

Corporate Gate Summary
Gate D Review – Bank Station Capacity Upgrade Project
(Project & Planning Panel: 8 May 2013)

1. Overview

- 1.1 This report sets out the findings and recommendations from the follow up Corporate Gate D review of the Bank Station Capacity Upgrade (SCU) project. TfL PMO commissioned Turner & Townsend as the External Expert (EE) to carry out the review. IIPAG was represented by Nigel Quick and Charles Penny who have written a separate report.
- 1.2 As per the preceding Gate D report presented to the 23 April 2013 RUB meeting, due to the confidentiality of the tender evaluation process the EE and IIPAG had not previously reviewed the tender documents received or the outputs from the evaluation process.
- 1.3 This report is provided to the Panel as an update following a review of the provisionally preferred bid (known as The Lead Bidder). A number of recommendations and observations have been made. These are discussed below.

2. Observations and Recommendations

ICE Process Outputs

- 2.1 The Lead Bid is a well constructed tender with considerable attention paid to detail. The ICE process has met its desired objectives by generating a compliant bid that is below the £625m target price, achieves the required completion date of 2021 and clearly links to the project's objectives. The benefit cost ratio for the scheme is higher than the Base Case Option that was provided as part of the tender information.
- 2.2 All the tendered designs, including the Lead Bid, deviate from the previously approved base design. Although the changes proposed in the Lead Bid generate construction and operational benefits, they will also require concessions and approvals from LUL design authorities and key external stakeholders. The project team has evaluated the concessions and included them in the evaluation of the bids. The External Expert has assessed the concessions required for the Lead Bid only, but these are not discussed here for reasons of commercial confidentiality.
- 2.3 The planned contract award date of 22 July 2013 is a tight timeline for securing concessions. Now that the extent of proposed concessions for each bid is known, the project team should establish a plan for securing approval of all likely concessions proposed by the Lead Bid. The team should also carry out a risk assessment of the impacts of delays to securing the concessions beyond the contract award date.

Engineering / Technical

- 2.4 The Lead Bidder's proposal generates more benefits and has been scored higher than the base case option but it also includes a number of additional technical challenges and key stakeholders. These aspects have been explained to the External Expert but are not discussed in detail here.
- 2.5 The EE was satisfied that the technical and stakeholder challenges in the Lead Bid are being assessed thoroughly but remains concerned about the risk of settlement

underneath Mansion House. The Lead Bid assumes a degree of settlement with a mitigation strategy that is largely reactive. It is essential that the City of London is appraised of the Lead Bid as soon as possible in order to agree settlement mitigation plans.

Procurement & Commercial

- 2.6 The External Expert has only assessed the Lead Bid. As a result, it is not possible to validate that it represents the Most Economically Advantageous Tender (MEAT).
- 2.7 Independent cost plans from EC Harris and Gardiner & Theobald priced the four designs against the quantities provided by the bidders. This exercise has enabled the project team to confirm that there are no abnormally low bids. All four bidders are aware that a Best And Final Offer (BAFO) may be offered and hence may be prepared to reduce their submitted tenders. The project has now secured approval to proceed without invoking a BAFO. Nevertheless, the project team should continue negotiations with the top two bidders in order to ensure that the most advantageous offer is secured.
- 2.8 The project team is applying external benchmarks to support the ongoing process of demonstrating value for money and MEAT selection. However, the comparator projects are all LUL projects. The project team should consider benchmarking against other projects such as Crossrail, including the assessment of whole life cost.

Resources

- 2.9 The project has revised the proposed future organisation based on the Lead Bid. In addition, the project is benchmarking the size and capability of the client team against other major LUL projects, including Victoria Station Upgrade, Tottenham Court Road Station and Bond Street Station. The project team should recalculate the EFC based on the revised LU management costs and benchmarking results.

3. Conclusion

- 3.1 The Lead Bidder has presented a very well assembled and detailed tender – the ICE process has delivered real benefits by generating an improvement on the base design, both in terms of benefits and delivery methodology.
- 3.2 The significant changes over the base design require concessions that may present a risk to the planned contract award date. Now that the likely required concessions are known, the plan to secure approvals should begin rapidly.
- 3.3 Without sight of all the bids, this review cannot confirm that the Lead Bid represents the Most Economically Advantageous Tender. Nevertheless, the evaluation process has been carried out as planned so far, and is likely to result in the selection of the best bidder.
- 3.4 TfL PMO recommends that that project should continue to evaluate the tenders in accordance with the ICE process in preparation for final approval at the TfL Board in July. The EE will be retained in order to report on the progress against the following recommendations:
 - i. The project team should establish a plan for securing approval of all likely concessions proposed by the Lead Bid.

- ii. The team should carry out a risk assessment of the cost and schedule impacts of delays to securing the concessions beyond the contract award date.
- iii. It is essential that the City of London is appraised of the Lead Bid as soon as possible in order to agree settlement mitigation plans.
- iv. The project team should provide a plan detailing how and when the Lead Bid proposal will be formally approved.
- v. The project team should continue negotiations with the top two bidders in order to ensure that the most advantageous offer is secured.
- vi. The project team should consider benchmarking against other projects such as Crossrail, including the assessment of whole life cost.
- vii. The project team should recalculate the EFC based on the revised LU management costs and benchmarking results.