

**This paper will be considered in public**

**1 Summary**

- 1.1 The Board is asked to approve the Procurement, Financial and Project Authority being sought in relation to the London Road User Charging (LRUC) and Traffic Enforcement Notice Processing (TENP) Relet Project.
- 1.2 At its meeting on 27 November 2013, the Finance and Policy Committee considered a paper on this project and supported the recommendations to the Board.
- 1.3 A paper is included on Part 2 of the agenda, which contains exempt supplemental 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 any public meeting.

**2 Recommendations**

**2.1 The Board is asked to:**

- (a) note the paper and the related paper on Part 2 of the agenda;
- (b) approve the proposed arrangements for the London Road User Charging (LRUC) and Traffic Enforcement Notice Processing (TENP) contracts;
- (c) grant Procurement Authority and approve the award of contracts, as set out in the paper in Part 2 of the agenda;
- (d) authorise additional Project Authority, as set out in the paper in Part 2 of the agenda, to cover the cost of implementation;
- (e) authorise a decrease in Financial Authority from the amount currently set aside in the TfL Business Plan to 2021/22;
- (f) delegate to the TfL Officers described in paragraph 2.2 below the authority to finalise the terms of the agreements described in this paper and the paper on Part 2 of the agenda (the Agreements);
- (g) authorise the agreement and execution (whether by deed or otherwise) on behalf of TfL 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 any of them (including, without limitation, all agreements, deeds, guarantees, indemnities, announcements, notices, contracts, certificates, letters or other documents); and

- (h) **authorise TfL Officers to do all such other things as they consider necessary or desirable to facilitate the execution and implementation of the Agreements and any related documentation as referenced in (e) above; and**

**2.2 The following TfL Officers shall have delegated authority: the Commissioner, Managing Director Finance, Managing Director Surface Transport, General Counsel and the Chief Finance Officer.**

### **3 Background**

#### **Strategic Context**

- 3.1 Congestion Charging (CC) and the operation of the London Low Emission Zone (LEZ) are integral parts of the Mayor's Transport and Air Quality Strategies, designed to reduce traffic congestion on the roads of Central London and to move London closer to compliance with European Union limit values for Particulate Matter (PM<sub>10</sub>) and Nitrogen Dioxide (NO<sub>2</sub>). The contract that covers the operation of both services is the LRUC agreement.
- 3.2 The TENP contract provides the notice processing services (issuing of Penalty Charge Notices) for decriminalised traffic offences on the Transport for London Road Network (TLRN), including contraventions of Yellow Box Junctions, Banned Turns, Bus Lanes, Parking and Loading. It ensures TfL plays its role in smoothing traffic flows and improving public transport (bus) journey time reliability on the TLRN.
- 3.3 The purpose of the LRUC and TENP Relet Project is to re-procure the contracts for LRUC from November 2015 and TENP from June 2015, in order to consolidate and simplify the services after the expiry of the current contracts. This also includes an extension of the current LRUC contract by one year from October 2014 to better align the expiry of the two contracts.
- 3.4 The current LRUC Agreement was awarded in December 2007 and expires in October 2014. The contract includes the provision of the IT systems, back office and contact centre to run both the CC and LEZ schemes. The service provider commenced operation of these services in November 2009.
- 3.5 The TENP contract was awarded in November 2007 and expires in June 2015; it does not contain an option to extend any further. The contract includes the provision of the IT systems, back office processing and contact centre for notice processing.
- 3.6 The objectives of the project are to ensure the continued operation of the CC, LEZ and TENP schemes, group common activities together and award contracts that maximise the efficiency and synergies of these activities, while reducing cost and maintaining or enhancing customer satisfaction.

### **4 Description**

4.1 The main items of scope for this project are:

- (a) extension of the LRUC contract by 12 months with the incumbent (to 31 October 2015). This has now been agreed and allows the alignment of the LRUC and TENP contract expiry in 2015;

- (b) the specification and production of simplified output-based operational and technical requirements for both contracts, which will lead to lower operating costs, particularly in the support and maintenance areas;
- (c) the procurement and letting of contracts (through the competitive dialogue process) for the LRUC and TENP contracts, which are split into 2 lots – Lot 1 (Business Operations) and Lot 2 (Enforcement Operations); and
- (d) the management of the implementation of the new requirements, including the transition from the incumbent suppliers.

