Finance Committee

Date: **21 June 2023**

Item: **Procurement and Commercial Improvement Programme – Lessons Learnt**

This paper will be considered in public.

1 Summary

1.1 From January 2020 to March 2023, the Procurement & Commercial Improvement Programme (PCIP)[1] was mobilised to reduce operating costs, improve processes and systems, and enhance the capability of the Procurement & Commercial (P&C) team to improve the overall service offering and delivery of benefits for TfL.

1.2 In January 2023 the Independent Investment Programme Advisory Group (IIPAG) produced a report following a review of PCIP. At the meeting of the Committee in March 2023, a paper was presented outlining the IIPAG report following its review. This paper is in response to an action from that meeting to present a PCIP lessons learnt report from January 2020 to March 2023, while the remaining PCIP-involved personnel are still available.

2 Recommendation

2.1 The Committee is asked to note the paper.

3 Context

3.1 A summary of PCIP, and a summary of parallel P&C developments is provided as context for the lessons learnt here:

PCIP Summary

3.2 A summary of the PCIP timeline and discrete programme phases can be found in Appendix 1. Many improvements were delivered by PCIP, with most progress made on the following:

(a) **Improvements to P&C leadership:** a new Band 4/5 structure was stood-up in March 2022, with category teams aligned to the new TfL operating structure;

(b) **Deployment of SAP Ariba across TfL**: a new Source-to-Pay system has provided an improved buying experience to support compliance, reporting, and visibility across goods, services, and works spend for TfL. Since its launch, 600 P&C users now have completed sourcing projects/variations

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[1] This was originally called the 'Procurement & Supply Chain Improvement Programme (PSCIP)', but the name was changed in March 2022 to mirror the name change of the Procurement & Commercial team.

valued to c.£2.4bn, and 4,000 TfL users have already issued around 26,000 purchase orders with a value of over £3bn;

(c) **Deployment of a new P&C Management Framework**: A dedicated SharePoint site hosting the updated commercial toolkit, procedures, guides and templates to support a common and consistent way of working across the 600 practitioners in P&C;

(d) **Improved P&C pipeline**: Improved visibility of P&C customer pipeline and contract landscape, which will help to better plan and coordinate resource efforts – this will further improve with Ariba now in place; and

(e) **Benefits delivery**: A revised approach to identifying, tracking, and validating benefits, with some dedicated support to P&C projects to facilitate the delivery of £113m (£41m of which cash releasing efficiencies, £72m cost avoidance) of efficiencies in Financial Year 2022/23 against a target of £86m.

3.3 In reflecting on the phases of PCIP, it is recognised that a number of relevant events occurred during the life of the programme, which had a bearing on the scope, trajectory, and overall delivery. These are covered in more detail in section 4, but were:

(a) the coronavirus pandemic in 2020 impacting organisational and P&C priorities;

(b) inconsistency of sponsorship and leadership;

(c) the application of governance and oversight of key decisions;

(d) a loss of focus on Capital, and the P&C operating model restructure for lower bands; and

(e) the need for a re-procurement of a delivery partner mid-way through the programme.

Summary of P&C parallel developments

3.4 In parallel with PCIP's delivery, there have been some notable developments within P&C over the past nine months:

(a) in September 2022, there was a change of leadership for the P&C function, with the Chief Procurement Officer (CPO) role removed following a TfL-wide director review. Overall accountabilities for the function were discharged by three officers: two Procurement Directors (aligned to Operations, and Capital), and a Head of Procurement for Professional Services;

(b) in October 2022, the P&C function transitioned back into the reporting line of the Chief Finance Officer (CFO), having previously spent 10 months as part of the Capital Directorate;

(c) in November 2022, the staff Viewpoint survey showed a positive shift in overall P&C Viewpoint engagement (+4 percentage points (pp)), and in the

responses a positive trend for engagement with work (+7 pp), management (+6 pp), and leadership (+7 pp) was apparent;

(d) in January 2023, a stocktake by the CFO and the P&C leadership team produced reflections on the extent to which the stated objectives of PCIP were achieved along with clarity on how remaining scope gaps, and some newly identified requirements, would be taken forward as part of a P&C 14-point improvement plan. This was included as an appendix to the IIPAG paper presented to the meeting of the Committee in March 2023; and

(e) in April 2023, the Head of Procurement for Professional Services left TfL and their team was re-distributed to the two Procurement Directors. A further change to the leadership structure was also made, with all Central Enabling Teams re-consolidated under the Head of Planning & Systems.

