

Item 15: Business Improvement Programme Framework

This paper will be considered in public

1 Summary

- 1.1 The Transport for London Business Improvement Programme (BIP) Framework was let to HCL Axon in July 2002. A call off for managed services, including datacentre hosting, infrastructure management and applications platform support for the TfL SAP environment, and project related services (the Managed Service), was let under the framework and is due to expire on 30 June 2015. It is proposed to exercise an option to extend the Managed Services call-off for two years.
- 1.2 This paper provides a high level description of the services provided under the Managed Services call-off and asks the Board to approve the proposed extension and the additional Procurement Authority to cover the expenditure to date and sufficient expenditure to provide for the continuation of these services until the end of the extension on 30 June 2017.
- 1.3 On 9 March 2015 the Audit and Assurance Committee considered an Internal Audit Report on Procurement Authorities and Associated Controls and agreed the proposed action plan to implement improved awareness and control over Procurement Authorities.
- 1.4 On 11 March 2015, the Finance and Policy Committee endorsed the recommendations in this paper. No specific issues were raised for the attention of the Board.
- 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.

2 Recommendations

- 2.1 **The Board is asked to note the paper and the supplemental information on Part 2 of the agenda and:**
 - (a) **approve the proposed two year extension of the Managed Service call-off of the Transport for London Business Improvement Programme Framework with HCL Axon (the Extension);**
 - (b) **grant additional Procurement Authority to cover expenditure to date and the forecast expenditure through to 30 June 2017 as described in the paper on Part 2 of the agenda;**

(c) authorise:

- (i) the TfL Officers (as described in paragraph 2.2 below) to finalise the terms of the Extension;**
- (ii) the agreement and execution (whether by deed or otherwise on behalf of TfL) of any documentation to be entered into in connection with the Extension and any matters referred to in it (including, without limitation, all agreements, deeds, guarantees, indemnities, announcements, notices, contracts, certificates, letters or other documents); and**
- (iii) TfL Officers to do all such other things as they consider necessary or desirable to facilitate the execution and implementation of the Extension and the matters referred to in it.**

2.2 The following TfL Officers shall have delegated authority: the Commissioner, Managing Director Finance, Chief Finance Officer.

3 Background and future approach

- 3.1 Following a competitive procurement exercise in 2002, TfL awarded the Business Improvement Programme Framework (the Agreement) to Axon Solutions Limited (part of Axon Group Plc, which merged with HCL Technologies to form HCL Axon in 2008) for a period of ten years to provide a fully comprehensive hosted solution for business support services, including the integration of finance, human resource and procurement systems. The Agreement was subsequently extended to 31 March 2013.
- 3.2 The scope of the Agreement included the provision of a comprehensive information management and technology related solution to enable improvements to the business, support and management functions of TfL and its subsidiaries. Additional scope items include provision of data migration from existing systems, maintenance and support, projects, change management and associated services.
- 3.3 The SAP system was implemented as part of the BIP. SAP provides the core platform for TfL's Enterprise Resource Planning (ERP) solutions which TfL uses for many of its core critical business functions such as human resources (HR), finance and customer relationships.
- 3.4 A Managed Service call-off to provide support and maintenance for the SAP environment and applications was entered into in July 2002. The term of the call-off was five years from April 2003 to March 2008.
- 3.5 In 2008 the Managed Service call-off was extended until March 2013. The Agreement itself was also extended until March 2013 so that it would co-terminate with the call-off.
- 3.6 In March 2013 the Managed Service call-off was further extended until 30 June 2015 with options included to extend the call-off for a period of two further years until 30 June 2017. It is now proposed the two year extension is taken and negotiations held with HCL Axon to formalise and execute this in order to ensure continuity of service.

3.7 The total expenditure against the Agreement since its execution in July 2002 up to January 2015 is £98,060,103. Details of all purchase orders raised against the Agreement within this period are available within the SAP system, but are summarised within the table below.

Summary of Spend Against HCL Axon BIP Framework (July 2002 to January 2015)	
Initial Implementation	16,205,507
SAP Managed Services	41,966,714
Hardware / Software Refresh	5,243,051
Projects and Changes	26,308,816
Run Better Programme	8,336,014
Total Spend	98,060,103

3.8 Financial approvals have been made either by the approval of call-offs made under the Agreement, or by approval at programme/project level for the variable costs, i.e. projects, changes and programmes such as Run Better. However, Procurement Authority at the Agreement level is required for this expenditure and this is now being sought retrospectively.

