

SURREY COUNTY COUNCIL

CABINET



DATE: 21 DECEMBER 2021

REPORT OF CABINET MEMBER: MATT FURNISS, CABINET MEMBER FOR TRANSPORT AND INFRASTRUCTURE

LEAD OFFICER: KATIE STEWART, EXECUTIVE DIRECTOR FOR ENVIRONMENT, TRANSPORT & INFRASTRUCTURE

SUBJECT: AWARD OF CONTRACT FOR THE SUPPLY, INSTALLATION, COMMISSIONING, INSPECTION, AND MAINTENANCE OF INTELLIGENT TRAFFIC SYSTEMS IN THE COUNTY OF SURREY

ORGANISATION STRATEGY PRIORITY AREA: GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT/ TACKLING HEALTH INEQUALITY/ENABLING A GREENER FUTURE/ EMPOWERING COMMUNITIES

Purpose of the Report:

In September 2020, Cabinet approved the Procurement Strategy for Highways Contracts. This report provides an update following a procurement exercise for the Contract for The Supply, Installation, Commissioning, Inspection, and Maintenance of Intelligent Traffic Systems in the County of Surrey (Intelligent Traffic Systems), and it proposes a recommendation to award the contract to the successful bidder.

The award of the contract will enable the Council to preserve and improve Surrey's infrastructure and support the transport connectivity that will facilitate **growing a sustainable economy and tackling health inequality**. The procurement process undertaken will also **enable a greener future** through the commitments achieved on environmental sustainability, the continued upgrade of Traffic Signals sites to LED bulbs and reductions in operational carbon emissions. Additional social value and engagement commitments have also been included in the contract to contribute to **empowering communities**.

Recommendations:

It is recommended that Cabinet:

1. Approve the award of the Intelligent Traffic Systems contract to the successful bidder.
2. Delegate authority to finalise and enter into contract with the successful bidder to the Executive Director for Environment, Transport and Infrastructure in consultation with the Executive Director for Resources and the Cabinet Member for Transport and Infrastructure.

Reason for Recommendations:

Surrey County Council has a general 'Network Management Duty' under the Traffic Management Act 2004, and the County's Traffic System Assets play a key role in delivering this Duty. The award of the Intelligent Traffic Systems (ITS) contract will enable Surrey County Council to continue to inspect, maintain and improve traffic control systems on its highway network across the county.

Following approval of the Procurement Strategy in September 2020, officers from Highways and Transport supported by officers from across the Council including Procurement, Legal Finance and Strategic Commissioning have conducted an “Open Procedure” procurement exercise to identify the next Intelligent Traffic Systems contractor.

Following the recent completion of that procurement process, officers are now able to recommend the contract be awarded to the “most economically advantageous tenderer” as explained in the Part 2 report.

Executive Summary:

Background

1. The procurement objectives were multi-faceted. Intelligent Traffic Systems should be kept fit for purpose, efficient (balancing needs for safe use by all road users including pedestrians, cyclists, equestrians and vehicles, whilst also keeping congestion to a minimum whenever possible), and provide value for money, with due consideration also given to the wider highway network and local environment.
2. This is a niche service, provided by specialist contractors, of which there are a limited number in the UK. Whilst the provision of this service remains a stand-alone contract, given its specialist nature, it has been closely linked with the new Term Maintenance Contract, with the aim of allowing the successful suppliers for both contracts to work more collaboratively together in order to achieve greater efficiencies and wider reaching benefits/opportunities in terms of innovation and social value.
3. As part of the early market and procurement analysis, SCC Officers have regularly reviewed the opportunity to collaborate with neighbouring local authorities in the South East Region through engagement with the ‘Southern Traffic Systems Group;’ however, present contract renewal dates, along with differing asset size/types, and Surrey’s contract structure including a large capital investment programme, did not lend themselves to the same contractual arrangements, and it was felt that such variance would not likely deliver efficiencies nor support SCC in delivering our wider ambitions.