4   Lessons learnt

4.1   In line with TfL good practice, a lessons learnt exercise has been undertaken for PCIP as a programme. As part of TfL Technology & Data's Pathway governance, a detailed lessons learnt will also be undertaken during June 2023 on the SAP Ariba programme specifically – these will similarly be reviewed by TfL's defined ERP[2] programme governance.

4.2   This next section draws out some of the headline examples for this Committee and is split by (1) the 'Challenge areas' that contributed to some of the delivery gaps; and (2) 'What went well' in contributing to the successes. The situational context, impact/ benefit, and take away learning is also stated for each point. Where appropriate for the challenge areas, the accompanying application of that learning in ongoing improvement work, or the ERP Programme, is also explained.

4.3   **Challenge Areas**

Changes in focus caused a deviation from the original programme scope

(a) **Situation:** PCIP was understandably paused in March 2020 due to the coronavirus pandemic, then restarted later in 2020. By this stage, the selection of Ariba had been made in parallel due to the pressing need to replace TfL's outdated legacy source-to-pay systems. In Summer 2021, due to financial sustainability pressures faced by TfL, there was an introduction of scope to address benefits delivery. In March 2022, there was also a decision to prioritise benefits delivery, the P&C Management Framework, and SAP Ariba delivery;

(b) **Impact**: There was an erosion of focus on some pivotal scope areas, namely (1) Capital-related items (e.g. Estimating and Cost Management) and systems activity, and (2) further P&C operating model review activity (covered in more detail, below). Ultimately, these scope changes caused PCIP to underdeliver on a number of its business case objectives;

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[2] The Enterprise Resource Planning (ERP) Programme is improving the integrated use of software and systems that underpin TfL's core processes across critical business functions (E.g. HR, Finance and Procurement)

(c) Learning: On long programmes, reviews (including independent audits) during key stages should be undertaken to validate progress against the original business case scope, cost, and schedule; and

(d) Application: The 14-point improvement plan will be subject to reviews by Internal Audit, and Our TfL Programme governance.

Inconsistency of sponsorship and leadership

(a) Situation: There was a key staff absence for periods in 2022 followed by the departure of the Head of PCIP in summer 2022 and the Chief Procurement Officer (CPO), who was also the PCIP Senior Responsible Officer (SRO) in September 2022. A back-fill replacement for the Head of PCIP was only in the role for eight weeks;

(b) Impact: This led to a fragmented PCIP leadership and P&C sponsorship focus during 2022, which impacted senior-level and stakeholder awareness of, and buy-in to, some of the people/ process/ systems changes by P&C teams and TfL customer functions;

(c) Learning: On complex change programmes, clarity and consistency of senior sponsorship is important for a continuity of direction and senior-peer engagement; and

(d) Application: For the P&C Improvement workstreams, sponsorship is now clearly defined, with the CFO as overall sponsor, and the Director of Procurement and Commercial – Capital, the Director of Procurement and Commercial – Operations and the Head of Planning and Systems each picking up sponsorship across the 14-point improvement plan.

Inadequacy of governance and oversight

(a) Situation: While the PCIP Steering Committee was well-represented and attended by senior TfL stakeholders on a periodic basis through to late-2021, from early-2022, it ceased to be convened. Instead, shorter less-frequent progress updates were given to Change Steering Group on an ad hoc basis**;**

(b) Impact: Senior-level stakeholders became less sighted on progress and/or involved in the endorsement of key decisions. This reduced their awareness of, and buy-in to, some of the people/ process/ systems changes, and their ability to cascade key change messages across their own leaders and teams;

(c) Learning: Robust and regular governance through a well-attended, well-represented steering committee is imperative for oversight, decision making, and support of business-wide change management; and

(d) Application: A clear governance hierarchy has been agreed with a regular cadence. This includes a periodic CFO forum, with regular sponsor updates to review progress, endorse decisions/ recommendations, and manage emerging risks.

