

Date: 11 March 2015

**Item 20: Agreement for the provision of IT Management Services and IT Services**

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**This paper will be considered in public**

**1 Summary**

- 1.1 This paper seeks a recommendation that the Board approves extended Procurement Authority up to £204.9m in respect of TfL's agreement with Computer Sciences Corporation (CSC) for the provision of IT Management Services and IT Services (the Agreement). The extended Procurement Authority will cover expenditure committed under the Agreement up to 31 March 2015, and provides contingency for an extension to one of the services, the desk-side support service.

**2 Recommendation**

- 2.1 **The Committee is asked to note the paper and to recommend that the Board:**

- (a) **approves the extension of Procurement Authority for Transport for London's agreement with Computer Sciences Corporation (CSC) for the provision of IT Management Services and IT Services (the Agreement) to a total of £204.9m;**
- (b) **authorises the TfL Officers (as described in paragraph 2.2 below) to finalise the terms of an extension to the Agreement as described in this paper;**
- (c) **authorises the agreement and execution of any documentation to be entered into in connection with the completion and implementation of the extension of the Agreement and any matters referred to in it; and**
- (d) **authorises the TfL Officers to do all such things as they consider necessary or desirable to implement the extension of the Agreement and the matters referred to in it.**

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

**3 Procurement Authority and Expenditure against the Agreement**

- 3.1 The Agreement was executed on 5 December 2006 for the provision of IT management services and IT services. The principal services are the provision of an IT primary service desk (PSD), desk-side support services (DSS), and a range of IT project services.

- 3.2 CSC was awarded the Agreement via a competitive process advertised in the Official Journal of the European Union (OJEU).
- 3.3 The initial term of the Agreement was 16 months. There was however, an option within the Agreement for TfL at its sole discretion to extend the contract term up to a maximum of 34 months (until 5 October 2009) which it exercised.
- 3.4 It was intended that CSC would be an interim service provider tasked with stabilising and improving the service as well as reducing the inherited cost base, and generally to make the services ready for TfL to outsource to a long term service provider.
- 3.5 Procurement Authority of £20m was granted at contract award in 2006 to cover the initial 16 month term. This Procurement Authority was not revised when TfL exercised the option to have the contract run for 34 months and the Procurement Authority was therefore exceeded.
- 3.6 TfL commenced two separate procurement processes advertised in OJEU in 2009 and 2011 respectively in order to transfer these services to a long term service provider; however these procurements were not concluded due to the impact of major business change programmes (such as the integration of Metronet, and the restructuring of TfL's support functions, Project Horizon) which prompted new ways of working and the need to consider more strategic solutions. As a result, the Agreement was subsequently extended from 1 November 2009 until 31 October 2010 and then also for a further 17 months until 31 March 2012. These extensions were necessary to ensure continuity of service.
- 3.7 The value of the contract extension from November 2009 - October 2010 is approximately £15m, though the Procurement Authority documentation on record is incomplete. However, the value of the next extension from October 2010 - March 2012 is confirmed at £15.5m.
- 3.8 In January 2012, the Agreement was extended until 30 June 2014 at a value of £24.4m. The extension sought to ensure the continuity of the services through the period of the London 2012 Games, and through the planned delivery of the IM Strategic Sourcing programme (now known as Transforming IM).
- 3.9 In April 2014, the Agreement was extended for a further nine months (until 31 March 2015, value £10m). The nine months was considered sufficient time to run an OJEU compliant processes to re-procure and transition the services to new contracts and/or vendors. The new contracts were to be designed to align with the long term objectives of the Transforming IM programme.
- 3.10 A commercial review of the Agreement was conducted in November 2014 as part of a wider exercise to review Procurement Authorities, and it became apparent that there is a significant shortfall between the Procurement Authority granted to date and the expenditure made against the Agreement. Furthermore, it appears that where additional authority was sought, it was not sought at the aggregate level in accordance with TfL Standing Orders. Consequently, to address these infractions, and to consider the forecast expenditure for services until their final termination, Procurement Authority is being sought to bring expenditure under the Agreement in line with Standing Orders.

3.11 The awarded Procurement Authority that is in place is summarised in Table 1 below.

Table 1: Summary of Procurement Authority to 31 March 2015

In £millions	OJEU	Extension	Extension	Extension	Extension	
	2006 - 2009	2009 - 2010	2010 - 2012	2012 - 2014	2014 - 2015	Total
Procurement Authority	20	Unknown	15.5	24.4	10	69.9

3.12 Total expenditure to date (up to January 2015) is £195,015,224.61.

3.13 This expenditure has been used to supply the core managed services of IT primary service desk (PSD) and desk-side support services (DSS), though has in the past included other services, such as the catalogue service for the day to day supply of commodity IT hardware and software items (for example, miscellaneous desktop computer equipment and licences for commonly used software). The expenditure on catalogue services is dependent on business demand, but could reach up to £20m per annum. This service has now moved to another supplier.

