

**SURREY COUNTY COUNCIL****CABINET****DATE: 27 APRIL 2017****REPORT OF: JOHN FUREY, CABINET MEMBER FOR TRANSPORT, HIGHWAYS AND ENVIRONMENT.****LEAD OFFICER: TREVOR PUGH, STRATEGIC DIRECTOR ENVIRONMENT AND INFRASTRUCTURE****SUBJECT: PROCUREMENT OF (1) INSPECTION AND (2) MAINTENANCE OF TRAFFIC CONTROL SYSTEMS.****SUMMARY OF ISSUE:**

The County Council is required to manage its road network to ensure safety and to minimise congestion.

Traffic control systems are an essential tool in achieving this. They include: traffic signals at junctions, pelican, puffin, toucan, and equestrian crossings, variable message signs, fire station warning lights, car park counting equipment, electronic bridge height warning signs and rising bollards.

Current contractual arrangements for the maintenance and inspection of these systems come to an end in June 2017 and on this basis it is necessary to appoint a new contract in order to be able to continue to maintain these systems in accordance with our obligations/duties under the Traffic Management Act 2004, *"TD24/97 All Purpose Trunk Roads Inspection and Maintenance of Traffic Signals and Associated Equipment"* (Volume 8, Section 1, Part 2 of the Design Manual for Road and Bridges 1997), and *"Management of Electronic Traffic Equipment - A Code of Practice Sept. 2011"* (DfT/Roads Liaison Group).

This report provides details of the procurement process to award two separate contracts for the Inspection and Maintenance of our traffic control systems, including the results of the evaluation process, and in conjunction with the Part 2 report, demonstrates why the recommended contracts offer best value for money.

Due to the commercial sensitivity involved in the contracts award process, the financial details of the potential suppliers have been circulated as a Part 2 report for Members.

**RECOMMENDATIONS:**

It is recommended that contracts are awarded to Siemens PLC as agreed on the basis set out in the Part 2 report.

**REASON FOR RECOMMENDATIONS:**

The revised contractual proposals enable Surrey County Council (SCC) to continue to inspect and maintain traffic control systems on its highway network across the county.

Surrey County Council has a general 'Network Management Duty' under the Traffic Management Act 2004 and the County's Traffic Systems Assets play a key role in delivering this Duty,

The Council Manages its Traffic Control Systems assets to the technical specifications set out "*TD24/97 All Purpose Trunk Roads Inspection and Maintenance of Traffic Signals and Associated Equipment*" (Volume 8, Section 1, Part 2 of the Design Manual for Road and Bridges 1997), and in accordance with "*Management of Electronic Traffic Equipment - A Code of Practice Sept. 2011*" (DfT/Roads Liaison Group)

A full tender process for the inspection and maintenance of traffic control systems, in compliance with the requirement of EU Procurement Legislation and Procurement Standing Orders has been completed, and the recommendations provide best value for money for the Council following a thorough evaluation process.

<b><u>DETAILS:</u></b>
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### **Background and Procurement Strategy**

1. The procurement objectives are to ensure traffic control systems are safe for use by all road users including vehicles, cyclists, equestrians and pedestrians; are fit for purpose, efficient (to keep congestion to a minimum) and provide value for money with due consideration to the wider highway network and local environment.
2. This is a niche service, provided by specialist contractors, of which there are a finite number in the UK. Historically, within Surrey the contracts have been secured directly with these specialist contractors, apart from a short time within the Highways Partnership Contract when services were procured via Carillion. Substantial financial savings were made when withdrawing from the Carillion contract and returning to contracts secured directly with the specialist contractors.
3. To accommodate the two separate required terms of contract the preferred option was to let two separate contracts which also allows better facilitation of Small to Medium Enterprise participation as recommended by the Crown Commercial Service 'Guide to EU Public Procurement Directives' 1: the annual and electrical inspections of traffic control systems and 2: the day to day fault response, maintenance, repairs and refurbishments, bulk lamp changing and maintenance inspections of traffic control systems. This allows the Council to best meet the periodic inspection regime required by Department for Transport standards.
4. The Inspections contract will be for five years to accommodate the inspection frequency specified in the legislation and standards referred to above. All installations must be subject to full electrical inspections at intervals of no more than five years, hence the contract period for Lot 1 Inspections, allowing each incumbent contractor to hold the responsibility for ensuring that each inspection cycle frequency is maintained.
5. The Maintenance Contract will be for 3+2 years as opposed a combined five years contract in order to incentivise contractor performance across both the day-to-day maintenance activities and also in the delivery of any capital refurbishment programmes.

