

Corporate Gate Summary
Gate D Review – Bank Station Capacity Upgrade Project
(Rail & Underground Board: 23 April 2013)

1. Overview

- 1.1 This report sets out the findings and recommendations from the Corporate Gate D review of the Bank Station Capacity Upgrade (SCU) project conducted in March 2013. TfL PMO commissioned Turner & Townsend as the External Expert (EE) to carry out the review. IIPAG was represented by Nigel Quick and Charles Penny.
- 1.2 Due to the confidentiality of the tender evaluation process the EE and IIPAG have not reviewed the tender documents received or the outputs from the evaluation process. This review has focussed on the processes being followed to achieve contract award rather than whether the subsequent preferred tender was the Most Economically Advantageous Tender (MEAT).
- 1.3 At the Gate Review Meeting on 10 April 2013 the project team advised that the EE and IIPAG would be able to view the tender submission of the provisionally preferred bidder as of 12 April 2013. PMO and IIPAG will produce updated reports based on this information in time for the PPP meeting on 8 May 2013.
- 1.4 A number of recommendations were made at the Gate Review Meeting and agreed by the programme team. These are discussed below.

2. Observations and Recommendations

Option Selection

- 2.1 The bidders were provided with three scheme options for information. The latest of these includes the provision of escalators instead of lifts and also takes advantage of an enlarged worksite enabled by the purchase of an entire block of properties between 10 King Williams Street and Cannon Street.
- 2.2 Although this latest option (Reference Case Option) achieves the target completion of 2021 it also exceeds the current funding provision with a total potential cost of £624m.
- 2.3 Due to restrictions on access to tender information, the EE was unable to determine if any of the returned tenders make use of the provided scheme options. Due to the nature of the Innovative Contractor Engagement (ICE) process, until the tender evaluation is complete, there is not a single preferred option upon which this review could be carried out.

Tender Process Status

- 2.4 The EE reviewed the ICE process including the actions taken to review and respond to the tenders. The process is robust in terms of its ability to generate a preferred bid and in its compliance to EU procurement rules.
- 2.5 Four tenders were returned on 25 February however, one of the bidders submitted their tender 43 minutes after the specified deadline. Legal advice was sought and the issue was managed in accordance with Public Contract Regulations. The risks generated by the late tender were also identified and recorded. The late tender was subsequently opened on 2nd April 2013.

- 2.6 Despite this delay, the project team expect to determine a 'provisionally preferred bidder' to conclude a Gate D review in advance of the Projects and Planning Panel on 8 May 2013 and still meet the planned contract award date of 1 August 2013. As part of the follow up review, the EE and IIPAG will review the outline proposal of the provisionally preferred bidder.
- 2.7 Until the preferred bidder is selected a number of processes will not be carried out. These include; benchmarking against similar schemes, reviewing the risk allocation between the parties and mitigation of inflation risk. The EE & IIPAG will be retained up to the TfL Board approval on 3 July 2013 to report on the adequacy of these processes.

Procurement Plans

- 2.8 There is a comprehensive ITT response evaluation plan that defines the governance and process for the technical and commercial tender evaluation. It clearly defines the responsible people, roles, protocols, procedure and governance for the evaluation of the tenders up to contract award.
- 2.9 There is also a procurement execution plan in place which clearly sets out all of the LUL internal management arrangements for the ICE process up to contract award. The procurement strategy defines the arrangements for the design stages up to construction (Tranche 2). The detailed planning for managing the contract through the construction phases should begin once the contract has been awarded.

Resources

- 2.10 The project has prepared a future organisation plan from the start of Tranche 2, including the recruitment requirements and specific job descriptions. In addition, the work package execution plan describes how individual work packages will be managed.
- 2.11 The project team intends to review the client team size and composition once the contractor is selected, and will ensure that this reflects the contractor's arrangements. In doing so, the project team should benchmark its final proposals to ensure that it is not creating an unnecessarily large client team.

Affordability

- 2.12 The FPC was advised in March 2012 that adoption of the revised land acquisition strategy (the Whole Block Option) would reduce the overall project cost estimate to £624m, approximately £64m higher than the DfT target project cost of £560m. The current business plan EFC is £625m – the bidders have been given this figure as a total cost limit, with a 15% saving target.
- 2.13 The previous gate review recommended that descoping options should be developed should the DfT funding limit of £560m be exceeded. This exercise has not been carried out but further value engineering will be carried out with the preferred contractor, using pedestrian modelling to determine any changes in benefits.

Risk

- 2.14 The risk register organises risks into three main headings; the business case, the TWAO application and stakeholders and design & construction. The risks are comprehensive and included in the regular periodic reports.

- 2.15 A number of key risks remain that are outside the project team's direct control including; the granting of the TWA Order, the incorporation of the DLR Headshunt Tunnel and securing an appropriate over-site developer. The project is cognisant of these risks and is taking steps to mitigate their impact as far as reasonably practical.
- 2.16 The Gate B+ review noted the good use of the risk and issue framework (RAIL) to bring focus to reputational risks and issues. Since that review, many of the previous entries have been superseded but no new reputational risks have been added. The project team should undertake a detailed review of the sources of reputational risk and incorporate them within the project risk register.

DLR Headshunt

- 2.17 The DLR Headshunt Tunnel will not now be included in the Bank SCU contract. The LU team is maintaining an oversight of the project through the Bank Integrated Programme sponsor. The DLR team has commissioned a scheme design with a view to requesting authority in September 2013. The SCU team should assess the full impact on the TWA Order schedule should the Headshunt Tunnel project proceed.

Property Purchases

- 2.18 The project has made substantial progress in terms of land acquisition. The majority of the required land rights have been obtained and there is a low risk associated with those outstanding.
- 2.19 The business case is based on achieving £34m on disposal of the Over Site Development (OSD) to an appropriate developer. A Drivers Jones Deloitte (DJD) report identifies this as a viable figure only if certain recommendations are adopted within the architects brief such as additional floor area created by omitting double height retail space. The project team should ensure that the OSD design is developed in line with the recommendations contained within the DJD report.

Settlement at Mansion House

- 2.20 The risk of settlement below Mansion House was explicitly included in the tender and dialogue process and the bidders will be scored against their ability to address the issue. The EE's experience is that the City of London is extremely sensitive to damage to the Mansion House. The methodology for mitigating settlement at Mansion House should be given greater consideration to mitigate against any TWAO objections from CoL.

3. Conclusion

- 3.1 The ICE procurement process is robust and has progressed to plan. The late submission of one tender has been dealt with effectively and without any impact on the procurement schedule.
- 3.2 Although this review was constrained by the inability to assess the four tenders, there is a plan in place to review the provisionally preferred bid in time for the May PPP meeting. This report will then be updated to include commentary against the single preferred option, affordability and evaluation decisions.
- 3.3 TfL PMO recommends that that project should continue to evaluate the tenders in accordance with the ICE process until a further PMO review can be carried out to

conclude the Gate D review. The following recommendations have been accepted by the project team:

- i. The detailed planning for managing the contract through the construction phases should begin once the contract has been awarded.
- ii. The project team should benchmark its final resourcing plan to ensure that it is not creating an unnecessarily large client team.
- iii. The project team should undertake a detailed refresh of reputational risks and incorporate them in the risk register.
- iv. The project team should assess the full impact on the TWA Order schedule should the Headshunt Tunnel project proceed.
- v. The project team should ensure that the OSD design is developed in line with the recommendations contained within the DJD report.
- vi. The methodology for preventing damage to the Mansion House should be given greater consideration to mitigate against any TWAO objections from the City of London.