3.14 The expenditure for project services has been used to supply specialised products and services for a very wide range of projects undertaken by TfL IM. These include the development and delivery of the pan-TfL One London IT environment and the migration of users away from the legacy IT operating environments that used to exist within individual business units. There is also now a major upgrade to the Windows 7 operating environment, for which CSC are providing project services. Additionally, IM have used CSC project services to design, develop, and deliver the IM service request and fault management service based around the Remedy toolset. Other major project activities have included infrastructure development and/or specialist support services for major events, such as the Tour De France and the London 2012 Games.

3.15 Overall, expenditure with CSC has fallen from a peak of approximately £40m per annum (during the period 2007 – 2009) to approximately £15m per annum (during period 2013 – 2015).

## 4 Future Expenditure Profile

4.1 The Agreement is scheduled to terminate on 31 March 2015, with replacement services sourced from two procurement processes advertised in OJEU for the PSD and the DSS.

4.2 The procurement process for the PSD is complete and services are being transitioned to a new service provider (ATOS) with service commencement under the new contract scheduled to begin on 17 March 2015. This new contract has an initial term of three years with a further one year option, and has a value of £6m over the full four year term. Procurement Authority for this new contract has been awarded separately and is not requested under this paper.

- 4.3 The new DSS contract is scheduled for contract award in March 2015, though may be delayed as explained in paragraph 4.7 below.
- 4.4 The forecast expenditure for the remaining term of the Agreement, including a potential extension of the DSS service, is shown in Table 2, below:

Table 2: Summary of Forecast Expenditure 2015

<b>Expenditure Type</b>	<b>£millions</b>
Forecast project spend, Feb 2015 – Mar 2015	<b>5.5</b>
Forecast Contract Exit and Transition Costs	<b>0.4</b>
Contingency for DSS Extension	<b>4.0</b>
<b>Total Expenditure requiring DPA</b>	<b>9.9</b>

- 4.5 Project expenditure with CSC can fluctuate from between £5m – £10m per annum. Under the Agreement, CSC provides TfL IM and the operational business with a wide range of IT services, resources and consultancy to deliver a range of projects and initiatives.
- 4.6 In preparation for the termination of the Agreement, TfL IM is developing alternative sources to supply these IT services as call-offs against the Agreement will not be possible from 1 April 2015 onwards. It is anticipated there will be a slight increase in demand as the end of the Agreement nears and various projects seek to close out their delivery using CSC services. Call-offs that are already approved may continue beyond the expiry of the Agreement, and therefore some further allowance has been made within the forecast expenditure to provide for an overrun of project services beyond 31 March 2015. These funds will only be consumed if there is sufficient project demand for them.
- 4.7 TfL IM and Commercial ICT are currently concluding an OJEU procurement process to replace the CSC DSS services. Given the final steps in concluding the contract for DSS have yet to be completed, it may be necessary to extend the contract with CSC to ensure a successful transition to the new service provider. A provision of £4m for extended DSS services with CSC has been included for this purpose.
- 4.8 Under the terms of the Agreement, CSC may charge TfL IM for services associated with delivery of an agreed exit plan and transition activities to a new contract and/or vendor. Based on quotations from CSC, a provision of £300k has been included, with a further 33 per cent contingency added in case there is a protracted exit plan caused by the situation detailed in 4.7 above. This makes a total provision of £400k for exit and transition services.

## 5 Corrective Actions

- 5.1 A recent detailed review within the Commercial ICT team of expenditure against procurement authorities (following a similar review of the Fujitsu contract for data services) has identified a number of improvements that may be made when tracking and monitoring expenditure against the awarded Procurement Authority, as follows:
- (a) Commercial ICT will act as a “gateway” and will not process expenditure against contracts without evidenced assurance from TfL IM and other business customers that Procurement Authority has been sought and granted in accordance with Standing Orders.
  - (b) All TfL IM contracts managed by Commercial ICT will be regularly reviewed to ensure that all expenditure is within granted Procurement Authority and should this not be the case, Commercial ICT and TfL IM will take corrective action at the appropriate level of governance in accordance with Standing Orders, as in this case.
  - (c) Commercial ICT will reinforce guidance that is already in place (e.g. in Pathway) and will assist TfL IM staff involved in commissioning work to be undertaken by contracted service providers to not only establish that financial authority is in place but also Procurement Authority, particularly as part of the annual business planning cycle.

### List of appendices to this report:

None

### List of Background Papers:

None

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