

Date: 2 December 2015

Item: Cycle Hire Re-let

This paper will be considered in public

1 Summary

- 1.1 The purpose of this paper is to update the Committee on progress with the recommended option for the Cycle Hire Re-Let (CHR) programme and to request that the Committee recommend that the Board grants budgeted Procurement Authority to enter into a contract variation agreement with Cubic Transportation Systems Limited (Cubic) under the Revenue Collection Contract (RCC). The variation will facilitate the transition of certain Cycle Hire services to the RCC in 2017.
- 1.2 On 30 July 2015, under authority delegated by the Board, the Committee granted Project Authority and additional Financial Authority of the amounts stated in the paper on Part 2 of the agenda for project delivery, subsequent maintenance and capital renewals. Within this budget, the amount stated in the paper on Part 2 of the agenda, was allocated to the transition of certain services to Cubic.
- 1.3 Since Project Authority was granted, Cubic has continued to review the Cycle Hire requirements and has confirmed that the amount stated in the paper on Part 2 of the agenda is a ceiling price. TfL will continue to validate this price and refine if possible, via a joint design study with Cubic while this request for Procurement Authority progresses through to the Board in December 2015.
- 1.4 Cubic's operational costs during the initial term of the RCC are less mature. These will be reviewed again in early 2016 and the intention is to request Procurement Authority for these costs in summer 2016 at the same time as contract award for the Cycle Hire Bike Management and Supply (BMS) contract.
- 1.5 A paper is included on 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 this paper and the supplementary information in the paper on Part 2 of the agenda and recommend that the Board:**
- (a) **notes that Project Authority and Financial Authority (in respect of the estimated cost of the delivery of the Cycle Hire Re-Let (CHR)**

programme and operation of the scheme, including the transition of certain services to the Revenue Collection Contract (RCC)) exists up to March 2024;

- (b) grants Procurement Authority of the amount stated in the paper on Part 2 of the agenda to enter into a variation of the RCC with Cubic Transportation Systems Limited to transition certain Cycle Hire services (as described in this paper) in 2017 as part of implementing the CHR solution previously endorsed by the Committee;**
- (c) authorises the TfL Officers and Subsidiaries (as described in paragraph 2.2 below) to finalise the terms of the variation to the RCC and any other agreements required to deliver the services described in paragraph 4.2 of this paper (together the Agreements);**
- (d) authorises the agreement 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 Agreements and any of the matters referred to in them (including, without limitation, all agreements, licences, deeds, guarantees, indemnities, announcements, notices, contracts, certificates, letters or other documents); and**
- (e) authorises the TfL Officers and Subsidiaries to do all such other things as they consider necessary or desirable to facilitate the execution and implementation of the Agreements and the matters referred to in them.**

2.2 The following Officers and Subsidiaries shall have delegated authority:

- (a) TfL Officers: the Commissioner, Managing Director Finance, Managing Director Surface Transport and General Counsel; and**
- (b) Subsidiaries: Subsidiaries of TfL including Transport Trading Limited and any other subsidiary (whether existing presently or to be formed) of Transport Trading Limited 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, under authority delegated by the Board, the Committee granted Project Authority for the Cycle Hire re-procurement with integration of customer accounts with Oyster and contactless payment (CPC), providing customers with a single portal for Cycle Hire in addition to their Oyster and CPC journeys. This will facilitate transition from the current contract for Cycle Hire scheme services provided by Serco, which is due to expire on 31 July 2017.**
- 3.2 On 17 July 2014, under authority delegated by the Board, the Committee approved the award of the RCC to Cubic with an anticipated spend of £660m. This contract became effective on 15 August 2015 and will operate for seven years, with an option to extend to August 2025.**

- 3.3 The RCC was constructed in a way that allows additional revenue collection and ancillary services to be instructed for other TfL transport services. The Cycle Hire services represent the first example of this vision being realised.
- 3.4 The integration of Cycle Hire services into the portfolio of services for which Customer Experience is responsible will require a variation to the RCC to procure the necessary services from Cubic, as well as development by Customer Experience's in-house development team.
- 3.5 The terms of the RCC will ensure that any intellectual property in any development undertaken will transfer to TfL. The contract also has an "open-book" accounting requirement, meaning that there is full transparency on all costs incurred together with the capability for benchmarking where it is considered necessary.
- 3.6 Whilst the strategy does not fully meet the Mayor's objectives as laid out in the Mayor's Cycling Vision, it does provide a solid platform for future integration on a timescale that allows for a less risky delivery against contract timescales. This delivery strategy was approved by the Committee in July 2015, and will result in a transition of services by August 2017 and the delivery of enhancements over the following 12 months.

