



Variation Recommendation

FOR

Contract Register ID 31345

Escalator Mid Life Overhaul at Custom House & London City Airport

2018-055

PRIVATE & CONFIDENTIAL

COMMERCIAL IN CONFIDENCE

TfL Restricted

Template Version 3

Template version date: 13 June 2022

SUBMITTED BY:	Martin Liria
Value of this individual request:	£117,892 variation
New proposed total cumulative value where additional Procurement Authority is being requested!:	£1,102,608 (Procurement Authority increase of £61,220 on the previously approved Procurement Authority of £1,041,388 as outlined at section 1.3)
Date:	15/07/2022
Status:	Draft / Final
Version:	2





Assurance

Additional information on LoA Ia and LoA Ib

The commercial lead must evidence Assurance by attaching a copy of the following:

- Evidence of LoA Ia Assurance
- Evidence of LoA Ib Assurance Report (if applicable)
- These can be evidenced by noting the PowerApp submission reference number through which LoA Ia and LoA Ib took place

Assurance	
Forum	Date
Programme / Project Change Control Board / ARPM	20/07/2022
Commercial Assurance Meeting (CAM)	26/07/2022

Assurance Reference Info	
P&C Assurance Submission Reference	3134520220720151042





Transport for London Record Sheet – Approval and Consultation

Ref No: 31345		Secretariat Record Number:			
Transport for London Record Sheet					
<p>Endorsement is hereby sought of stakeholders for this proposed Variation Recommendation for the contract known as mid-life overhaul of two escalators at Custom House & two escalators at London City Airport with KONE Public Limited Company.</p> <p>The stakeholders listed below are asked to confirm their review and endorsement of the paper. The stakeholders below also confirm that they do not have any actual or potential conflicts of interest (see GBP0027) and will maintain the commercial confidentiality of the document, process and any relevant decisions. Where any actual or potential conflicts have been identified, a separate Declaration of Interest form has been completed and mitigations agreed.</p>					
<i>Cross Business Review with Stakeholders</i>					
Name	Tim Vardy		David Bellman		
Job Title	Project Manager		Cost Manager		
Directorate	DLR		DLR		
Decision / Review Outcome	P&C Assurance Submission 3134520220720151042		P&C Assurance Submission 3134520220720151042		
Are there any interests to declare?	No		No		
Signature					





Compliance Statement

Detail any required escalation or further approval relating to Financial, Project or Procurement Authority.

Authority Type	Approval Level	Further Notes
Procurement Authority	Michael Thomlinson, Head of Procurement & Commercial (Rail & Sponsored Services) - Variation is above £100k and cumulative PA is £1,102,608	26/07/2022
Financial Authority	Approved at FCOG as part of DLR renewals portfolio. FCOG approval required to raise shopping cart.	28/04/2022
Project Authority	Asset Renewals Project Meeting (ARPM)	20/07/2022
Other	N/A	





Variation Recommendation

I. Introduction / Executive Summary

- I.1 Approval is sought to proceed with the proposed variation as outlined in this paper.
- I.2 The purpose of the contract is mid-life overhaul of two escalators at Custom House & two escalators at London City Airport. The contract was later varied to include mid-life overhaul of four poorly maintained escalators at Cutty Sark station following their transfer from City Greenwich Lewisham Rail Link (CGLR) to DLR on expiry of their concession. Cutty Sark is a section 12 station where escalators form part of the evacuation with two escalators out of service causing severe disruptions at a very busy DLR station with high passenger flow. The supplier is KONE Public Limited Company.
- I.3 It is recommended that the current procurement authority for contract be increased to a value of £1,102,608 comprising the following elements:
- a) Initial Contract Value £307,015
 - b) Previously approved Variations Value £639,701
 - c) Current Variation £117,892
 - d) Allowance of risk totalling £38,000; and

It is further recommended that the variation for the contract known as Mid-Life Overhaul of Escalators at Custom House & London City Airport be awarded to KONE Public Limited Company in the total sum of £117,892

This variation has no impact on the Contract Completion Date

- I.4 Procurement Authority to the value of £1,102,608 is hereby requested. This request for approval represents a Procurement Authority increase of £61,220 on the previously approved Procurement Authority of £1,041,388

The DPA holder, by signing this paper, confirms that the requested Procurement Authority is granted herewith.

By indicating agreement and / or signing this paper, stakeholders and signatories also confirm their endorsement of the proposed approach.

- I.5 As the escalators at Cutty Sark get dismantled for overhaul, the poor condition of parts which were invisible becomes apparent and this variation contains those items which were DLR risk under the contract.

The cost of repair was initially quoted to cost £127k and agreed at £118k which is expected to result in approximately £9k efficiency savings.





2. Permitted Reason for Modification / Variation & Additional Details Around Scope & Governance of Proposed Variation

- 2.1 The proposed variation does not entail any changes to the terms and conditions of the contract. This request for Procurement Authority uplift is to cover for the change which is to be administered via the defined change mechanism (NEC3 Compensation Event process).
- 2.2 The permitted reason for modification is (e) Non-substantial changes.

