



Date: 17 October 2013

Item 11: Victoria Station Upgrade – Additional Procurement Authority

This paper will be considered in public

1 Summary

- 1.1 This paper requests that the Committee recommend to the Board that it grants Victoria Station Upgrade (VSU) project additional procurement authority.
- 1.2 The Procurement Authority requested is within current VSU project authority, with the exception of the District and Circle line refurbishment, project authority for which has been sought under a separate paper on the agenda.
- 1.3 A paper is included on Part 2 of the agenda, which contains exempt supplemental information. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendations

2.1 The Committee is asked to:

- (a) note the paper and the supplemental paper on Part 2 of the agenda; and**
- (b) recommend that the Board grant additional Procurement Authority of £50m in respect of the Victoria Station Upgrade Project, as detailed in the supplemental paper included on Part 2 of the agenda;**

3 Background

Previous Authority

- 3.1 Project authority for VSU was approved by the Board in October 2009 and is due to expire in April 2019. The project authority was sought prior to tender returns and was based on estimates provided by independent cost consultants. The authority included a contingency allowance which has been held centrally and not released to the project team. Further project authority was granted in January 2012 to implement cooling measures on the Victoria Line platforms, as part of delivery of the Cooling the Tube Programme.
- 3.2 On 9 March 2010, Procurement Authority was granted for delivery of the main construction works under a target cost contract with Taylor Woodrow BAM Nuttall (TWBN), adjustable for inflation. The form of Contract is NEC3 Target Cost arrangement (ECC Option C); under this arrangement the Contractor is

reimbursed the actual cost of the project plus a fee. At the end of the Contract, the Contractor is paid (or pays) his share of the difference between the final Target Cost and the final actual cost. The pain/gain share ratio for this Contract is 50:50. The TWBN contract commenced on 1 May 2010 and the Completion Date is in December 2017.

Authority revision

- 3.3 In parallel with this additional procurement authority paper, project authority is being sought to refurbish the District and Circle line (D&C) parts of Victoria Station, works on which were deferred in 2009 prior to VSU project authority being approved.
- 3.4 Although this paper is seeking additional procurement authority, TfL's only expenditure liability beyond current project authority is the D&C refurbishment (project authority for which has been sought under a separate paper on the agenda). Full authority for the D&C refurbishment is included within the current Business Plan

4 Proposal and opportunity

Procurement Strategy

- 4.1 The requirement for additional Procurement Authority arises because the strategy is to procure the design and implementation of the D&C refurbishment along with a number of other changes by varying the existing contract with TWBN. The works that are the subject of the additional Procurement Authority sought are all within the Project Authority and estimated final cost (EFC). LUL has issued an instruction to submit a quotation (ISQ) for the implementation of the D&C refurbishment works and a notification of a compensation event (NCE) to proceed with the design of the refurbishment works immediately whilst preparing the quotation for the design of the works. The NCE has been issued to allow surveys to take place, the output of which will assist in preparing the Contractor's quote.
- 4.2 In addition, NCEs have been issued to TWBN to cover the design and implementation of the cooling equipment; to undertake a feasibility study of possible locations for a transformer room to increase power supply, and to design for new mechanical ventilation plant and partial replacement of duct work. The power supply and mechanical ventilation are legacy issues that have only come to light since the main contract started but impact the delivery of VSU benefits, and which must be addressed for VSU to meet its functional requirements. It is proposed to financially manage these works within the existing project authority but seek additional procurement authority as part of this paper. The D&C refurbishment is reinstated scope so separate additional project authority is being sought, in line with Standing Orders.
- 4.3 It is recognised that there is a variation between the current project authority and the EFC, however, VSU is at a relatively early stage of the programme with ground stabilisation 75 per cent complete and tunnelling not programmed to commence until November. A number of compensation events remain at large which are included in the current risk but new contractual/technical issues can occur at any time (such as an emerging, but still not understood, issue of collapsed asbestos recently found in the existing escalator ductwork). These issues often occur late in the programme, and VSU still has another 5 years of challenging work to go. The project team is confident in managing the EFC and

delivering VSU under total authority. Granting of additional authority increases visibility, allows the project to track any future changes and will not dilute accountability to drive down costs.

List of appendices to this report:

A paper on Part 2 of the agenda contains exempt supplemental information.

List of Background Papers:

None

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