

This paper will be considered in public

1 Summary

- 1.1 This paper asks the Board to grant increased procurement authority for the Total Purchased Services (TPS) group of contracts (which primarily support maintenance activities in London Underground (LU)) in order to maintain their utility over the five year contract lifespan to 2015.
- 1.2 On 23 January 2013, members of the Finance and Policy Committee also considered the proposals and supported the recommendations.
- 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 Board is asked to:

- (a) note the paper; and
- (b) **grant an increase from the current procurement authority of £583m by £16m for the Total Purchased Services (TPS) contracts to £599m.**

3 Background

- 3.1 The strategic objectives of the TPS programme were to:
 - (a) save £100m over five years;
 - (b) reduce the number of contracts to enable a clear single point of contact for each service; and
 - (c) decrease the procurement management effort in the future.
- 3.2 In October 2009, the Board approved the award of the TPS contracts up to a total value of £583m. Under the TPS arrangements, delivery risk is with the contractors (with financial incentives to perform) while LU retains overall control and ability to flex the maintenance programme to manage whole life costs as LU requires.

- 3.3 LU manages maintenance across the BCV and SSR networks. This encompasses track, signals, fleet, stations and depots and civil engineering maintenance within the TPS group of contracts. Each contract is divided into two lots – (i) lump sum service contracts and (ii) ad hoc packages on nil value framework contracts.
- 3.4 The TPS contracts are delivering an average annual saving of 16 per cent or £20.5m per annum over an original annual spend of £125m (2009 values) as reported to the Finance and Policy Committee in May 2011. The savings have been incorporated into reduced budgets continuing throughout the life of the TPS contracts with additional savings of around £2.5m being delivered through the variation. The increases sought are aligned to the agreed Budget and Business Plan. The TPS success as a preferred procurement route across TfL businesses incorporates savings captured by the original market exercise in 2009. The increase requested has already been incorporated into existing forecasts, for example the Games related procurement was funded through the TfL Games project. The services provided under the contracts are used and budgeted for by Asset Performance Directorate, Capital Programmes Directorate and other parts of the business which require these services and, therefore, are not from any one budgeted area.
- 3.5 Five TPS contracts require an increase in Procurement Authority. The increases are as a result of:
- (a) including additional assets that have been brought into use since the TPS contracts were let;
 - (b) accommodating additional assets that have been identified in surveys undertaken as part of obligations under the contracts;
 - (c) using the contracts to provide services during the Games;
 - (d) providing improvements to security to protect assets, for example cable theft; and
 - (e) enabling emergency rectifications to be undertaken.

4 Fit With Strategic Objectives

- 4.1 Prior to the award of the TPS suite of contracts, these services were competitively procured from 56 suppliers, across 102 separate contracts. The number of contracts and suppliers meant that potential economies of scale could not be achieved, contract performance management was challenging and resource intensive.
- 4.2 This provided the rationale for consolidation of the services amongst a significantly reduced number of suppliers, bringing the opportunity for efficiency improvements in direct purchase costs, internal efficiencies, service delivery and a proportion of risk transfer to the supply chain.
- 4.3 The relevant maintenance services addressed in this paper are organised together into four separate lots, grouping together common activities and skill sets, encouraging suppliers to optimise their resources and provide the best economic value to LU. Where additional services are required of the same type,

for example, cleaning during the Games period, these have been procured through these contracts rather than through a separate procurement exercise.

5 Views of the Finance and Policy Committee

- 5.1 The members of the Finance and Policy Committee present on 23 January 2013 considered the paper. They requested that further details relating to the savings that will be achieved through the increase in authority be included in the paper to the Board. The paper on Part 2 of the agenda has been updated accordingly.

List of appendices to this report:

Exempt supplemental information is included in a paper on Part 2 of the agenda.

List of Background Papers:

Board paper, October 2009

Contact Officer: Sarah Atkins, Commercial Director, London Rail and London Underground

Number: 020 7918 3433

Email: Sarah.Atkins@tube.tfl.gov.uk