

Date: 23 January 2013

Item 10: Total Purchased Services Contracts

This paper will be considered in public

1 Summary

- 1.1 This paper asks the Committee to recommend to the Board that it approves 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, along with delegation of authority to TfL officers to approve further increases in accordance with the financial limits set out in TfL's Standing Orders.
- 1.2 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
- (b) recommend that the Board:
 - (i) approve an increase from the current procurement authority of £583m by £16m for the Total Purchased Services (TPS) contracts to £599m, and
 - (ii) authorise TfL Officers to agree further increases in procurement authority for individual contracts forming part of the TPS programme in accordance with the financial limits set out in TfL's Standing Orders applicable to each individual contract.

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 Committee in May 2011. The savings have been incorporated into reduced budgets continuing throughout the life of the TPS contracts. 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 and the increased Procurement Authority requested by the present paper does not equate to any increases in budgets or cost pressures.
- 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.

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

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