Multiple Support Partner procurements and changes

(a) **Situation:** The original PCIP support partner procurement commenced in early 2020 with expressions of interest from the market but was paused. It was then cancelled and re-run after the pandemic in Autumn 2020 using Crown Commercial Services, which was awarded to PwC (supported by Retearn). Following the Phase 1 diagnostic activity a full re-procurement of the scope was needed;

(b) **Impact**: The need for multiple procurements caused a number of delays (of around eight months in total). The re-procurement itself was brand-damaging for PCIP and caused a disruption in diverting already busy resources. It necessitated a re-baselining of the programme and created a disconnection on logical phasing and interdependencies between people, process, and systems scope. In some cases, a complete deferral of key scope areas occurred. There was also a duplication of onboarding activity needed to bring new partners up-to-speed to recover lost ground;

(c) **Learning**: The sourcing strategies for support partners should be subject to the routine P&C assurance and governance process; and

(d) **Application:** There is currently no intention to use any support partners on the next phase of improvement activity. However, should that change, any resulting procurement strategy will undergo peer review and assurance.

Insufficient focus on capital-specific requirements

(a) **Situation:** In October 2021, as a result of increasing delays to the programme, a decision was taken to exclude capital-specific requirements within the re-procurement scope. Instead, a separate capital partner was to be sourced to retrofit capital deliverables into the Management Framework;

(b) **Impact:** This was a missed opportunity to deliver important capital-specific needs within the scope of the P&C Management Framework deployment, and to create a common process toolkit for all of P&C as originally intended. As events ultimately played out, there was a reduced PCIP focus on capital (compounded by the leadership and governance challenges outlined above), with the scope deferred to Business As Usual delivery by the P&C Capital team during 2022;

(c) **Learning:** Opportunities to aggregate scope where practicable create the advantage of better-coordinating delivery and achieving desired outcomes; and

(d) **Application:** There is a dedicated Capital Improvement Programme as one of the 14-point improvement plan workstreams. This picks up on IIPAG's recommendations and incorporates the remaining capital scope gaps from PCIP.

Descoping of further P&C operating model review activity

(a) **Situation:** Following the re-procurement and commencement of Phase 3, the revised PCIP implementation plan had further operating model reviews

scheduled for the first half of 2022. Given some of the sponsorship challenges outlined above, a decision was taken to defer this activity;

(b) **Impact:** The consequence of this was that the capability improvement needs of P&C as a function were not fully identified. The learnings and insights about the people landscape that would usually be derived from such an exercise were not captured. The resulting impact was the change strategy for the Management Framework and SAP Ariba was unsighted on some of the more specific training needs and support requirements across the team to facilitate a smooth deployment;

(c) **Learning:** The interdependencies of activities on a programme should be scrutinised to fully understand the impact and consequences of scope changes before they are agreed; and

(d) **Application:** The 14-point Improvement plan will be underpinned by workstream plans, with key milestones and interdependencies captured and monitored by a Programme Management Office team.

Ariba Source-to-Contract (S2C) Change Management approach

(a) **Situation:** A programme-level change strategy for PCIP was not maintained, with change instead being managed tactically at a workstream level. The focus on Source-to-Contract (S2C) change itself did not properly commence until April 2022, which was due to a combination of factors: PCIP change resources were focussed on the band 4 and band 5 people process; delays in securing dedicated TfL change resources; the disruption of the re-procurement; and the scope changes of the programme outlined above**;**

(b) The guidance from TfL Learning & Development was that training for new systems at TfL was no longer classroom-based. On this basis, a catalogue of training videos was developed by ExceleratedS2P for all facets of Ariba S2C – an approach that is now industry common practice. This would be supported by a 'Hypercare' period of 2 months, which included regular 'Masterclass' presentations, drop-ins, 1:1 coaching, and helpdesk support;

(c) **Impact**: While successful for a large majority of the P&C team, the change approach was not adequate for pockets of users with more specific training needs on processes and systems. The lack of awareness by the PCIP team of these users' needs was a product of the delayed focus on change, combined with the deferral of the operating model restructure. These pockets of users had a sub-optimal experience of Ariba, which created a number of challenges for P&C and PCIP leadership to try and resolve;

(d) **Learning**: A major system deployment, or any large-scale change, must be supported a comprehensive change strategy, informed by a training needs assessment to identify appropriate methods to upskill the user base. For complex process change, classroom-based learning must be considered as an option**;** and

(e) **Application:** SAP Ariba change management learnings will be captured and incorporated into other Enterprise Resource Planning workstream plans.