3. Summary of Contract

<u>Contracts Register & Pipeline</u> entry:	Contract ID 31345		
Purchase Order and Outline Agreement Number(s)	PO # 3101205335 / 3101233318		
Contract type:	Single contract	Nature of the procurement:	Works
Terms and Conditions used:	NEC3 Option A	UK Legislation that Applies* (irrespective of value):	Utilities 2016
Is this a call-off from a current framework?	No	If yes, which Framework?	N/A
What Category / Categories does this cover? [<u>category hierarchy</u>]	M & E / Lifts & Escalators	Is a Category Plan in place? If yes, which one(s)?	No
Business Units this contract will cover:	DLR / Surface Transport		
Contracting authority details:	Docklands Light Railway Limited, of Castor Lane, Poplar, London, E14 0BL		
Supplier Details:	KONE Public Limited Company, Global House Station Place, Fox Lane North, Chertsey, Surrey, KT16 9HW. Vendor number I3000042, Company registration number 01372978		
SQA Assurance Matrix Supplier Score(s):	A		





The proposed total revised cumulative contract value is clearly stated in section E below.

Contract value			
	Procurement Data	Value	Comment
A	Contract award value	£307,015	As authorised at award
B	Previously authorised variations	£639,701	As previously authorised by DPA holder
C	Further variation(s) to be authorised	£155,892	As appended Variation Schedule/CE Tracker
D	Total revised variation value (proposed)	£795,593	= B+C
		51%	C (this transaction) as a percentage of Contract Award Value (A)
E	Proposed total revised cumulative contract value	£1,102,608	= A+D
Outline Agreement (OA) / Purchase Order (PO) details			
F	Current OA/PO value	£1,041,388	Value in SAP in respect of this contract
G	OA/PO uplift required	£61,220	Uplift required to match proposed total revised cumulative contract value (as stated at E above)
H	Proposed revised OA/PO value	£1,102,608	To be same as proposed total revised cumulative contract value

4. Background & Current Status

4.1. On 22nd July 2021, DLR entered contract with KONE Public Limited Company to carry out mid-life overhaul of (2nr) escalators at Custom House & (2nr) escalators at London City Airport following a competitive tender process for the works based on NEC Option A, at a fixed price contract totalling £307,015 with a completion date of 31st January 2022. All these works are now completed.

Prior to handover of site at Custom House station, the escalators were found to have been vandalised. 2nr controllers, 2nr invertors, cabinets and control equipment were required





as replacements. The variation also included 2nr right-hand and left-hand side at the lower landing that need access restriction devices fitted, 1nr. Left hand side of the escalator requires a ceiling intersection guard fitted to the new steel, 2nr. deflectors to be fitted at each side of the escalator on the upper landing to the new static balustrades, 3nr floor plates replaced and fitted, 2nr. stop units relocated between the two escalators and manufacture new bases. All these cost £28k (negotiated down from £32k).

There was a second variation totalling £489,920 involving expanding the scope of work to include mid-life overhaul of the (4nr) escalators at Cutty Sark, replacing life expired components to extend life and increase reliability. These escalators were not included in previous procurement of escalators overhaul contracts because they were on the DLR's Lewisham extension which was being managed by CGLR but has since then been transferred to DLR. Prior to start of overhaul of the 4 nr. Cutty Sark escalators, additional items of work which were identified while overhaul of Custom House and London City Airport escalators was being carried out were added to the scope as a cost of £121,780

The current variations are additional scope totalling £117,892.26 which reflects items of work which have further been identified when the overhaul of 4nr Cutty Sark escalators has begun. As stated above, these assets were poorly maintained by CGLR and were already out of service by the time they were handed over to DLR.

Item 1 - Newel wheels bearings (£5,474.00)

Item 2 - Skirtings (£19,550.00)

Item 3 - Handrail rollers (£9,798.00)

Item 4 - Load relief ramps (£4,926.60)

Item 5 - Handrail entries (£8,694.00)

Item 6 - Chain cover guides (£213.90)

Item 7 - Drive unit, sprocket buffers, drive and return (£3,202.15)

Item 8 - Head shafts (£8,000.00)

Item 9 - Motor covers (£2,500.60)

Item 10 - skirting supports (£741.75)

Item 11 - Balustrade mis alignment, fit new decking between two escalator and to outer sides (£20,647.10)

Item 12 - Key switch covers (£5,175.00)

Item 13 - Comb bearer skins (£3,703.00)

Item 14 - Inner panels clip and bars (£15,042.00)

Item 15 - Step band guards (£4,195.20)





Item 16 - Step down plates (£1,591.60)

Item 17 - Spur wheel (£5,631.06)

- 4.2. Project change control has been completed and the sponsor has confirmed funding is available in respect of this variation. The source of funding is from the DLR 10 Year Plan Renewals line for Lifts and Escalators budget line.
- 4.3. By approving this paper TfL will be committing to spending an additional £117,892 with the supplier. This will be instructed as a lump sum variation under NEC3 Option A contract.
- 4.4. See below the current and planned expenditure for the term of the variation in the table below. The table shows the split between what the current and planned spend is for both external, i.e. contractors, and internal costs.