4 Scope of Services to be Procured

- 4.1 The Committee is requested to recommend that the Board grants Procurement Authority for all procurement activity associated with the implementation of "Lot X" services that are to be provided by Cubic. Procurement Authority for the operation of the services from 2017 will be sought in summer 2016.
- 4.2 The scope of Lot X and the party responsible for the provision of each service is summarised in Table 1:

Service	Provider
Revenue collection services	Cubic
Docking station maintenance	Cubic
Back office management	Cubic
Mobile app	Customer Experience
Contact Centre services	Customer Experience (although some services may be contracted out as part of the Contact Centre Operations service procurement framework)
Website integration	Customer Experience

Service	Provider
Single Sign-on	Customer Experience
IP verification	PA Consulting (services procured under an existing supply framework)
Usage based discounts	Customer Experience
Service performance and monitoring	Cubic (Levels 1 and 2) / Customer Experience (Level 3)
Future proposition enhancements	Customer Experience / Cubic

Table 1: Division of Lot X Services

- 4.3 Cubic's services will be procured under a variation to the RCC. Where Contact Centre services are outsourced, this will be part of a broader Contact Centre Services procurement framework and part of a generic range of services. IP verification services are being supplied by PA Consulting under an existing procurement framework to verify both the existing documentation from the current hardware supplier, PBSC, and any new intellectual property introduced by future service providers.
- 4.4 Bike Management and Supply (BMS) along with cleaning services, which sit outside of Lot X, are the subject of separate procurement processes, for which Procurement Authority will also be sought in summer 2016.
- 4.5 Prior to the contract variation being let, a design study exercise is being co-ordinated by Customer Experience with input separately from Serco and Cubic, which will define the optimum way in which to transition the Lot X services prior to the final date of the current Cycle Hire Services contract.

5 Economic Appraisal

- 5.1 The economic appraisal and benefits to cost ratio (BCR) for the approved strategy remain as they were when Financial Authority was granted in July 2015 and the full benefits and economic appraisal are included in the paper on Part 2 of the agenda.
- 5.2 The Cubic project costs within the Estimated Final Cost are within the initial budget and the remaining capital costs are also expected to meet the budget at this time. This information is included in the paper on Part 2 of the agenda.
- 5.3 Work will continue throughout the next six months in order to verify the validity of the operational costs (Opex) via the following routes and expected completion dates:

- (a) Contact Centre – Best and Final Offer for new framework agreement – January 2016;
- (b) BMS – Invitation to Participate with competitive dialogue – April 2016;
- (c) Cubic – Opex cost refinement work package – February 2016; and
- (d) Cleaning – Quotation of costs following go live of Street Furniture contract – March 2016.

6 Key Milestones and Risks

6.1 The key milestones for the project are set out in Table 2:

Milestone	Target Date	Type	Status
Single Option Approved	28/09/2015	Budget	Complete
RCC Variation Sign off	31/12/2015	Project milestone	
Contract Award (Lot BMS)	30/09/2016	Project milestone	
Delivery in to Service	31/08/2017	PAM	
Scheme Go-live	31/12/2018	PAM	

Table 2: Key Milestones

- 6.2 The Procurement Authority sought in this paper will enable the RCC variation milestone to be achieved.
- 6.3 The five project risks with the highest potential financial cost are included in the paper on Part 2 of the agenda. These have been derived in accordance with TfL Risk Management guidelines.

7 Financial Implications

7.1 Additional Financial Authority in respect of the delivery of the CHR programme was granted by the Committee (under authority delegated by the Board) in July 2015 for the amount stated in the paper on Part 2 of the agenda. There is no further Financial Authority requested at this time. A summary of the costs (project, operational and whole life), their development, budget and funding status are included in the paper on Part 2 of the agenda.

8 Assurance

8.1 A contract award Independent Assurance Review (IAR) was undertaken by the PMO and the IIPAG in September 2015 with a view to preparing a variation to the existing RCC, which is the subject of this paper. The Management Response confirms that all recommendations are being addressed.

8.2 An IAR will be undertaken for the BMS contract ahead of authority being sought from the Board in July 2016.

8.3 A Delivery IAR will be undertaken in 2017.

List of appendices to this report:

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

List of Background Papers:

CHR Authority papers to the Finance and Policy Committee on 17 July 2014 and 30 July 2015.

October 2015 IIPAG, External Experts and PMO Reports and management responses.

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