6. As part of the market and procurement analysis, SCC reviewed the opportunity to collaborate with neighbouring local authorities in the SE7 Region. SCC officers spoke with officers from West Sussex and Brighton & Hove Councils directly around the potential to procure new contracts together. This did not however present a beneficial opportunity e.g. joint procurement was not progressed with Brighton & Hove as asset size/type did not lend themselves to the same contractual arrangements and it was felt that such variance would not likely to deliver best value.
7. The contract(s) has been let as a competitive tendering exercise, using the OJEU Open Procedure.
8. Social Value considerations were incorporated within this procurement activity. Bidders were asked to commit to the delivery of additional social, economic and environmental benefits over and above the core service outcomes outlined in the specification. The '*Social Value Measurement Charter*' was then used to evaluate the social value commitments proposed by each bidder.
9. Given the finite number of legitimate suppliers able to tender for these contracts it was felt that there was no need for any pre-qualification stage and, as such, an Open procedure was used to procure the contracts. An invitation to tender was sent to all interested suppliers. These tenders were then evaluated against the criteria and weightings as outlined in the Part 2 report.
10. The results of this process was that three companies tendered for both the Inspections and Maintenance contracts.

### Key Implications

11. By awarding a contract to Siemens PLC in the Part 2 report for the provision of 1: Inspection and 2: Maintenance of traffic control systems to commence in July 2017, the Council will be meeting its duties and ensuring value for money.
12. Performance will be monitored through a series of Key Performance Indicators (KPIs) as detailed in the contract, recorded on the Fault Management System and reviewed at monthly operations meetings:

Lot 1 KPIs	Type	Detail
KPI 1	Annual Inspections	Timely completion and administration
KPI 2	Electrical Inspections	Programme submission
KPI 3	Electrical Inspections	Programme completion
KPI 4	Street Works	Permit compliance
KPI 5	Street Works	On site compliance
KPI 6*	Annual Inspections	Non duplication of Staffing
KPI 7	Social Value Charter	To be agreed at Contract award

\*Only applicable if both Lots awarded to one supplier.

Lot 2 KPIs	Type	Detail
KPI 1	Routine Maintenance	Response Times
KPI 2	Routine Maintenance	Open Jobs
KPI 3	Chargeable Works	Response Times
KPI 4	Chargeable Works	Open Jobs
KPI 5	Maintenance Inspections	Timely completion and administration
KPI 6	Scheduled Optical Maintenance	Timely completion and administration
KPI 7	Street Works	Permit compliance
KPI 8	Street Works	On site compliance
KPI 9	Scheme Works	Programme Submission
KPI 10	Scheme Works	Resolve times
KPI 11*	Maintenance Inspections	Non duplication of Staffing
KPI 12	Servicing Programme	Timely submission and adherence
KPI 13	Social Value Charter	To be agreed at Contract award

\*Only applicable if both Lots awarded to one supplier.

13. In the event of KPI shortfalls the contract provides for financial penalties.

#### **CONSULTATION:**

14. Stakeholders consulted at all stages of the commissioning and procurement process included Surrey Highways, Surrey Procurement and Commissioning and Legal Services.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

15. The contract is the standard NEC3 form of contract. This allows the Council to terminate the contract with notice periods agreed with the Project Manager.
16. All interested contractors successfully completed satisfactory financial checks as well as checks on competency in delivery of similar contracts.
17. The following key risks associated with the contract and contract award have been identified, along with mitigation activities:

Category	Risk Description	Mitigation Activity
Reputational/ Operational	Failure to have a contract in place from 1 July 2017 leads to non-response to traffic signal faults and failures, failure of Traffic Control systems, unresolved defects/repairs, leading to increased traffic congestion and a failure to fulfil our 'Network Management Duty' under the Traffic Management Act 2004.	Ensure Tender Process and Final Cabinet approval are secured to appropriate timelines in order for final contract award to be completed, allowing for sufficient Contract Mobilisation period.
Financial	Failure to adhere to adequate inspection schedule and capital replacement/revenue maintenance programmes could result in litigation claims against the County Council should systems performance be seen as a contributory factor in personal injury, fatality, loss of trade.	Quality, specialist contractor appointed through robust contract procurement exercise. Regular monthly contract performance meetings to ensure adherence to works programmes and agree recovery actions if required. KPIs linked to contract payments to incentivise performance.
Financial	Required works volumes exceed approved annual budget, limiting work volumes allocated to contractor, leading to a deteriorating on-street asset.	Robust monthly financial reporting/forecasting ongoing. Implementation of agreed Highway Asset Strategy to ensure correct allocation of all available funds, with officers constantly seeking best practise opportunities to save money, such as recycling spare component parts from decommissioned traffic signal heads.
Reputational	Successful supplier does not have necessary skills, experience and technical knowledge to satisfactorily complete the elements of the contract(s).	Tender process to include 40% quality element towards overall contract(s) award, including clarification meetings if any officer concerns remain post tender process.
Reputational	Poorly maintained traffic systems could increase delays and congestion, therefore discouraging businesses moving to Surrey, discouraging visitors, affecting tourism and retail, and reducing the county's ability to meet the requirements of the Traffic Management Act 2004.	Quality, specialist contractor appointed through procurement exercise. Regular monthly contract performance meetings to ensure adherence to works programmes and agree recovery actions if required. KPIs linked to contract payments to incentivise performance. Sound asset management programme in place to ensure correct allocation of spend.

