



Tube Lines

**Procurement Strategy
For Suppliers**

Introduction

This document outlines how procurement within Tube Lines is carried out, the key goals, responsibilities and processes that should be followed in all procurement activities within the organisation.

Tube Lines is required to comply with the PPP contract requirements; to deliver Economic and Efficient procurement in all of its procurement activities and to comply with public sector procurement legislation, directives and regulation through:

- Ensuring Value for Money on all procurement activities through using effective and efficient procurement procedures including comprehensive output specifications, evaluations and contract awards. This is supported by the AAMP process and local commodity/asset procurement strategies.
- Ensuring compliance with internal governance procedures, legislation, directives and regulation and to inform, educate and influence the organisation.
- Maintaining efficient and effective policies, processes and procedures by planning the procurement programme and ensuring adequate skills/resources are available.
- Evaluating risk factors in achieving value for money in all procurement decisions.
- Developing the supplier base, where appropriate, to provide continuous improvement and increased value through the life of the contract.

Tube Lines aims “To deliver an outstanding Tube for London” and within Contracts and Procurement we have the long-term aim of being the rail industry leader in terms of commercial and procurement activities.

2 Scope

- 2.1 The Strategy applies to the procurement of all works, supplies and services by Tube Lines Limited.
- 2.2 Procurement means the process for obtaining works, supplies and services and materials management.

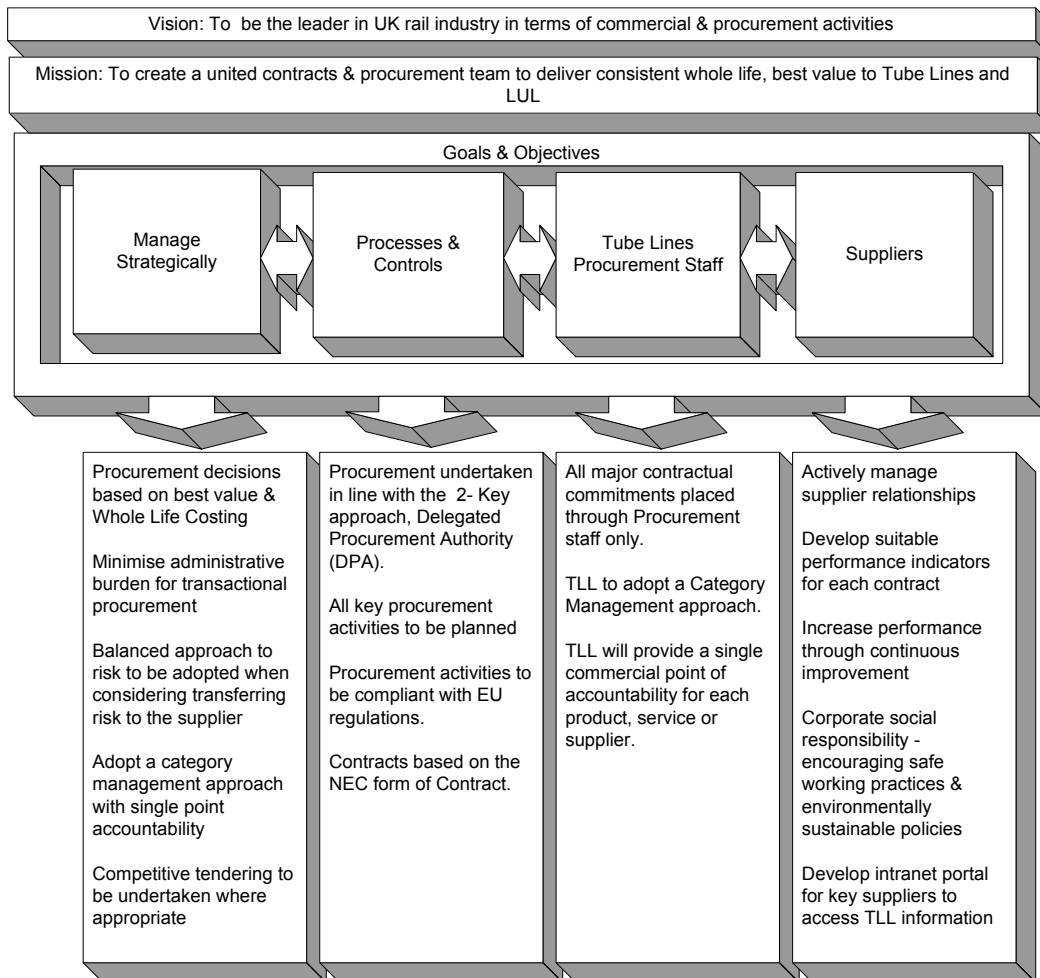
3 Business Goals and Objectives

- 3.1 Provide a consistent approach to procuring goods, works and services and managing the supplier base in order to obtain ‘Best Value’¹ for the financial/contractual commitment, consistent with the delivery of Company

¹ ‘Best Value’ is a concept which underlines the economic and efficient delivery of business through the continuous process of improvement over the long term by applying good industry practice and focusing on sustainable quality service delivery at an acceptable cost (which takes into account holistic views of costs across the breadth of the supply chain including administrative costs). Excellence and innovation are the drivers of achieving best value, not the lowest cost which can negatively affect quality and service delivery.

objectives and where appropriate adopting the principles of minimising Whole Life costs.