	Budgeted Costs	Contract Award Value	Authorised Variation Order (VO)	Requested Authorisation	Estimated Additional Costs	Total	Variance
Main Contract	£946,716	£307,015	£636,701	£0	£0	£946,716	£0
Requested	£117,892	£0	£0	£117,892	£0	£117,892	£0
Risk	£38,000	£0	£0	£38,000	£0	£38,000	£0
Programme Management	£0	£0	£0	£0	£0	£0	£0
Total	£1,102,608	£307,015	£636,701	£155,892	£0	£1,102,608	£0

- 4.5. None of the above costs are retrospective. A clear process of monitoring procurement authority levels is in place and being followed.

5. Strategic Objectives and Considerations

- 5.1. The consequence of not proceeding with this variation is an increased risk of death or serious injuries of commuters in case of fire outbreak or other safety incidents. The overhaul is safety, security and operationally critical.
- 5.2. Approval of this submission would allow DLR to meet its 10-year business plan objectives.

6. Value for Money / Savings / Benefits





6.1 The quotations were checked for any arithmetic errors and compliance to contracted fees and no errors were found. The rates used in pricing were in accordance with the contract. The initial quotation submitted by Kone Plc totalled £126,935.41 but the final agreed cost for the proposed variation was £117,892.26 thereby achieving a £9,043.15 efficiency savings which is recorded on the contracts register.

7 Continued Contract Management

7.1 We will continue managing the contract in line with the conditions of contract and this variation does not introduce any new clauses to the contract.

8 Options – N/A

9 Risks

9.1 Cutty Sark is a section 12 station and having 2 escalators out of service is a safety and operational risk. In addition, until these escalators are repaired and accepted by the franchisee, Keolis Amey Dockland, they will be carved out from the performance regime.

10 Key Dates for Variation Process

. This section is to show the key milestones for the proposed implementation of the contract variation for the recommended option. Include any additional governance arrangements required

	Activity	Date	Comment
A	Contract Completion Date	06/07/2021	As authorised at award
B	Previously authorised extensions to the Completion Date	10/11/2022	As previously authorised by DPA holder
C	Further extension to Completion Date to be authorised0. ...weeks	See explanation below
D	Revised Completion Date	10/11/2022	
E	Authorised Project Completion Date	10/11/2022	As current Project Authorisation
F	Impact of Revised Completion Date on Authorised Date	...0.... weeks	





APPENDIX 1

APPENDIX 2

Permitted Reason for Modification / Variation - Options	
(a) Changes that were provided for in the initial procurement documents in review clauses	<p>The review clauses must be clear, precise and unequivocal. [They may include price revision clauses or options, provided that such clauses:</p> <ul style="list-style-type: none"> - state the scope and nature of possible modifications or options as well as the conditions under which they may be used; and - do not provide for modifications or options that would alter the overall nature of the contract or the framework agreement.]
(b) Additional works, services or supplies by the original contractor that were not included in the initial procurement*	<p>Can be used when a change of contractor:</p> <ul style="list-style-type: none"> - cannot be made for economic or technical reasons such as requirements of interchangeability or interoperability with existing equipment, services or installations procured under the initial procurement; and - would cause significant inconvenience or substantial duplication of costs for the contracting authority, <p>For PCR 2015 only: Each increase in price must not exceed 50% of the value of the original contract or framework agreement.</p>
(c) Changes arising from circumstances which a diligent contracting authority could not have foreseen*	<p>The change must not alter the overall nature of the contract.</p> <p>For PCR 2015 only: Each increase in price must not exceed 50% of the value of the original contract or framework agreement.</p>
(d) Change of contractor	<p>A new contractor replaces the original contractor as a consequence of :</p> <ul style="list-style-type: none"> - a review clause or option which is clear, precise and unequivocal and in conformance with permitted reason option (a) above; or - the original contractor has been wholly or partly succeeded following corporate restructuring such as takeover, merger, acquisition or insolvency by another contractor. The succeeding contractor must fulfil the criteria for qualitative selection set out in the initial procurement documents. The





	change of contractor must not entail other substantial changes to the contract.
(e) Non-substantial changes.	<p>A substantial change is one which:</p> <ul style="list-style-type: none"> - renders the contract or the framework agreement materially different in character from the one initially concluded; - introduces conditions which, had they been part of the initial procurement procedure, would have allowed for the admission of other candidates than those initially selected; allowed for the acceptance of a tender other than that originally accepted, or attracted additional participants in the procurement procedure; - changes the economic balance of the contract or the framework agreement in favour of the contractor; - extends the scope of the contract or framework agreement considerably; or - replaces a contractor in cases other than those provided for in (d) above.
(f) Low value changes.	<p>A change is low value if the value (or the net cumulative value of successive changes) is below both:</p> <ul style="list-style-type: none"> - the applicable UK Procurement threshold; and - 10% of the initial contract value (service and supply contracts) or 15% of the initial contract value (works contracts); and <p>The change must not alter the overall nature of the contract or framework agreement.</p>

