

Date: 12 March 2014

Item 16: Extension of 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 exercise TfL's option to extend the term for the group of five Total Purchased Services contracts ("TPS contracts") and supporting Framework Agreements by up to two years.
- 1.2 In 2010, TfL awarded performance based contracts to deliver maintenance on two thirds of the London Underground's operational network, referred to as the TPS contracts.
- 1.3 The commercial structure is based upon one principal contractor being dedicated to routine maintenance on specific assets with ad hoc works being tendered under supporting framework agreements.
- 1.4 TfL retained an option to extend these agreements from five to seven years. This paper makes the case to exercise the option to extend the TPS contracts by up to two years.
- 1.5 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 information must take place after the press and public have been excluded from this meeting.

2 Recommendations

- 2.1 **The Committee is asked to note the paper and the supplemental information on Part 2 of the agenda and recommend that the Board approves:**
 - (a) **the extension of Total Purchased Service (TPS) 1, 2, 3, 4 and 5 service and framework contracts for a maximum duration of two years;**
 - (b) **procurement authority of £234.4m to cover the TPS contract extensions, to bring total procurement authority to £904.1m;**
 - (c) **delegation of authority to the TfL Officers and the Subsidiaries (as described in paragraph 2.2 below) the authority to finalise the terms of each of the proposed contract extensions including their respective durations;**
 - (d) **authorisation of the agreement and execution (whether by deed or otherwise on behalf of TfL or any Subsidiary (as appropriate)) any**

documentation to be entered into in connection with the completion and implementation of the proposed contract extensions, noting that, in some cases, the value of the extended contract is at a level for which officer level authorisation is provided for in Standing Orders; and

- (e) authorisation of TfL Officers and Subsidiaries to do all such other things as they consider necessary or desirable to facilitate the execution and implementation of the proposed contract extensions.**

2.2 The following Officers and Subsidiaries shall have delegated authority:

- (a) TfL Officers: the Commissioner, Managing Director Finance, Managing Director Rail and Underground, General Counsel, Chief Finance Officer, Commercial Director Rail and Underground; and**
- (b) Subsidiaries: Subsidiaries of TfL including Transport Trading Limited and any other subsidiary (whether existing presently or to be formed) of Transport Trading Limited and any of the directors of the relevant company shall be authorised to act for and on behalf of that company.**

3 Background and current status

- 3.1 It is proposed to extend all five TPS contracts and their parallel framework contracts by up to two years consistent with the option announced in the OJEU (Official Journal of the European Union) notice in 2009 (and 2011 for Structural Maintenance TPS5).
- 3.2 The TPS contracts provide maintenance and services to track, fleet, stations, and civil structures on the Bakerloo, Central and Victoria Lines (BCV) and the Sub-Surface Lines (SSL). The frameworks are also used by projects and recently the Jubilee, Northern and Piccadilly Lines (JNP). The proposed TPS extensions will be available to all the line groups where possible.
- 3.3 To date the five TPS contracts have delivered budget efficiencies of £67.6m. The service contracts have delivered good planned preventative maintenance and reactive response to faults. The contract models include Key Performance Indicators which have two benefits: firstly, to feed into the incentive performance regime and secondly, to provide a consistent basis for managing supplier relations. In addition TPS continuous improvement and innovation obligations have successfully provided various initiatives which have delivered both financial and non financial benefits.
- 3.4 The TPS contracts will complete their initial term of five years (four years for Structural Maintenance, TPS 5) by the end of March 2015 and the commercial teams are preparing individual negotiation points for the proposed extensions.
- 3.5 The current strong performance underpins the recommendation to extend the agreements. Furthermore, the extensions will be tailored to align with expiry dates of similar contracts thereby enhancing the potential to negotiate pan-TfL contracts beyond the period of the extension.

- 3.6 The alternative to return to the market and tender for the TPS type services immediately is not recommended. A tender exercise at this stage is unlikely to deliver the cost benefits that would follow these extensions once there had been a proper consideration of the future strategy across COO and in some instances across TfL.
- 3.7 The recent re-organisation of COO combining the maintenance and operational functions and incorporating former Tube Lines Limited lines (JNP) provides opportunities to further consolidate contracts. The COO management team has recently been put in place and the extension of the contracts will enable the next generation of TPS contracts to align with COO's future business strategies.
- 3.8 The exact length of each extension will depend on market conditions, contractor reaction to the proposed scope amendments, price, commercial, and business capacity together with consideration of future tendering opportunities with other TfL contracts.

4 Fit With Strategic Objectives

- 4.1 The recommendation is to continue to make efficiency savings which have been incorporated into recognised budgets continuing throughout the life of the TPS contracts. The extensions for BCV and SSL are aligned to the agreed budgets with estimates applied to projects and contingency spend.
- 4.2 Extension negotiations will be an opportunity to negotiate further economies and savings, and make scope changes to align with the revised COO organisation and will include JNP requirements where appropriate.
- 4.3 The extensions allow alignment of contracts with JNP and other areas of TfL and will form a major part of the Pan TfL (Facilities Management(FM)) Category Strategy currently being developed. The extension proposal will move TfL towards achieving a single consistent mechanism for delivering all in scope FM services across TfL.
- 4.4 The extensions are an opportunity to refine the data TfL require for the Asset Data Management Function and their Ellipse system portal enabling capture of activity costs direct from contractors. The cost data is valuable in refining the understanding of whole life asset information.
- 4.5 Approval is sought to extend all contracts by up to two years. Subject to stakeholder requirements and alignment with pan-TfL requirements, the anticipated extension period for individual TPS contracts is:
- (a) On electrical, mechanical, fire and communication maintenance services (TPS1), LU will refine the corrective and small works process, incorporate arrangements for all night running and improved use of engineering hours. Dependent on negotiations the contract will be extended by up to two years.
 - (b) For the cleaning contract (TPS2), LU will refine the scope to match services required by COO. There is an opportunity to remove the vegetation management scope overlap with other TPS contracts consolidating the specification. The proposal is to extend the contract by two years to align to a break point in the JNP cleaning contract enabling the potential for a large volume discount under a new contract in 2017.

- (c) Under the station premises maintenance contract (TPS3), the impact on access arising from all night running and improvements due to the Access Transformation Programme will be addressed. It is proposed to extend the contract by up to two years.
- (d) It is planned to extend the track labour contract (TPS4) by six months to align with the end of the JNP track labour contract. The extension negotiation is an opportunity to review contract content some of which may be alternatively obtainable from business units moved across from former Tube Lines Limited.
- (e) For the Structural Maintenance contract (TPS5), the extension is an opportunity to review the potential for efficiencies in scope with the station premises maintenance contract (TPS3) and make changes on track drainage as the client responsibility has been transferred under the recent COO re-organisation.

List of appendices to this report:

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

List of Background Papers:

None.

Contact Officer: Sarah Atkins, Commercial Director, Rail and Underground
Number: 020 3054 8254
Email: Sarah.Atkins@tube.tfl.gov.uk