

## Finance Committee

### Chair's Action



**Date Issued: 26 January 2022**

**Item: Premises and Fabric Maintenance Contract Extension**

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**This paper will be published once the decision has been made.**

## **1 Summary**

- 1.1 The purpose of this paper is to seek approval to extend and grant additional Procurement Authority for the award of a contract extension for the supply of premises and fabric maintenance services across the TfL estate.
- 1.2 The exempt appendix contains supplementary information that is exempt from publication by virtue of paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972, in that it contains information relating to the business affairs of TfL and contains legally privileged advice.
- 1.3 This request falls within the managed decline scenario and relates to business as usual protection of safety critical assets. These works preserve the day to day safety of our services. Premises and fabric maintenance services are essential to ensuring we protect both TfL assets and TfL people and customers, ensuring safety standards.
- 1.4 This paper seeks authority through Chair's Action as a decision is required before the next scheduled meeting of the Committee in March 2022.
- 1.5 The Members of the Committee are asked to consider the proposal and provide Anne McMeel, as Chair of the Committee, with their views on or before 28 January 2022. The contents of this paper and the exercise of Chair's Action will be reported to the next meeting of the Committee.

## **2 Recommendations**

- 2.1 **The Chair of the Committee (in consultation with available Members) is asked to note the paper and the supplementary exempt appendix and grant additional Procurement Authority, in the sum set out in the exempt appendix, for the extension of a contract for the supply of premises and fabric maintenance services across the TfL estate.**

## **3 Background**

- 3.1 We have a contract for the supply of premises and fabric maintenance services across the pan-TfL estate including London Underground, Crossrail and London Overground stations, depots and operational buildings.
- 3.2 The contract delivers the following services:

- (a) planned maintenance services with prescribed frequency and targeted variable frequency;
  - (b) reactive maintenance, including fault management and rectification services; and
  - (c) additional works or corrective works in support of the maintenance services for the rectification of defects arising from maintenance of the premises assets.
- 3.3 The supplier is Lanes Group (Rail Division) Plc and the contract was awarded following full competition in 2017 for an initial period of five years to 24 June 2022, with an option to extend for up to 36 months (the Contract).
- 3.4 It is proposed to exercise the option to extend the Contract for 19 months to 24 January 2024.
- 3.5 The extension option represents the best value for money for TfL in the current market having undertaken a total review of the current scope and specification. Cost reductions against the contract baseline forecast have been leveraged from the existing maintainer for the proposed 19-month period of extension.
- 3.6 The total cumulative Procurement Authority sought for the extended contract is within the values anticipated in the procurement process under which this contract was let.
- 3.7 It is proposed to exercise the option to extend the Contract as described above to provide service continuity and to:
- (a) facilitate a full procurement exercise and, for London Underground, to reconcile their requirements with Civils in the longer term for increased drainage and fabric synergies;
  - (b) leverage a further value through a category strategy to be delivered by the newly-formed Built Environment section combining both the Premises and Civils portfolios;
  - (c) rationalise the category supplier-base from three contracts down to two, delivering specialist drainage and fabric maintenance in the provision of pan-TfL associated business unit requirements; and
  - (d) allow the new Built Environment team to develop a full risk-based maintenance approach utilising reactive fault trend analysis.
- 3.8 The duration of the proposed extension is 19 months and it should be noted that the contract terms and conditions allow TfL unilaterally to terminate at three months' notice at any time. The recommended extension represents the shortest period required for TfL to undertake a competitive tender for the new drainage and fabric maintenance category strategy for a new contract start in January 2024. However, if the tender programme is completed earlier, TfL is able unilaterally to terminate this agreement on 90 days' notice.

- 3.9 The maintenance services are contracted on a target cost basis with payment linked to incurred defined cost. There is a guaranteed maximum price (GMP) for each target cost. Cost overruns and underruns will be shared in equal proportion with the Supplier (up to the value of the GMP in the case of cost overruns). Where costs exceed the GMP, the supplier bears the cost of the excess.
- 3.10 The target cost comprises a core team of management and administrative staff, a labour resource, materials, plant subcontract and plant budgets that are paid for on a cost reimbursable basis, subject to audit of actual cost substantiation periodically. The target cost settlement agreement is made as a final account at the end of each financial year. Throughout the year forecasts are agreed between TfL and the maintainer to ensure appropriate remedial actions can be taken to mitigate the risk of exceeding the contract target.
- 3.11 Key Performance indicators (KPIs) are used across all service types to create a focus on safe and reliable service delivery, quality and commercial accuracy in application for payment. All these KPIs can result in payment abatements. Additional remedies include an escalation process through non-conformance notification and remedy to eventual termination.