- 3.2 At all times ensure that corporate integrity and viability is not compromised through ensuring procurement is done in compliance with the company’s PPP obligations and corporate governance, appropriate national and international laws and standards, in particular EU Procurement Directives, UK and EU Competition, Safety and Environmental provisions.
- 3.3 At all times follow the latest DFA and DPA, procedures and processes as published.



4 2 Key Approach

- 4.1 The procurement personnel and Accountable Managers authorised to perform Procurement and supporting activities will comply with the ‘2 Key Authority’ approach described below.

A ‘2 Key Authority’ approach will be applied for corporate probity purposes at relevant steps in the procurement cycle. The first key (Procurement) is responsible for process probity, procurement advice and procurement services. The second key (Accountable Manager) is responsible for business priorities and authority over all the budget expenditure on each project or asset together with any technical and assurance issues. Both keys are required for particular procurement activities, as detailed in the relevant procedural document.

5 Tube Lines Procurement

- 5.1 Develops and maintains individual asset/commodity type procurement strategies aligned to the Procurement Strategy.
- 5.2 Delivers reductions in project and work package costs compared to the Tube Lines Baseline Bid Estimates whilst maintaining appropriate standards of safety, performance, timeliness and quality.
- 5.3 Where appropriate, minimises the administrative effort required to procure low-value, transactional type purchases through the appropriate use of e-procurement or purchasing cards.
- 5.4 Secures access to scarce resources by either obtaining long term commitments from external suppliers and/or engaging them directly.
- 5.5 Where appropriate, competitively tenders requirements for works, supplies and services via competition, consistent with EU Procurement Directives and Tube Lines policies and strategies. (In general contract values >£20k apply unless there are exceptional reasons for single sourcing which need to be authorised in advance). Limited (i.e. less than 3 bids) or sole source bidding shall only apply where:
 - LUL standards specifically nominate a single supplier or contractor
 - the cost of acquisition is outweighed by the value of the supplies or services and on any requirement where the estimated value is less than £20k (not withstanding good practice and obtainment of fax or telephone bids which should be registered and documented for the records
 - there is only one known supplier of the required supplies and services

All instances of limited and/or sole source bidding over £20k shall be approved through a derogation paper in accordance with established procedures.

- 5.6 Uses e-auctions as a vehicle to obtain reductions in costs where applicable.
- 5.7 Streamlines and rationalises the number of primary and secondary suppliers in order to obtain better commercial value, improved quality and reduced administrative workload.
- 5.8 Ensures that Health, Safety and Environmental policy commitments are suitably communicated to suppliers and incorporated in contracts.
- 5.9 Optimises the balance of risk allocation between suppliers and Tube Lines taking in to consideration the business risk, Tube Lines' appetite for risk retention and the parties' respective ability to control or manage the identified risks. (Business risk includes consideration of safety, health and environmental risk).
- 5.10 Forms the contractual relationship in the most effective way: -
 - The contracting strategies shall aim to:
 - reduce adversarial approaches to working relationships,
 - promote collaborative approaches, whilst giving recognition to obligations under the contract

- provide the ability to effectively manage performance of suppliers,
- incentivise efficiency and cost savings,
- incentivise the achievement of the transaction objectives (safety, time, cost and quality),
- impose a level of insurance in line with risks and criticality of supply, and appropriate for the selected allocation of risk.

Tube Lines has adopted the Engineering and Construction Contract (ECC) for the majority of contracts for all new major contracts, capital projects works and services. The majority of maintenance and operations contracts are bespoke and tailored to our specific needs. All these contracts include where necessary, flow downs and step-in rights to allow LUL to assume control over any key contract.

- 5.11 Adopts the appropriate contractual strategy and documentation to manage, and effectively and efficiently regulate the relationship with the supplier in accordance with the defined strategy for the procurement of works, supplies and services
- 5.13 Actively manages major contracts and suppliers to ensure goods and services are provided in an efficient and effective manner, and to maximise the contract value for TLL. Records of contractor and supplier performance will be maintained and used as part of our evaluation process when pre-qualifying tenders for new works.

6 Procurement Tools

Tube Lines uses Oracle to manage procurement activities:

- to issue Purchase Orders for materials and services against contracts
- to effect payments of invoices received. This is either achieved against a payment application and certification process primarily for service and works type contracts or for payment against invoices received on a two-way or three-way match basis.