#### **Financial and Value for Money Implications**

18. Full details of the contract value and financial implications are set out in the Part 2 report.
19. Whilst this procurement activity has not delivered any further financial savings, it does include a new 'Social Value' commitment, to the benefit of Surrey. The previous two tendering exercises (2009 and 2014 Contract awards) had

already achieved significant financial savings and officers had anticipated an increase in the prices of tenders received, bringing rates more in line with current market conditions. Any further savings being achievable through this tendering exercise. The winning tenders for both contracts are more expensive than the current contracts but this can be managed within existing operational budgets.

20. Benchmarking information will be shared with Orbis and other SE7 authorities.

#### **Section 151 Officer Commentary**

21. The detailed financial implications of awarding the proposed contracts for inspection and maintenance of traffic control systems are set out in Part 2 to this report. The winning tenders, which are the result of a competitive process, represent an increase on current costs. The Part 2 report sets out how these costs will be met within the existing approved Highways & Transport budget.

#### **Legal Implications – Monitoring Officer**

22. Following approval for route to market at the Sourcing Governance Meeting, a full competitive tendering process has been undertaken by the Council using the open procedure in accordance with the Public Contracts Regulations 2015 and the Council's Procurement Standing Orders. Legal Services have provided support and advised upon the terms of the contract.

#### **Equalities and Diversity**

23. All equipment used includes the appropriate additional facilities and design standards, as nationally specified, to accommodate those with sight and other physical impairments.
24. The tender process continues the current service provision. There is no requirement for a Equality Impact Assessment (EIA)

#### **Other Implications:**

25. The potential implications for the following Council priorities and policy areas have been considered. Where the impact is potentially significant a summary of the issues is set out in detail below:
26. The successful contractor(s) will have access to and will provide maintenance for all items listed in the Site Inventory (and any new installations) as part of the operation of the contract.
27. At the end of the contractual term, ownership of the contract will remain with: SCC.

#### **WHAT HAPPENS NEXT**

28. The timetable for implementation is as follows:

<b>Action</b>	<b>Date</b>
Cabinet decision to award	27 April 2017
'Alcatel' Standstill Period	6-15 May 2017
Contract Signature	Circa 18 May 2017
Contract Commencement Date	1 July 2017

29. The Council has an obligation to allow unsuccessful suppliers the opportunity to challenge the proposed contract award. This period is referred to as the 'Alcatel' standstill period.

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**Consulted:**

Surrey Highways

Surrey Procurement and Commissioning

Legal Services

**Sources/background papers:**

TD24/97 All Purpose Trunk Roads Inspection and Maintenance of Traffic Signals and Associated Equipment.

Management of Electronic Traffic Equipment – A Code of Practice Sept 2011

BS7671:2008 Requirements for Electrical Installations  
IET Wiring Regulations Seventeenth Edition.

NEC 3 Term Service Contract April 2013

The Crown Commercial Service 'Guide to EU Public Procurement Directives'

TD 07/07 Type Approval of Traffic Control Equipment

TA 12/07 Traffic Signals on High-Speed Roads

TA 16/07 General Principles of Control by Traffic Signals

TA 82/99 Installation of Traffic Signals and Associated Equipment

TA 84/06 Code of Practice for Traffic Control and Information Systems for All-Purpose Roads

TD 35/06 All Purpose Trunk Roads MOVA System of Traffic Control at Signals

TA 15/07 Pedestrian Facilities at Traffic Signal Installations

Safety at Street works and Road works Code of Practice

The Health & Safety at Work Act 1974

New Roads and Street works Act 1991 (NRSWA)

Traffic Signs Manual Chapter 8

Traffic Management Act 2004 (TMA)

The Management of Health and Safety at Work Regulations 1999

COSHH Regulations 2002

Provision and Use of Work Equipment Regulations 1998 (PUWER)

Working at Height Regulations 2005

The Health and Safety (Safety Signs and Signals) Regulations 1996

The Workplace (Health, Safety and Welfare) at Work regulations 1992

The Electricity at Work regulations 1989

The Waste (England and Wales) Regulations 2011, Environmental Protection Act 1990, Control of Pollution Act 1990

The Construction (Design and Management) Regulations 2015 (CDM)