

Date: 8 July 2016

Item: Cycle Hire Re-Let

This paper will be considered in public

1 Summary

Authority Approval: To recommend that the Board:

- (a) approves Procurement Authority of the amount stated in the paper on Part 2 of the agenda for Transport for London (TfL) to enter into the Contracts in connection with delivery of the Cycle Hire Re-Let (CHR) Programme;
- (b) approves Procurement Authority of the amount stated in the paper on Part 2 of the agenda to for TfL to enter into variations or extensions of the Contracts, provided appropriate Financial Authority is in place; and
- (c) notes that Financial Authority in respect of the Contracts already exists for the amounts stated in the paper on Part 2 of the agenda up to April 2024 and is included within the approved business plan for Cycle Hire at Business Unit level. There are some transfers between existing budgets required as described in the paper on Part 2 of the agenda.

Outputs and Schedule: To disaggregate the London Cycle Hire Scheme services and transition such services to a number of service providers under new and existing contracts, which the Finance and Policy Committee, acting under delegated authority from the Board, granted Project Authority for on 30 July 2015.

- 1.1 The Cycle Hire Re-Let (CHR) Programme will deliver the continuation of Cycle Hire scheme services, which includes back and front office systems, contact centre services, on street fixed assets, scheme integration and bike management and supply, while moving away from the current single provider.
- 1.2 The Committee, acting under delegated authority from the Board, granted Project Authority for the CHR Programme, including the integration of customer accounts with Oyster and Contactless Payment Cards (CPC), on 30 July 2015. This will provide customers with a single portal for Cycle Hire in addition to their Oyster and CPC journeys. By making access to the Cycle Hire Scheme even easier for customers, it is anticipated that the demand for Cycle Hire services will increase by 5 per cent.
- 1.3 This paper, and the associated information included in the paper on Part 2 of the agenda, provides an update to the Committee on progress with the recommended option for the CHR Programme and seeks Procurement Authority to enter into contracts and undertake variations to contracts as described in paragraph 2 below. This will facilitate transition away from the current contract for

Cycle Hire Scheme services provided by Serco Limited, which is due to expire on 31 July 2017.

- 1.4 A paper is included in Part 2 of the agenda which contains exempt supplementary information. 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 business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendations

- 2.1 **The Committee is asked to note the paper and the related paper on Part 2 of the agenda, and recommend that the Board:**

- (a) approves the award of the bike management and supply contract to the bidder described in the paper on Part 2 of the agenda;**
- (b) approves Transport for London or any Subsidiary (as described in paragraph 2.2 below) entering into the following contracts in relation to services for the London Cycle Hire Scheme (LCHS) (as more particularly described in this paper), and approves Procurement Authority up to the maximum value in each case stated in the paper on Part 2 of the agenda:**
 - (i) a variation to the revenue collection contract between Transport Trading Limited (TTL) and Cubic Transportation Systems Limited for the provision of back office, front office and app related services;**
 - (ii) a variation to the bus shelters contract between London Bus Services Limited (LBSL) and Mitie Transport Limited to provide cleaning services;**
 - (iii) a contract with its preferred bidder for the implementation and provision of bike management and supply services; and**
 - (iv) a licence agreement with 8D Technologies Inc. (8D) for the purchase of a perpetual licence to use 8D's intellectual property rights in the LCHS and to upgrade the LCHS software system;**
- (c) notes that TTL proposes to enter into a call-off contract pursuant to the Contact Centre Services Framework between TTL and the preferred bidder for the implementation and provision of contact centre services for the LCHS as described in this paper, up to the maximum value stated in the paper on Part 2 of the agenda and that Procurement Authority will be sought separately for this in accordance with Standing Orders;**
- (d) approves Project Authority and Procurement Authority, of up to the maximum value stated in the paper on Part 2 of the agenda, for TfL or its relevant Subsidiary to enter in future into variations or extensions of the contracts referred to in paragraphs 2.1(b) and (c) of this paper (Contracts), provided that Financial Authority is in place;**