Delays in establishing the Ariba support model for the Business Services Function (BSF)

(a) **Situation:** To service the ongoing maintenance and operation of Ariba it was agreed during the design phase in Autumn 2021 that PCIP would establish a steady-state support model. This would include a new Source-to-Pay Operations team within Business Services Function, and additional capacity within the existing BSF Helpdesk. It would be the main point of escalation for any P&C users, or TfL business users needing support or guidance;

(b) the operating model design and set-up for this was originally part of ExceleratedS2P's accountabilities, but a decision was taken in early-2022 to transfer this to specialist consultants within the PCIP team;

(c) during 2022, PCIP leadership experienced a number of challenges which resulted in a deviation of focus (as outlined above);

(d) in addition, given the S2P Operations team involved the creation of 17 new roles, a significant resourcing effort was needed;

(e) **Impact:** Ultimately, delivery of the steady-state Ariba Support Model was late, with the team only recently established and operational in May 2023. Because of this, to maintain the Ariba S2C go-Live in September 2022, the PCIP team had to manage support for P&C users. For the Ariba Guided Buying go-Live in January 2023, support was provided by a combination of ExceleratedS2P and the PCIP team;

(f) a significant burden of demand was placed on an already stretched PCIP team over a protracted period (e.g. S2C Hypercare was needed for six months instead of two months as planned). This was in parallel with preparing for the deployment of Ariba Guided Buying. Inevitably, some users in P&C and TfL experienced issues in the timeliness of having their helpdesk queries responded to, which affected their experience of the deployment;

(g) Overall, there was an underestimation of the effort needed to establish the Support Model, which was compounded by an early change of delivery approach, and insufficient PCIP leadership focus and coordination during 2022;

(h) **Learning**: On complex system/ operating model transformations, a clear schedule of activity should be documented, with appropriate tracking and oversight by governance to monitor and mitigate risks; and

(i) **Application:** SAP Ariba learnings will be captured and incorporated into other ERP workstream plans.

Migration of legacy contract data into Ariba

(a) **Situation:** Within P&C there was a legacy of inconsistent practices around maintaining contract data. There were also limited controls in place between

the systems used previously and the validity of/compliance with contracts (NB. This was part of the rationale for investing in Ariba);

(b) in conjunction with the P&C Planning & Systems team, a contract data migration approach was agreed, which involved a four-month contract 'amnesty'. This was so P&C users could share all off-system legacy contracts with PCIP so they would be uploaded into Ariba for immediate use after go-Live in September 2022. Post go-Live, uploading any remaining off-system contracts would become a BAU activity for the relevant P&C teams;

(c) post go-Live, P&C experienced some resourcing constraints on key roles: During October and November 2022 some key leadership personnel left the P&C Planning & Systems team. To support BAU ownership of Ariba in P&C, a S2C Capability Lead role was designed into the P&C Central Enabling Team. However, at the point of go-Live, that role was unfilled;

(d) post S2C go-live, the PCIP team pivoted into a busy period of preparation for the Guided Buying launch a few months later;

(e) **Impact**: After go-Live, due to the resourcing gaps, limited coordination or tracking of contract uploads occurred. This meant little progress was made in the months that followed. This situation only came to light in February 2023 after Ariba Guided Buying went live and pockets of TfL users were unable to raise requisitions against the contracts missing from the system;

(f) this created an amount of disruption for small groups of TfL users and the P&C team while a tactical fix was identified and implemented:

(g) **Learning**: Clarity on accountabilities for specific activities remove ambiguity of ownership; and more stringent tracking of risks help for the early identification and mitigation of potential problems before they become issues; and

(h) **Application:** Each of the 14 improvement workstreams have clear leads and sponsors. They will be supported by clear plans, with activities and resource allocation.

