

Transport for the North Board – Item 5

Subject: Integrated Smart Travel Programme (IST) Progress Update

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Sponsor: Barry White, Chief Executive

Meeting Date: Thursday, 6 December 2018

1. Purpose of the Report:

The purpose of this report is to update the Board on the progress made to date and next steps.

The key headlines of the report are: in November Phase 1, ITSO Smart Cards on Rail commenced live operation with rail customers on Northern and Transpennine services; also in November the Phase 2 Full Business Case was approved at DfT's investment committee and in October the Invitation To Tender for the Phase 3 'Pay As You Go' Account Based Ticketing was issued to shortlisted suppliers. Tender responses are due to be received back in January 2019 and these will be used as the basis to develop the Phase 3 Full Business Case, scheduled for submission to DfT in late Summer 2019.

2. Executive Summary:

2.1 The IST Team - working closely with the DfT Sponsor Team, Local Authorities and commercial bus and rail operators - has again achieved key milestones on the IST Programme.

The IST Programme comprises the following three Phases:

- a) Phase 1 – ITSO Smart Cards on Rail is launched with the public and is now continuing to be rolled-out progressively from East to West - interoperable smart ticketing across the whole rail network in the North by the end of 2018;
- b) Phase 2 – Information on Bus and Light Rail which is enhancing the fares and disruption information, and making this available as open data for these modes across the North by the end of 2019; and
- c) Phase 3 – Introduction of 'pay as you go' account-based ticketing using contactless bank cards in 2020 on bus and light rail and heavy rail in 2021.

This report provides the Board Meeting with an update on what has been achieved in the various Phases and the activity in the next phases of the programme.

2.2 Phase 1

Implementation has continued as follows:

- a) 21 November 2018 – Live operation commenced between Hull – Scarborough (Northern) and Malton to Scarborough (Transpennine) with high levels of uptake;
- b) Early December 2018 – The rollout for 'ITSO Belt' Phase deploying at all the Northern and Transpennine owned and operated stations throughout the North are now progressing working from East and working our way West;
- c) End December 2018 – 'ITSO Belt' complete including the switch of RailPass products on Merseyrail and commencement of the 'ITSO Belt and Bridges' Phase deploying at all the stations throughout the North owned and operated by Train Operating Companies other than Transpennine and Northern; and
- d) April 2019 – Completion of the 'Belt and Bridges' Phase and start of Phase 2 of the Merseyrail network deploying platform validators, building on the Phase 1 smart retailing that is already operational across the Merseyrail network. Enhancement to the retailing channels for customers to purchase on-line or ticket machine.

The current forecast expenditure of £18.46m, including Optimism Bias and OPEX, is in line with that approved in the Full Business Case (FBC). As reported in the finance report, we have taken the opportunity to re-phase some of the spend and budget into next financial year. This is as a consequence of the delays in the approvals and contracting resulting in £2m of spend on platform validators (long lead time items) into the start of next financial year. We have also moved £4m of unused contingency (a requirement of the Business Case process) into next year and £2m of VAT provision is no longer required to be held.

Partner	Total (FBC)	Total (Forecast)	Difference	Notes
	£m	£m	£m	
Capital Expenditure	9.98	9.75	-0.23	Key Change: Fujitsu reduced costs due to economies of scale gained from STNR scope change and some resource cost savings.
Contingency	3.99	4.22	0.23	
OPEX	4.49	4.49	0.00	
Total Forecast Expenditure	18.46	18.46	0.00	

The delivery is progressing well in that we have recovered two thirds of the delays arising from the original delayed approval to proceed – the implementation timeline is shown in Appendix 1.

2.3 [Phase 2](#)

The Full Business Case for Phase 2 (FBC2) was approved by the DfT Local Regional Transport Investment Committee on the 6 November 2018 and we are currently awaiting SoS and HMT approval before awarding and implementing the supply contracts.

2.4 The costs included in the Full Business Case for Phase 2 are £5.6 million, £3.7m of cost plus £0.22m contingency and £1.65m optimism bias. Representing savings achieved from our procurement compared to the Outline Business Case position assumed in the budget.

	Total (FBC)	Notes
	£m	
Capital Expenditure	3.24	
Operating costs for 2 years	0.51	
VAT	0.45	
Total Expenditure	3.74	
Contingency	0.16	6.1% Contingency on total expenditure including VAT
Optimism Bias	1.65	46% Optimism Bias on total expenditure and contingency
Total Forecast Expenditure	5.56	

2.5 [Phase 3](#)

Following approval of the IST Phase 3 (Account Based Back Office Ticketing) Outline Business Case at DfT's Board Investment Committee, and after receiving delayed sign-off, we launched the formal procurement. We received 19 Standard Qualification submissions from interested suppliers. These were evaluated and a shortlist of suppliers were issued the ITT documents on 15 October 2018. The ITT submissions from these suppliers are due to be received in January 2019 and will be used to develop the Full Business Case for submission in late Summer 2019.

The parallel procurement for the Merchant Acquirer had the contract notice issued on 22 October 2018 and Standard Qualification documents were received back from potential suppliers on 23 November 2018 which are in the process of being evaluated.