- (e) notes that Financial Authority of the amount stated in the paper on Part 2 of the agenda exists up to April 2024 but some extensions to the Contracts may continue beyond 2024 and provision for them will need to be made in future Business Plans;
 - (f) authorises TfL Officers to agree the final terms and and execution (whether by deed or otherwise on behalf of TfL or any Subsidiary (as appropriate)) of any documentation to be entered into in connection with the completion and implementation of the Contracts (and any variations or extensions to those Contracts pursuant to paragraph 2(d) above) and any of the matters referred to in them (including, without limitation, all instructions, agreements, deeds, guarantees, indemnities, announcements, notices, contracts, certificates, letters or other documents); and
 - (g) authorises TfL Officers and Subsidiaries to do all such things as they consider necessary or desirable to facilitate the execution and implementation of the Contracts (and any variations or extensions to those Contracts pursuant to paragraph 2(d) above) and the matters referred to in it.
- 2.2 The following Officers and Subsidiaries shall have delegated authority:
- (a) TfL Officers: the Commissioner, Managing Director Surface Transport, Chief Finance Officer and General Counsel; and
 - (b) Subsidiaries: Subsidiaries of TfL including (without limitation) LBSL and TTL and any other subsidiary (whether existing presently or to be formed) of TTL and any of the directors of the relevant company shall be authorised to act for and on behalf of that company.

3 Background

- 3.1 On 30 July 2015, the Committee, acting under delegated authority from the Board, granted Project Authority and Financial Authority (the Budget) covering the feasibility stage, programme delivery, subsequent maintenance and capital renewals for the CHR Programme. The details of these amounts, and the authorities requested, are set out in the paper attached to Part 2 of the agenda due to commercially sensitive nature of the financial information.
- 3.2 In December 2015, Procurement Authority was granted for Transport Trading Limited (TTL) to enter into a variation of the Revenue and Collection Contract (RCC) between TTL and Cubic Transportation Systems Limited to commence the transition of the Cycle Hire back office services. This authority was sought in advance of other requests, given the critical nature of the back office and Cubic's role as service systems integrator of the new operating model.
- 3.3 Costs are now fairly mature and revised quotes have been received for all remaining service elements that are being procured through existing and new contracts. Firm prices are being sought prior to the Board being requested to approve Procurement Authority in July 2016.
- 3.4 The Programme is entering Pathway Stage C and has received Integrated Assurance Reviews in February 2015, September 2015 and April 2016.

4 Proposal

Preferred Option

- 4.1 The scope and the party responsible for the provision of each service element of the preferred option are included in the paper on Part 2 of the agenda.
- 4.2 The services are being procured in a number of different ways:
- (a) bike management and supply (BMS) – via the market;
 - (b) Cubic back and front office, app, service integration – variation to the RCC contract;
 - (c) web – in-house service;
 - (d) Contact Centre Implementation and Operation – mini-competition under existing framework agreement;
 - (e) cleaning implementation and operation – variation to existing Bus Stops and Shelters contract; and
 - (f) intellectual property rights and maintenance of the existing software systems – licence and maintenance agreement with 8D.
- 4.3 The project team has reduced risk to the CHR Programme by bringing forward the transfer of services to new suppliers for critical service elements including data hosting and contact centre operations. This will reduce the impact on operations and, at present, only minimal off-peak disruptions over a two day period are anticipated at transition.

Benefits (and Value)

- 4.4 The benefits and economic appraisal are described in the paper on Part 2 of the agenda.

Options Analysis

- 4.5 There are very few scope changes other than the introduction of the Blaze Laser light (laser light safety feature attached to the front of each bicycle) compared to the scope of the option endorsed by the Committee acting under delegated authority from the Board in July 2015. The majority of the implementation costs for Blaze were funded by the scheme's sponsor, Santander and the future maintenance costs appear to be negligible.
- 4.6 Consideration is being given to how the intellectual property rights in the software are secured post 2017 and details are included in the paper on Part 2 of the agenda.

