

Date: 16 January 2023

Item: **TTL Properties Limited Procurement and Commercial Strategy**

This paper will be considered in public

1 Summary

- 1.1 This paper summarises the work undertaken to date by Transport for London (TfL) and TTL Properties Limited (TTLP) on TTLP's Procurement and Commercial Strategy.
- 1.2 Throughout 2022, joint activity has taken place between TTLP and TfL's Procurement and Commercial (P&C) team to design and deliver a more efficient approach to procurement in TTLP. The aim is to see projects mobilised more quickly and delivered effectively, while retaining all the controls and protections currently enjoyed across TfL's wider procurement and commercial activity.
- 1.3 The proposed approach is to build a small core team within TTLP that can deliver procurement and commercial activities that are critical to TTLP. TfL's P&C team will continue to deliver the generic category services, including professional services and Information Technology. This approach will help to assure TTLP's delivery and build a centre of procurement and commercial excellence for the property sector within TTLP.

2 Recommendation

- 2.1 **The Committee is asked to note the paper**

3 Background

- 3.1 Although TTLP has relatively small direct spend with third-party suppliers of up to £30m a year, the spend of the joint ventures is significant and in total is estimated at up to £100m per year (this figure is expected to increase).
- 3.2 At its meeting on 18 October 2022, the Committee discussed a paper on TTLP Half-Year Performance which stated more needs to be done to drive forward capital project delivery to unlock future revenue growth, including a new, more efficient approach to procurement.
- 3.3 With the commercial funding of TTLP agreed, this is the time to ensure TTLP has access to a procurement and commercial function with the capacity and capability to deliver the new Business Plan.

- 3.4 In preparation, early work has already taken place to assess what new commercial frameworks and contractual arrangements are needed to enable and support successful delivery of the TTLP investment plan.

4 Proposed Operating Model

- 4.1 The aim is to build a lean, best-in-class procurement and commercial function that enables TTLP to deliver its financial and non-financial targets.
- 4.2 It is agreed with TfL P&C that TTLP moves to a hybrid model, where core procurement and commercial activities that are unique or critical to TTLP are delivered by a new function positioned within TTLP, while non-core activities are consumed as a service from TfL. This is still subject to ratification by the TfL Change Steering Group (CSG). TTLP will continue to comply with all TfL procurement policies. Similarly, the TTLP team will fully participate in development and other activities with colleagues from across TfL.
- 4.3 Workshops held with TTLP senior managers have suggested that a small number of partnerships and frameworks would significantly aid delivery capability. TTLP therefore proposes to move away from recurring, low-level procurement activity and focus instead on long-term strategic partnerships. Environmental, Social and Governance (ESG) in particular will be a critical element of all future partner selection.
- 4.4 When evaluating bids, cost will remain important, but appropriate weighting will be placed on long-term value. As currently occurs within TTLP's joint ventures, a focus on long-term alignment of objectives and incentivisation of innovation will grow in importance across TTLP's wider activity.
- 4.5 Given the range of activities undertaken by TTLP, a number of delivery routes are being reviewed. For example, TTLP has met with Bristol City Council to assess the impact of the Council's long-term Capital Strategic Partnership with Arcadis, Arup and Mott MacDonald. This Partnership was launched in 2019 to accelerate the delivery of infrastructure and building projects to meet the city-wide ambitions of the One City Plan. TTLP is also examining how to provide improved access to its procurement processes for Small and Medium Enterprises (SMEs), such as on its minor works programme.
- 4.6 Moving towards longer-term, portfolio-wide partnerships, whether with multi-national organisations or SMEs, will see less transactional procurement activity within TTLP. Instead, there will be greater importance placed on market engagement and supplier / contract management. This will help ensure increased supplier appetite and reduced delivery risk and value erosion. This is a priority for the new TTLP commercial function and work has already commenced on scoping this new activity.
- 4.7 Subject to approval from CSG, it is proposed to put in place a simple, flat structure with around six members of staff supporting procurement and commercial activity in TTLP. The new team will focus exclusively on

procurement and commercial property related matters and provide an end-to-end service for TTLP.

- 4.8 TTLP proposes to pay TfL an annual service fee to provide procurement of non-core services and these will be managed under a structured Service Level Agreement (SLA). An SLA has been drafted, and TfL P&C and TTLP are working on the financial recharging model. Subject to CSG approval, it is proposed that this new model will come into effect in April 2023.
- 4.9 The recruitment strategy for TTLP's procurement and commercial function will follow the broader approach within TTLP, with a focus on attracting a diverse pool of candidates on the basis of commitment to TTLP's values and a focus on skills rather than necessarily established qualifications. Like TfL, TTLP will offer best-in-class development with industry-leading qualifications.
- 4.10 TTLP will continue to work collaboratively with TfL P&C colleagues, including the adoption of its management framework, leveraging aggregation for indirect spend, sharing development and best practice, and providing secondment opportunities. TTLP will also continue to use TfL P&C systems, including SAP Ariba.
- 4.11 TTLP will work with other organisations in the private and public sectors that are seeking to deliver efficient and innovative procurement. TTLP will remain subject to public sector procurement regulations, and hence TfL and TTLP will continue to liaise with HM Cabinet Office as new post-Brexit regulations are introduced.
- 4.12 TTLP procurement and commercial will also continue to work closely with property functions across the GLA Group, though GLA activity is not currently within scope for TTLP commercial.

List of appendices to this report:

None

List of Background Papers:

None

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