### **Risk and Management Contingency**

- 4.2 Key risks have been identified and transferred to the party most suitable to manage. The risks to be transferred to the contractor(s) have been quantified and included within their implementation costs.
- 4.3 The operational and project risks retained by TfL have been quantified and included in the Estimated Final Cost.

## **5 Commercial and Resources**

### **Procurement Strategy**

- 5.1 In order to encourage the supply chain to bid in an efficient manner, the requirements were split into two lots: Business Operations (BOps) and Enforcement Operations (EOps).
- 5.2 The project undertook a single procurement following the Competitive Dialogue process to let the BOps and EOps contracts.
- 5.3 The new contracts will be fixed price with performance and economic variables which are capable of being scalable, if required. The contracts will cover the end-to-end Business and Enforcement Operations including systems, infrastructure, implementation, operation, maintenance, support and staffing.

### **Competitive Dialogue Process**

- 5.4 A notice in the Official Journal of the European Union (OJEU) was published on 28 November 2012. 15 Pre-Qualification Question (PQQ) responses were received, eight were for Lot 1 and seven for Lot 2. Five bidders were invited to submit Initial Offers for each lot. Bidders who qualified for both Lot 1 and Lot 2 were invited to submit a further offer for the provision of both lots together and to demonstrate the efficiency or increased service quality this might achieve over the award of separate lots.
- 5.5 Two bidders withdrew before submitting Initial Offers and one failed to meet the necessary quality thresholds and was not invited to participate further. Two bidders were invited to participate in dialogue for Lot 1, and three bidders to participate in dialogue for Lot 2.
- 5.6 A nine week dialogue process ensured TfL had a detailed understanding of the solution proposed by the bidders, refined the contractual terms and resulted in a reduction in the overall cost and risk provision.

- 5.7 Final Offer bids were received on 11 September 2013. Following a detailed evaluation process, the responses were assessed as being close in both quality standards and overall costs. The outcome, based on the published evaluation criteria, was determined as set out in the paper in Part 2 of the agenda.

### **Resourcing**

- 5.8 The project will be delivered under a matrix structure of highly experienced PPD project management staff and subject matter experts drawn from across TfL.
- 5.9 The Road User Charging Business Unit will be involved throughout the delivery of the project and will be responsible for the ongoing management of the operational services. The unit will also provide Sponsorship of the project.
- 5.10 All staff required to deliver the project have been identified and the costs included in the authority requested.

## **6 Benefits**

- 6.1 Benefits have been identified and are documented in the Business Case.
- 6.2 Ensuring the continuation of the CC, LEZ and TENP schemes ensures the ongoing delivery of key outcomes in the Mayor's Transport and Air Quality Strategies (and the ongoing delivery of substantial revenue streams for reinvestment in transport).
- 6.3 Direct benefits of the project include improvements to scheme operations and reduced operating costs. These are broken down into three main categories:
- (a) system and process refinement, simplification and consolidation;
  - (b) simpler and faster customer interaction by increased automation; and
  - (c) improved efficiency of the operations.

## **7 Views of the Projects and Planning Panel**

- 7.1 At its meeting on 13 November 2013, the Projects and Planning Panel noted this project and supported the recommendations to the Finance and Policy Committee. The Panel was provided with details of recommendations and findings by the Programme Management Office and the Independent Investment Programme Advisory Group. Commentary from the Panel has been incorporated in the papers for the Committee.

## **8 Views of the Finance and Policy Committee**

- 6.1 At its meeting on 27 November 2013, the Finance and Policy Committee noted the proposals in this paper and supported the recommendations to the Board. The Committee has requested no further information and there are no actions resulting from the meeting.

**List of appendices to this report:**

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

**List of Background Papers:**

None

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