Delivery of Preferred Option

- 4.7 The current status of each procurement and their expected status for presentation to the Board in July 2017 is set out in the paper in Part 2 of the agenda.
- 4.8 A business change work stream, using TfL's Business Change Team, has commenced to finalise the future operating model, ensure sufficiently experienced

resources are in place and plans are communicated effectively following the disaggregation of the current services.

- 4.9 There are only a few dependencies on other programmes, including the implementation of the new Customer Relationship Management (CRM) system in the contact centre and the data centre hosting environments. All dependencies of this nature are being managed wholly within the Customer Experience arena, mitigating risks of programme delays.
- 4.10 As part of the delivery, an information management work stream has already been established to deliver the implementation of TfL data centre hosting.
- 4.11 Key milestones for the CHR Programme are displayed in Table 1 below.

Milestone	Target Date	Type	Status
Single Option Approved	28/09/2015	Budget	Complete
Contract Award (Lot BMS)	30/09/2016	Project milestone	On track
Transition to new suppliers complete	31/08/2017	PAM	
One Way Capping, SSO and integrated accounts live	31/12/2018	PAM	

Table 1: Key Programme Milestones

- 4.12 There are no changes to Budget or programme milestones from previous submissions.
- 4.13 The five project risks with the highest potential financial cost are included in the paper on Part 2 of the agenda. They have been identified in accordance with TfL risk management guidelines. They cover implementation risks only but operational risks that have also been identified have been added to Cycle Hire's strategic risk registers.
- 4.14 The total risk value for the project included in the Estimated Final Cost is included in the paper on Part 2 of the agenda.

5 Financial Implications

- 5.1 A summary of the costs (project, operational and whole life), their development, budget and funding status and full details of the Financial Authority granted in July 2015 are included in the paper on Part 2 of the agenda.

Commercial

- 5.2 The disaggregation of the current services (as described in the procurement strategy) results in multiple routes to contracting the preferred solution. The paper in Part 2 of the agenda summarises the procurement route, Procurement Authority sought and future contract management structure.
- 5.3 The process, results and summary of the tender evaluation for bike management and supply is included in the paper in Part 2 of the agenda including the contract award recommendation referred to in paragraph 2.2 above.

5.4 The costs for the call-off contract under the Contact Centre Framework call-off are being finalised and Procurement Authority will be requested in due course in accordance with Standing Orders; given the likely values it is anticipated that approval can be obtained at TfL officer level.

6 Assurance

6.1 The Integrated Approvals and Assurance Plan (IAAP) summary for the Programme is as follows:

- (a) Gate A: Initiation Integrated Assurance Review (IAR) in March 2013 for Gate A;
- (b) Gate B: Option IAR in September 2014 and in February 2015. Additional Option IARs were conducted between March and June 2015 while the preferred option evolved. Financial and Project Authorities were granted by the Committee in July 2015 under delegated authority from the Board. A contract award IAR was undertaken by the TfL PMO and IIPAG in September 2015 with a view to preparing a variation to the existing TTL and Cubic RCC;
- (c) Gate C (present): A contract award IAR was undertaken by the TfL PMO and IIPAG in April 2016 regarding the subject of this paper and the associated Procurement Authorities; and
- (d) Gate D: Delivery IAR will be undertaken in 2017 by the TfL PMO and IIPAG in April 2018. Programme level and other internal assurance activities.

6.2 The latest IAR has raised a number of issues that are caused primarily by the disaggregation of the services, the migration of programme delivery team and the short timescales for multiple work streams to come together. Most of the recommendations are in relation to ensuring that a robust process is in place for the next phase around approvals and mitigation strategies.

6.3 The programme team has had to prioritise the CHR Programme, de-risking activities which were not part of the original plan. However, the implementation of this plan will allow the overall transition to run more smoothly.

List of appendices to this paper:

The paper on Part 2 of the agenda contains exempt supplementary information.

List of background papers:

Finance and Policy Committee papers – 30 July 2015
Integrated Approvals and Assurance Plan (IAAP)
Integrated Assurance Reviews

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