4.4 **What Went Well**

(a) Where appropriate, the good practices already in place will be applied across all relevant elements of the 14 improvement workstreams, and the ERP Programme:

Use of industry-leading support partners

(i) **Situation:** For the delivery of benefits, and the development and deployment of new processes, toolkits, and SAP Ariba, PCIP sourced and selected expert partners (E.g. Efficio Consulting as procurement experts for benefits delivery and the Management Framework, and ExceleratedS2P as one of SAP's top-tier partner to deliver SAP Ariba);

(ii) **Benefit**: By bringing a wealth of delivery experience and proven toolkits from other regulated clients, this helped to accelerate some of the

design and development activity, and meant PCIP achieved all of its Phase 3 stated major delivery milestones on-time; and

(iii) **Learning**: Acting in the capacity of an intelligent client with a clear understanding of scope and desired outcomes, TfL can use external support in a targeted way to deliver positive improvements.

Inclusive engagement of stakeholder groups in design phases

(i) **Situation:** During the design and deployment phases of new Management Framework and SAP Ariba, engagement with key stakeholder groups was prioritised by Efficio and ExceleratedS2P. These groups were (1) around 60 P&C representatives, (2) the P&C Senior Leadership Team, and (3) TfL enabling functions (e.g. Safety, Health and Environment);

(ii) **Benefit**: This fostered an environment of co-creation with the P&C team and key stakeholders, and latterly helped to support adoption with key user-groups; and

(iii) **Learning**: Where practicable, early engagement and co-creation of solutions promotes ownership of outcomes and facilitates the change management process.

P&C Management Framework in-person training

(i) **Situation:** All permanent P&C staff were offered a 3-day in-person training course designed and delivered by Efficio as part of the Management Framework roll-out with B4/5 sponsors 'championing' modules. Four hundred Full Time Equivalents attended during September to November 2022. This was a mix of theory-based presentations and interactive group exercises covering skills, behaviours and processes. Feedback from each cohort was consistently very positive;

(ii) **Benefit**: This interactive in-person approach brought P&C teams together for the first time since before the pandemic. Having a mixture of industry insights from Efficio's subject experts along with TfL case study discussions meant attendees could discuss and learn from each other's experiences; and

(iii) **Learning**: To support the deployment of complex topics, structured in-person events allow for greater interaction and engagement.

Transfer of Ariba Guided Buying deployment to ERP Leadership

(i) **Situation:** In September 2022, both the PCIP SRO and the Head of PCIP left TfL. It was recognised that business readiness for the Ariba Guided Buying deployment (targeted for January 2023) was off-track and in critical need of sponsorship to rapidly increase TfL engagement in the short window available;

(ii) Given the high-profile nature of the deployment to 4,000 users across TfL, there were significant risks that a sub-optimal delivery would impact business continuity and reputation. Therefore, a decision was taken to transfer the scope of deployment under the leadership of the TfL ERP programme;

(iii) **Benefit**: This re-established a level of stability and direction, and allowed the Guided Buying programme to take advantage of strong ERP sponsorship and governance via the ERP SteerCo. This was a major contributing factor to recovering lost ground and increasing business engagement on Guided Buying, and ultimately its successful on-time delivery; and

(iv) **Learning**: Establishing strong sponsorship and clear governance is critical to support engagement and buy-in.

Guided Buying Change Support Structure

(i) **Situation:** To support the SAP Ariba Guided Buying deployment activity, PCIP developed expansive networks across TfL functions to promote change and comms activity. These included Business Unit Leads and Guided Buying Champions from all TfL functions, who were part of a structured comms cascade in the key stages of the project;

(ii) **Benefit**: Creating a sense of 'owning the change' locally within each function meant communications were regularly delivered to users from peers they recognised. This targeted approach was pivotal to a smooth deployment to 4,000 users across TfL; and

(iii) **Learning**: Involving local representatives as part of the change process can improve how communications are delivered, understood, and acted upon.

