

**Date Issued: 24 March 2022**

**Item: Cleaning 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 for additional Procurement Authority for the award of a contract extension for the provision of cleaning and associated services across the TfL estate (Cleaning 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 paper seeks authority through Chair's Action as a decision is required before the next scheduled meeting of the Committee on 22 June 2022.
- 1.4 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 4pm on Monday 28 March 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 cleaning services across the TfL estate.**

## **3 Background**

- 3.1 We have a contract for the provision of cleaning services across the TfL estate including London Underground stations and depots, Head Office estate, as well as Crossrail, Surface Transport, Commercial Development, London Transport Museum and London Overground locations. The Cleaning Services comprise:
  - (a) planned and reactive cleaning, deep cleaning (periodic) services, high level cleaning and deep cleaning;
  - (b) graffiti removal, trackside cleaning (trackside walls), pest control, vegetation control; and
  - (c) specialist cleaning (COVID cleans, decontamination).

- 3.2 The supplier is ABM UK and the contract was awarded following full competition in 2017 for an initial period of five years to 15 September 2022, with an option for TfL to extend for up to 36 months (the Contract).
- 3.3 We undertook a review of the provision of cleaning services across the estate which considered a number of options including whether the services should be insourced. The conclusion at this time, given the organisations significant financial pressures, is to continue outsourcing our cleaning services under the current contract. We will undertake another review commencing no later than April 2023.
- 3.4 It is proposed to exercise the option to extend the Contract for 36 months to 15 September 2025.
- 3.5 The extension of the Contract includes the adoption of 'lean' practices applied to the process and delivery of cleaning services across the TfL estate to establish an optimum scope. This is achieved through the combination of increased efficiency in the use of resources and the introduction of new materials to reduce frequency of cleaning maintenance. 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 'lean' practices to establish an optimum scope which can then be taken to tender to release further savings through a market competition. This enables TfL to analyse, review and implement the new 'lean' cleaning process and delivery in readiness for future procurements.
- 3.7 The current contract scope includes significant cost reductions on the original base contract forecast over the initial five years derived from traditional cost pressures on practice and process. To make significant and sustainable savings a more radical approach to savings needs to be applied. To rollout the 'lean' process (the implementation and application of precise and efficient practice following detailed study of current process and practices to derive optimum use of resource and materials to derive the required performance or outcome) over the entire pan TfL estate with the benefit of the embedded training resource will take an envisaged 12 to 18 months and it will require regular review and modification to optimise the approach. Therefore, a 36-month extension is recommended to facilitate the associated tender competition that will derive the most cost-effective market solution to the optimised 'lean' scope, once established.
- 3.8 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 'lean' optimum scope that will be derived from the 'lean' practices applied to the process and delivery of cleaning services across the pan TfL estate. 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 majority of the cost being driven by the London Living Wage, pressures on the cleaning labour market and inevitable 'learning-curve' that would come with mobilising a new supplier.

- 3.9 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 (management and direct overheads) are covered, enabling us to add in scope at marginal cost.
- 3.10 The Contract includes a suite of key performance indicators (KPIs) to monitor service deliverables including cleaning quality and safety. A review of the current delivery KPIs will be undertaken with the aim of replacing these with quality management system based delivery KPIs at the commencement of the extension and applying the associated contract abatement regime a year later, to provide for a trial period for the implementation of the lean resource profile. The proposed new suite of KPIs fundamentally allow for a more granular review of the service. They pick up recurrent failures and trends and facilitate root cause analysis. The current KPIs were in some instances too high level and did not allow root cause analysis i.e. was poor cleaning trend derived from planned or reactive work. There is no contractual right to impose changes to KPIs on ABM. If changes are not agreed, then existing contractual KPIs will continue to apply.
- 3.11 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. Cleaning Services are essential to ensuring we protect both TfL assets and TfL people and customers ensuring safety standards.

#### **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 paper - One Facilities Management Services Procurement: Approval of Award of Contracts  
Review of the Provision of Cleaning Services that is exempt from publication.

Contact Officer: Jonathan Patrick, Chief Procurement Officer  
Email: [JonathanPatrick@tfl.gov.uk](mailto:JonathanPatrick@tfl.gov.uk)