

**Date: 26 January 2017**

**Item: One Facilities Management Services Procurement – Extension of Current Contracts**

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**This paper will be considered in public**

**1 Summary**

- 1.1 On 15 December 2016 the Board delegated to the Finance Committee authority to approve the extension of two existing Facilities Management (FM) contracts from 7 February 2017 to 24 June 2017. This paper seeks the Committee's approval for the above extension to contracts TPS1A (technical services for BCV/SSL), TPS 2A (cleaning and security for BCV/SSL).
- 1.2 There is sufficient funding within current budgets to cover the period of extension.
- 1.3 The extension is requested pending the conclusion of the procurement for the new One FM contracts. It is anticipated that an extension to the negotiations will achieve increased savings
- 1.4 Subject to approval by the Committee, award of the new facilities management services contracts will be in March or April 2017, with service commencement on 25 June 2017.
- 1.5 A paper is included on Part 2 of the agenda, which contains exempt supplemental information and documentation. 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 financial affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

**2 Recommendation**

- 2.1 **The Committee is asked to note the paper and grant Procurement Authority for the sum of set out in the paper on part 2 of the agenda for the extension of the two existing facilities management contracts: (TPS1A (technical services) and TPS 2A (cleaning and security)) for the period 7 February 2017 to 24 June 2017.**

**3 Background**

- 3.1 In 2013, a report by PricewaterhouseCoopers (PwC) concluded that significant benefits could be achieved from a more coordinated and consolidated approach to FM services procurement and contract management. PwC identified potential cost efficiency savings of between £4m and £10m per annum, enabled by the following 'levers':
  - Volume discounts from larger more efficiently managed contracts;

- Smarter and more consistent, output based service specifications and performance measurement; and
- More flexible, collaborative and transparent target cost contract management.

- 3.2 As a result, in August 2015 TfL commenced a pan procurement for FM services which aligns the structures and service provisions of the FM industry and supply chain with the aim of maximising the opportunities across all of TfL. Bids are currently being evaluated and award of the new One FM contracts will be in March or April 2017, with services starting from 25 June 2017.
- 3.3 Two existing FM contracts (TPS1A (technical services) and TPS 2A (cleaning and security) need to be extended for a short period pending the new services commencing in June 2017. The period of extension is 7 February to 24 June 2017.
- 3.4 The estimated value of the new FM contracts is £750m and as such requires approval of the Committee (under delegated authority from the Board). The proposed extensions to the current contracts also require approval of the Committee, under delegated authority from the Board, because the original contracts were in excess of £100m.

## **4 Financial Information**

- 4.1 There is sufficient funding within current budgets to cover the period of extension.
- 4.2 On 26 March 2014 the Board approved an initial two year extension to 6 February 2017 in order to align with other pan TfL FM contract end dates, resulting in significant savings. In addition, further efficiencies have been made to drive down cost over the last two years and it is expected that continuing this approach can generate an additional saving of £300-£500k during the period of the requested extension. This has resulted in an underspend on the value of the original contract extensions for TPS 2A.

### **List of appendices to this report:**

None

A paper is included on Part 2 of the agenda containing exempt supplemental information

### **List of Background Papers:**

15 December 2016 Board papers

26 March 2014 Board papers

Contact Officer: Ian Nunn, Chief Finance Officer  
 Number: 020 3054 8941  
 Email: [ianNunn@tfl.gov.uk](mailto:ianNunn@tfl.gov.uk)