The timeline for Phase 3 is presented in Appendix 2. As a result of the delayed approvals £24.38m of Phase 3 expenditure, including contingency and optimism bias, has been moved into the next financial year compared to the original budget for 2018/19. DfT are aware of this. The table below provides the OBC Costs that are included in the business case.

	Total (OBC)	Notes
	£m	
OBC Expenditure	£48.9	
QRA @P80	£4.65	Contingency - Monte Carlo analysis at P80 levels
Optimism Bias at 90%	£48.24	90% Optimism Bias
Total Costs	£101.85	
Total Costs (incorp annual Inflation @ 2%)	£106.95	

2.6 General

This report provides the TfN Board with visibility of progress and the next steps for the IST programme. The report has been reviewed by the TfN Scrutiny Committee at its meeting on 22 November 2018.

So far, the IST Programme has had approved a Programme level Strategic Outline Business Case, 3 Outline Business Cases and 2 Full Business Cases. The final of the Full Business Cases for Phase 3 is due to be submitted in the Summer of 2019. With the approval of the Phase 2 Full Business Case, £30m of the £150m ring-fenced funding allocation has been dispersed for the benefit of the North and is either currently being implemented through Phase 1 or about to be implemented on Phase 2. The remainder will be secured with the Phase 3 Full Business Case due late Summer 2019.

3. **Consideration:**

- 3.1 On Phase 1 implementation, there have been some issues with the final testing of the Central Back Office being provided by Rail Delivery Group, using up all the contingency time allowed for and putting the rollout under time pressure but we expect to achieve the initial ITSO on Rail - Phase 1 Implementation Plan as scheduled.

- 3.2 Work has continued with Local Authority partners on preparing their internal business cases for the medium term operating model for Phase 2. As reported earlier MoU's and Letters of Support have now been received from all of TfN's constituent Authorities. The issue that is being actively managed is to work with Authorities to confirm that operating costs of the Phase 2 outputs can be met on an ongoing basis from business savings.
- 3.3 We have worked with the larger bus operators to finalise the requirements and now issued these to the down selected suppliers for Phase 3. The issue remains that commercial operators, such as bus companies, remain extremely sensitive to the transaction fees of the commercial offers due to be returned in January from the market.
- 3.4 A further update on the delivery of the Account Based Back Office Ticketing – Phase 3, will be presented at the Board Meeting.

4. Conclusion:

- 4.1 Good progress continues to be made across the three Phases of the IST Programme with Phase 1 realising the first go-live to customers, Phase 2 achieving the significant milestone of having the Full Business Case approved and Phase 3 continuing to make good progress with the procurement that will inform the drafting of the Full Business Case ready for Summer 2019.

5. Recommendations:

- 5.1 The TfN Board is asked to note the progress made with the IST Programme and specifically to:
 - a) Note the plans and associated expenditure for the Implementation Phase of the ITSO on Rail - Phase 1 project roll-out across the North.
 - b) Note the progress made with the approval of the Full Business Case for Phase 2 by DfT's investment committee.
 - c) Note the progress with the procurements for Phase 3 and the reallocation of funding between financial years.

6. Appendices:

- 6.1 Appendix 1 – Phase 1 (ITSO on Rail) timeline
- 6.2 Appendix 2 – Phase 3 (Account Based Back Office Ticketing) timeline

Background papers:

There are no background papers to this report.

Required Considerations

Please confirm using the yes/no options whether or not the following considerations are of relevance to this report.

Equalities:

Age	Yes	No
Disability	Yes	No
Gender Reassignment	Yes	No
Pregnancy and Maternity	Yes	No
Race	Yes	No
Religion or Belief	Yes	No
Sex	Yes	No
Sexual Orientation	Yes	No

Consideration	Comment	Responsible Officer	Director
Equalities	A full Impact assessment has not been carried out because this is an update report.	Leigh Clapham	Alastair Richards

Environment and Sustainability

Yes	No
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Consideration	Comment	Responsible Officer	Director
Sustainability / Environment	A full impact assessment has not been carried out because this is an update report.	Alastair Richards	Alastair Richards

Legal

Yes	No
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Consideration	Comment	Responsible Officer	Director
Legal	<i>TfN Legal Team</i> has confirmed there are no legal implications.	Alastair Richards	Alastair Richards

Finance

Yes	No
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Consideration	Comment	Responsible Officer	Director
Finance	The financial implications have been considered and are included in the report.	Alastair Richards	Alastair Richards

Resource

Yes	No
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Consideration	Comment	Responsible Officer	Director
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Resource	TfN HR Team has confirmed there are no resource implications.	Alastair Richards	Alastair Richards
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Risk

Yes	No
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Consideration	Comment	Responsible Officer	Director
Risk	No requirement for a risk assessment.	Alastair Richards	Alastair Richards