5 Next steps

5.1 From a P&C perspective, the 14 improvement workstreams have now been mobilised, with individual leads and supportive sponsors identified for each workstream. Scoping activity is being finalised, with a supporting PMO and governance structure that builds on the lessons learnt outlined above.

5.2 Progress updates on the 14 improvement workstreams will be bought to future Committee meetings to ensure that the lessons learnt are fully embedded in the new ways of working.

5.3 From an ERP perspective, the detailed lessons learnt on SAP Ariba will be undertaken in June to fulfil TfL Technology & Data's defined Pathway governance. Some of the leadership and technical resources involved in the SAP Ariba programme are already involved in other ERP workstreams, so they bring to bear their experiences and plan to oversee the application of lessons learnt.

List of appendices to this report:

Appendix 1 – Programme Timeline and Summary of Activity

List of Background Papers:

Independent Investment Programme Advisory Group Procurement and Commercial Improvement Programme, meeting of the Finance Committee in March 2023

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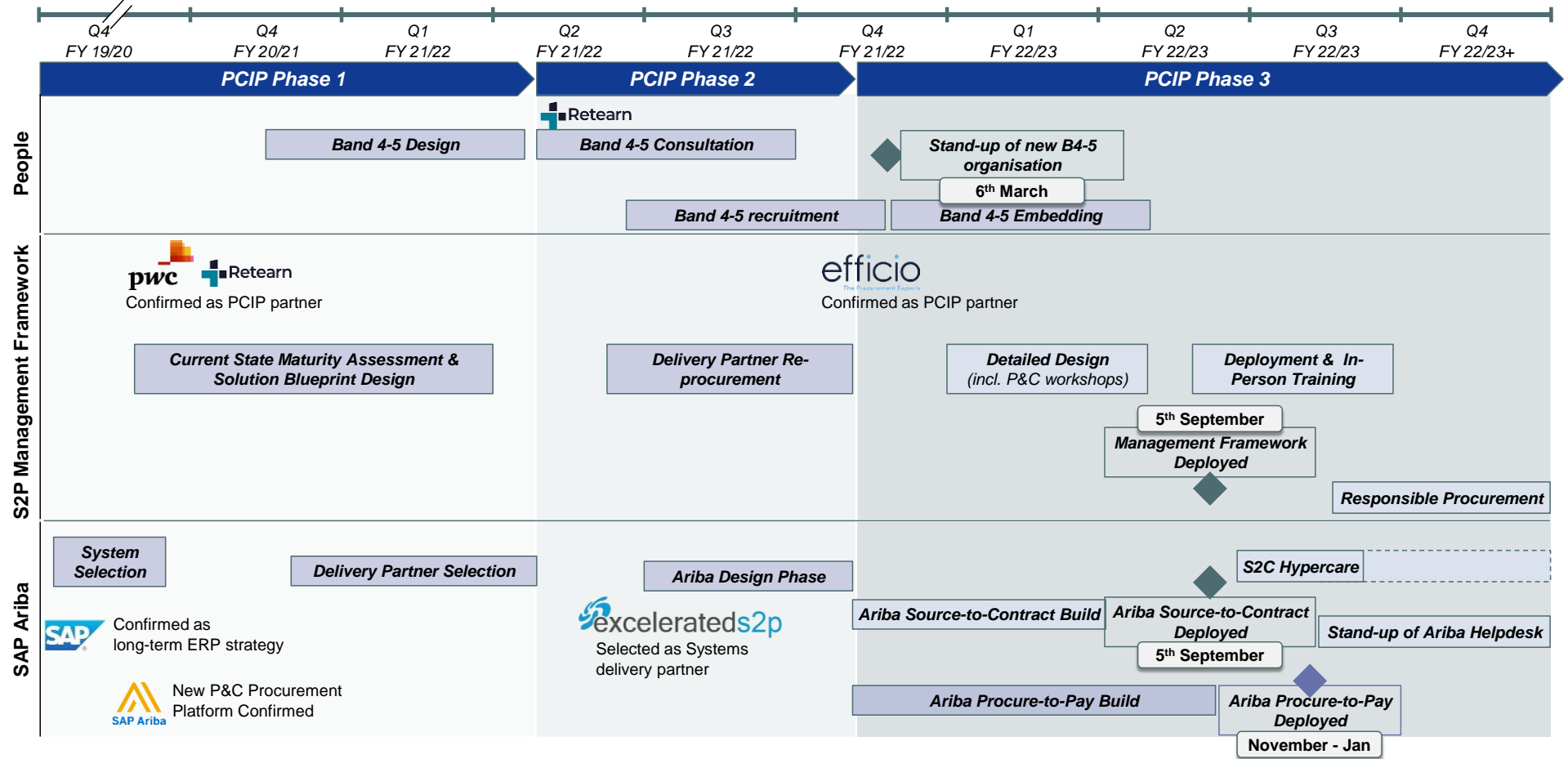
Appendix 1 – Programme Timeline and Summary of Activity