**List of appendices to this report:**

An appendix that contains supplementary information that is exempt from publication.

**List of Background Papers:**

13 March 2017 Finance Committee papers - One Facilities Management Services Procurement: Approval of Award of Contracts

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Date Issued: 26 January 2022

Item: Security Services Contract Extension

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**This paper will be published once the decision has been made.**

## **1 Summary**

- 1.1 The purpose of this paper is to seek approval to extend and grant additional Procurement Authority for the award of a contract extension for the provision of security services across the TfL estate (Security Services).
- 1.2 The exempt appendix contains supplementary information that is exempt from publication by virtue of paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972, in that it contains information relating to the business affairs of TfL and contains legally privileged advice.
- 1.3 This request falls within the managed decline scenario and relates to business as usual protection of safety critical assets. These works preserve the day to day safety of our services. Security Services are essential to ensuring we protect both TfL assets and TfL people and customers ensuring safety standards.
- 1.4 This paper seeks authority through Chair's Action as a decision is required before the next scheduled meeting of the Committee in March 2022.
- 1.5 The Members of the Committee are asked to consider the proposal and provide Anne McMeel, as Chair of the Committee, with their views on or before 28 January 2022. The contents of this paper and the exercise of Chair's Action will be reported to the next meeting of the Committee.

## **2 Recommendations**

- 2.1 **The Chair of the Committee (in consultation with available Members) is asked to note the paper and the supplementary exempt appendix and grant additional Procurement Authority, in the sum set out in the exempt appendix, for the extension of a contract for the supply of security services across the TfL estate.**

## **3 Background**

- 3.1 We have a contract for the provision of security services across the TfL estate including London Underground depots, Head Office estate, as well as Crossrail, Surface Transport, Commercial Development, London Transport Museum and London Overground locations. The Security Services comprise:
  - (a) static and mobile guarding services to offices, depots, sidings and project sites as required;

- (b) reception services to the Head Office estate; and
  - (c) access control and investigations for both public and restricted locations.
- 3.2 The supplier is Mitie Group plc and the contract was awarded following full competition in 2017 for an initial period of five years to 24 June 2022, with an option to extend for up to 36 months (the Contract).
- 3.3 It is proposed to exercise the option to extend the Contract for 36 months to 24 June 2025.
- 3.4 The extension option in the Contract provides for the cost of new technology and represents a significant update to the security provision for TfL from legacy custom and practice. This is achieved through the combination of a rationalised operating model and the introduction of reporting and visitor management software to reduce the reliance on dedicated static guarding and receptionists. These changes both improve the service delivery and facilitate significant savings on the current Contract over the 36 months.
- 3.5 The total cumulative Procurement Authority sought for the extended Contract is within the values anticipated in the procurement process under which the Contract was let.
- 3.6 It is proposed to exercise the option to extend the Contract as described above to provide service continuity and allow service users to optimise the benefits of resource reduction and cashable savings against budget, through the implementation of new technology from the existing security service contract and the resultant 'lean' scope which can then be taken to tender to release further savings through a market competition. This enables TfL to analyse, review and implement new technologies while carrying out a comprehensive review of security requirements (developing a lean pan-TfL strategy) in readiness for future procurements.
- 3.7 The duration of the proposed extension is 36 months and the Contract allows TfL unilaterally to terminate at three months' notice at any time. A shorter extension would not facilitate optimisation of the new operating model that will be derived from the implementation of specialist software and security management team restructure. Undertaking a competitive tender with a non-optimised scope is unlikely to provide the commercial advantage we are seeking from the extension due to the pressures on the security labour market and inevitable 'learning-curve' that would come with mobilising a new supplier.
- 3.8 The rates were negotiated as part of the initial tender and the cost is driven by the labour volume and TfL's application of the London Living Wage, in line with the GLA Group Responsible Procurement Policy. Therefore, the labour rate makes up the vast proportion of the value. Core team costs are covered, enabling us to add in scope at marginal cost.
- 3.9 Key Performance indicators (KPIs) are used across all service types to create a focus on safe and reliable service delivery, staff attendance and quality in application for payment. All these KPIs can result in payment abatements. Additional remedies include an escalation process through non-conformance notification and remedy to eventual termination.

**List of appendices to this report:**

An appendix that contains supplementary information that is exempt from publication.

**List of Background Papers:**

13 March 2017 Finance Committee papers - One Facilities Management Services  
Procurement: Approval of Award of Contracts

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