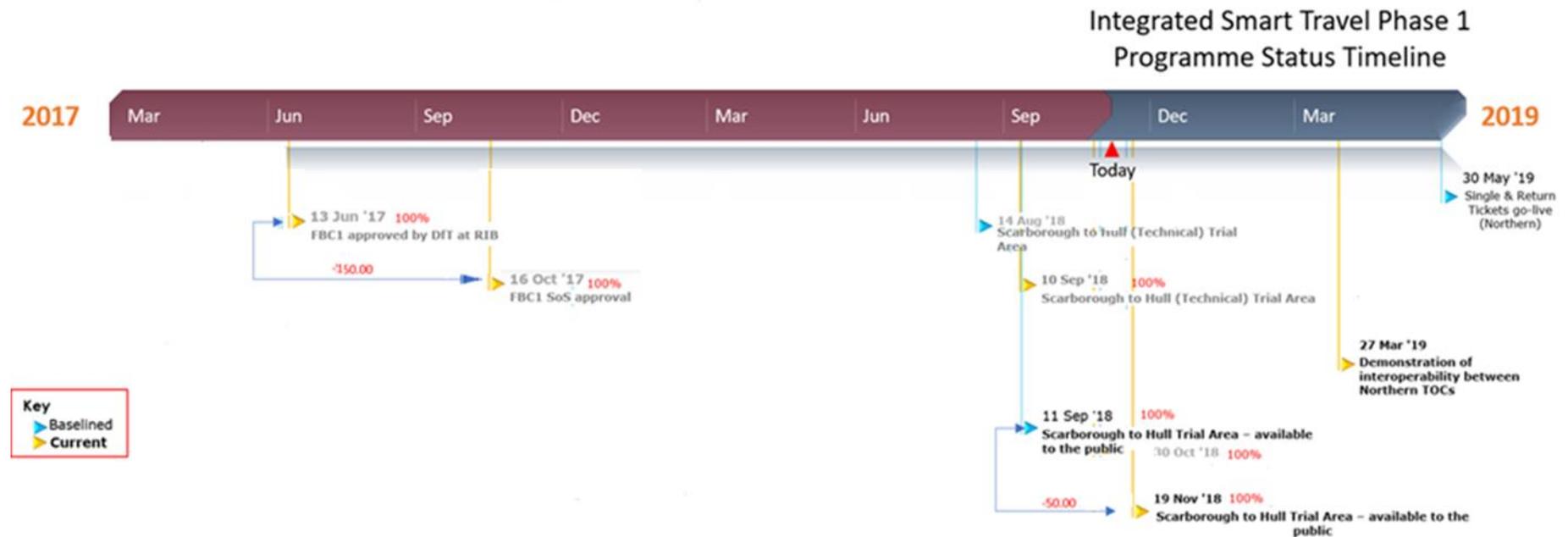
Consultation

Yes	No
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Consideration	Comment	Responsible Officer	Director
Consultation	A consultation has not been carried out because it is not required for this report.	Alastair Richards	Alastair Richards

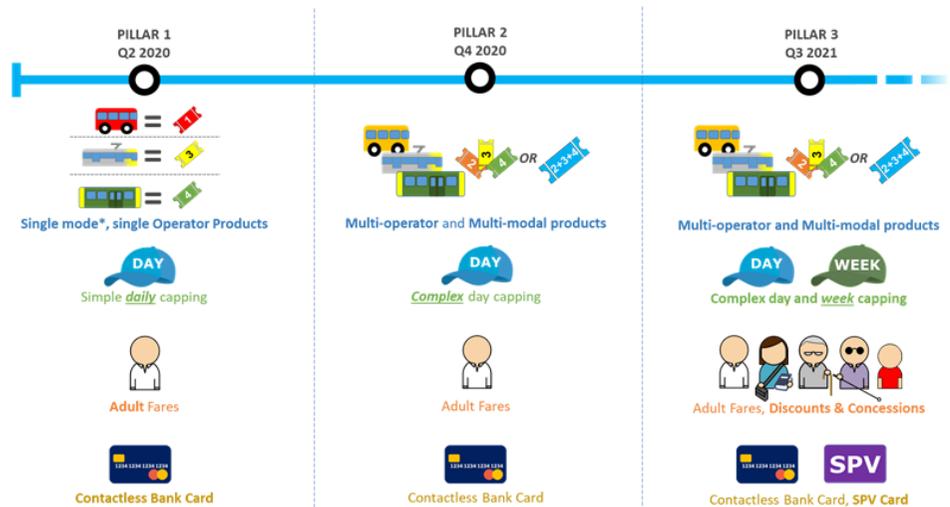
Appendix 1 Phase 1 (ITSO on Rail) Timeline

The Phase 1 schedule had a delay of 150 days from approval of the Full Business Case at the DfT Rail Investment Board on 13 June 2017 before sign-off by Secretary of State and Grant Funding Agreed. This delay has been reduced to only 50 days to the public launch of smart ticketing, however there was an impact to the procurement of platform validator equipment that could not be mitigated to the same extent, and this is expected to be introduced Summer 2019.



Appendix 2 Phase 3 Timeline:

Phase 3 is planned to be delivered in 3 increasingly complex steps of functionality which we call Pillars 1, 2 and 3.



The timeline below shows the procurement process and planned delivery dates for these pillars into customer use.

Integrated Smart Travel Phase
3 Programme status Timeline