Illustration 1 – Programme Timeline

Summary Of Activity			
Topic	**Phase 1** *(Jan-20 to June-21)*	**Phase 2** *(Jul-21 to Dec-22)*	**Phase 3** *(Jan-22 to May-23)*

General	• This phase started with the **business case** development for the current iteration of PCIP
	• **Autumn-20**: A competitive tender process was run for a delivery partner with PwC/Retearn as the successful bidder
	• The main focus of this phase was the **B4/5 OD** and the **process/systems diagnostic**
	• As part of this phase, **SAP Ariba** was also selected as the preferred source-to-pay system
		• **Aug-21**: short extension with Retearn allowed for the continuation of People activity and Systems design
		• **Aug-21 to Dec-21**: Re-procurement of PCIP delivery partner (via CCS MCF) - Efficio as successful bidder
			• The focus of this phase was:
			  o Stand-up of new organisation
			  o Benefits: Opportunity Assessment and delivery of projects with Efficio
			  o Development and deployment of the P&C Management Framework with Efficio
			  o Deployment of SAP Ariba in P&C (Sep-22), and across TfL (Jan-23)
			  o Standing up of structure to manage BAU support for Source-to-Pay processes and systems

People	• **Dec-20 to Apr-21**: Org Design activity focussing on new B4/5 senior leadership team
	• **Apr-21**: Business Case ('DG2a') presented to ExCo with to-be structure proposing a reduced B4 FTE and increased Director/B5 FTE
		• **Jun-21 to Dec-21**: People process conducted in line with stated business case
		  o B5 Consultation Jun-21 to Aug-21
		  o B4 Consultation Jun-21 to Dec-21
		  o Recruitment activity Jul-21 to Dec-21
			• **6th Mar-22**: New senior leadership structure stood-up
			
			See table below

Process	• **Apr-21**: 'Solution Blueprint' presented as part of DG2a with maturity assessment of P&C and target improvement areas	• No process activity during this phase due to re-procurement (NB. The consequence of this being a delay of approx. 6mth on process development)	• **Feb-22 to Aug-22**: Detailed design and development of the P&C Management Framework • **Sep-22**: Launch of the P&C Management Framework on SharePoint with in-person training for 400 FTEs
Systems	• **Apr-21-Jun-21**: G-Cloud tender process with ExceleratedS2P selected as systems integrator partner for SAP Ariba	• **Jul-21 to Dec-21**: Ariba design phase involving engagement with P&C team to gather requirements and map business processes.	• **Jan-22 to Aug-22**: Build and test phase of SAP Ariba • **Sep-22**: Go-Live of Ariba Sourcing & Contracting for P&C team • **Nov-22**: Pilot launch of Ariba Guided buying (SAP SRM replacement) for c.200 users • **Jan-23**: Pan-TfL launch of Ariba Guided Buying (incl. GLA & TTLP). • **Sep-22 to May-23**: Hypercare period to support new users in adopting the system. Mobilisation and up-skilling of Ariba Support

People (Phase 3) embedded table:

Band / Grade	Budgeted FTE 21/22	Actual	Vacancies /covered by NPL	Proposed	Net Change
Director	1	1	-	3	+2
Band 5	8	5	3	16	+8
Band 4	97	68	29	82	-15
Total	**106**	**74**	**32**	**101**	**-5**