view, and the period 4 forecast of £1592k had been built up on the assumption that costs would match budget, but had been increased by £147k (over CAB) on the basis that PM costs would be more due to the extended time involvement for NR PM works. The basic principles of the Project Managers looking at the detail behind invoices paid to date, and re-forecasting based upon costs being incurred over/under budget levels was not applied to the NR forecast.

Responsibilities, Payment of Invoices & DAR's

The DAR's show that Kirsty Wilson has been Project Manager and Tony Glazebrook Functional Director up until they were officially updated on DAR 1.4 on 03/09/09. In real terms, the Delegated Authorities were transferred from the Engineering team to the Infraco team in May, with little clarity as to who has actually been responsible for this budget being provided to Accounts Payable. Emily Malone was informed directly of the changes in responsibility by the Infraco team (when invoices were due to be paid), but the process for updating the DAR's seems to have fallen short of official confirmation. In the future a process needs to be put in place whereby Emily is informed of a change in the DAR's officially by the Functional Director, and the DAR's are updated before any invoices are paid on behalf of the new budget holders.

Up until 22/03/09 Tony Glazebrook and Kirsty Wilson signed off all Network Rail invoices. Willie Biggins was then given responsibility for Network Rail reporting from period 2 to period 4 09/10, with Frank McFadden authorising payments, before Gail Blythe was finally handed the baton in period 5.

On querying as to how £330,000 of industry risk fee had been paid (£30k x 11 months) up to the last invoice approved for payment by Tony (paid 24/09/09) and Kirsty, Tony Glazebrook indicated that he had never been provided with a breakdown of the budget. It seems that invoices have been getting signed off without ensuring that the DAR's are being adhered to by 'ensuring that no financial commitments are permitted unless the commitment is within the approved base cost budget'. If Tony and Kirsty have been signing off invoices without understanding the detail of what is being approved, then this is a serious control breach as invoices have been paid out-with the delegated authorities of the board. A budget should have been available for Tony Glazebrook to check off against: Colin Kerr (a direct report to Tony) was able to explain his understanding of how the NR budget had originally been collated.

*A further six invoices have been authorised by the Infraco team which include payment of the Industry risk fee.*

Change

*It is recommended that a change is raised for the differences in AFC (£2128k) to budget (£1445k) by Gail Blythe.*

Necessary Actions

We discussed and reinforced the absolute necessity to systematically ensure compliance with the processes and actions covered in the Delegated Authority Rules.

We agreed that you would:

1. Check to see if there was any further detail behind the Network Rail related information or history and provide to me / Gregor ;
2. Confirm that you and your team would review the current DARs and ensure that there was complete and thorough understanding and you were all operating in full compliance of the requirements including supporting any other budget holders as necessary / agreed;
3. Arrange a briefing with your team (supported by Gregor Roberts as required) to ensure we record item 2 as complete and confirm that there are no further risk areas
4. In the interim, confirm at PD review on 12/13 October if any other such risk areas exist.

Thank You

Steven Bell  
Edinburgh Tram Project Director

**tie** Limited  
Citypoint  
65 Haymarket Terrace  
Edinburgh EH12 5HD

Tel: +44 (0) [REDACTED]

Fax: +44 (0) [REDACTED]

Email: [steven.bell@tie.ltd.uk](mailto:steven.bell@tie.ltd.uk)

For more information on the Edinburgh Tram Project, visit [www.edinburghtrams.com](http://www.edinburghtrams.com)