Future approach

3.9 The Managed Service call-off is due for renewal 30 June 2015 and, as referred to in paragraph 3.6, the contract provides an option allowing TfL to extend it for two further years at TfL's sole discretion.

3.10 It is proposed the two year extension is taken and discussions held to formalise and execute this.

3.11 A detailed review of TfL's requirements for the extension will be undertaken as part of the renewal process so that discussions can be completed and costs for the renewal finalised. This will be completed in line with the 30 June 2015 renewal timeline.

3.12 The Managed Service fixed charges relate to the datacentre hosting, infrastructure management and applications platform support for the TfL SAP environment. The costs for April to June 2015 are set out in the current Agreement. The costs for July 2015 to June 2017 will be finalised as part of the negotiations regarding the Extension but is expected to fall within the forecast.

3.13 The costs pertaining to Managed Service changes relate to changes to the technical environment to ensure it is kept both current and compliant and delivers a stable platform and business continuity through to 2017. The forecast cost has been calculated by analysing historical spend over the last two years and using this to provide a forecast for expenditure up to June 2017. Some of the initiatives expected will include:

- (a) replacement and upgrade of the existing SAP Customer Relationship Management platform (CRM5) which falls out of support during the Extension period;
- (b) replacement and upgrade of the Supplier Relationship Management platform (SRM4) which falls out of support during the Extension period;
- (c) implementation of SAP Fiori to provide the technical platform on which TfL will build an enhanced portal to improve user experience and productivity;
- (d) implementation of a new SAP Solution Documentation system;
- (e) implementation of a new SAP Change Management solution (ChaRM & ChaRM Lite);
- (f) implementation of a new SAP Testing Framework and associated technical performance tools;
- (g) implementation of Automated Testing and Integration tools;
- (h) implementation of a Custom Code Management solution; and
- (i) implementation of SAP Operational Project Strategic Reporting Toolset.

3.14 Run Better is the TfL Information Management delivery programme that will implement a new generation of Enterprise Resource Planning (ERP) and Business Information (BI) solutions to meet business requirements and to enable improved business efficiency, integration and growth. The expenditure for 2016/17 has no detailed forecast at this time, however, these initiatives include:

- (a) upgrade of TfL's Business Warehouse solution to ensure that the solution remains supportable and to improve the performance of reporting, queries and analytics;
- (b) upgrade of TfL's Governance, Risk and Compliance solution, which is used for SAP Security and Authorisations;
- (c) implementation of a new SAP portal, which will enable the provision of the technical platform for the delivery of "self service" solutions;
- (d) building on the aforementioned technical platform, develop a new generation of employee and manager "self service" solutions which will improve efficiency and to support proposed business change programmes such as Fit for Future Stations and the increased use of mobile devices by TfL employees in the execution of their duties;
- (e) implementation of a new Duplicate Payments system to improve error detection, reduce reliance on external services and allow account payable functions to focus on added value activities;
- (f) implementation of improved Supplier Invoice Processing to transform accounts payable SAP based invoice processing through increased automation, rule based exception handling and improved workflows;

- (g) delivery of an early payment discounting solution to leverage improvement to TfL's cash flow to enable TfL to leverage improved credit worthiness; and
- (h) improve data integrity of Human Resource (HR) data to enable improved quality of information and improved decision making.

3.15 There are a number of other major business change programmes which will result in adjustments to the SAP system during the Extension period. These programmes are likely to include such items as the planned Data Centre migration, JNP Integration and works, and Data Archiving. These initiatives do not currently have detailed requirements, plans or forecast charges and so have not been presented with specific costs; however, their total estimated expenditure is expected to be up to £25,000,000.

3.16 The total Procurement Authority requested under this paper, covering historic and forecast expenditure over the period July 2002 – June 2017 is £158.67m. Details of the forecast expenditure are provided in a paper on Part 2 of the agenda.

List of appendices to this report:

Exempt supplemental information is included in a paper on Part 2 of the agenda.

List of Background Papers:

Paper submitted to the Finance and Policy Committee 11 March 2015.

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