Procurement Process

4. In March 2021 a pre-market engagement exercise was conducted with the objective of gaining insight into the Intelligent Traffic Systems market, and gauging appetite for the contract from potential bidders. The feedback from this engagement and lessons learned from the previous contract helped to shape the approach to the procurement.
5. Following the pre-market engagement exercise, a procurement exercise was designed to deliver the core Intelligent Traffic Systems contract, alongside opportunities to innovate and achieve improved outcomes for residents. As a result of this process, a contract lasting a minimum of six years, with two optional two-year extension periods, was determined to be the optimum contract duration. This arrangement would also align with and enable the desired closer collaborative links to the Highways Term Maintenance Contract.
6. Given the narrow market of the few contractors who are potentially capable of delivering the contract requirements, the Open Procedure was selected. This is a single-stage process which covers exclusion grounds, selection criteria and award criteria. An Open Procedure means that any organisation can respond to the advertised Contract Notice, request the procurement documents and submit a tender.

7. Following the tender submission deadline, three compliant bids were received; these bidders were Dynniq UK Ltd, Siemens Mobility Limited, and Telent Technology Services Ltd. This number of responses is in line with expectations and is representative of the limited number of potential contractors in the market.

Tender Evaluation

8. Alongside delivering on the strategic ambitions in the Community Vision 2030, services and activities relating to Intelligent Traffic Systems are recognisably important to residents/businesses, and the community having confidence in the Service Provider's capability to meet these expectations has been a key focus of the procurement.
9. An important aspect of the new arrangements will be to ensure that both the Council and the Highways Term Maintenance Contract provider are able to work in close partnership with the new Intelligent Traffic Systems Service Provider whether in delivering core services or the wider ambitions around improved collaboration/resilience.
10. In terms of evaluation, a 60/40 split was applied with 60% being awarded against the quality response and 40% awarded against the pricing response. Whilst price will always be a very important consideration, in entering into a relationship that will last a minimum of six years and potentially up to ten, it is critical that the services provided deliver the quality that is required, are effective, able to evolve and financially sustainable for both the Council and the successful bidder.
11. All three bids were assessed by the evaluation panel against service specific quality questions, price, social value, innovation and environmental commitments and were found to be of suitable quality and within the tender budget.

Key Implications/Outputs/What's Different

12. By awarding a contract to the successful bidder to commence in April 2022, as detailed in the Part 2 report, the Council will be meeting its statutory duties, ensuring value for money, and creating greater opportunities for innovation and carbon reduction than is possible in the current contract. The following are the key improvements over previous iterations of the contract:
 - a. The up to a ten-year contract term as opposed to the previous five-year term will provide greater security to and therefore enable improved commitment and ability to deliver efficiencies from the successful bidder. It is anticipated this will mean less reliance on sub-contractors for some activities and a greater appetite to invest in and develop a local Surrey delivery team.
 - b. Social Value and environmental commitments are built into contract award and performance management of contract. Further detail is provided in the Part 2 report.
 - c. The tender scoring for this contract included creation of an indicative first year programme of capital refurbishment of Intelligent Traffic Systems sites. This programme now provides a clear mobilisation/delivery model and provides advance planning for sites where Lane Rental charges and other additional costs have been mitigated, for year one of programme delivery. The range of sites

selected for year one also provides a best value model for future capital programme years.

- d. The successful bidder included specific innovation proposals, both technical and with regard to operational delivery and planning.
- e. Closer links to the Highways Term Maintenance Contract will allow better collaboration and customer engagement generally and more specifically will allow smoother project delivery, better surety of project costs at design/planning stages due to pre-determined rates for ITS elements of Highways schemes and easier transition to maintenance of ITS asset post build/commissioning.
- f. The Council's Traffic Operations Team has also been restructured to better align with the workload and requirements of the enhanced Capital Refurbishment Programme and improve governance of contract delivery through refined performance indicators. The contract will incorporate many of the more "traditional" KPI measures with which members will be familiar and which will continue to provide reassurance about operational delivery. These will now also be complemented with other measures of success in the new contract. Financial penalties / bonuses have also been updated to best incentivise performance.

Consultation:

- 13. Throughout the procurement process, officer-led scrutiny and assurance has informed the process, bringing into the process a wider range of views than the Service itself and allowing the team to incorporate a wider range of Council priorities.
- 14. The evaluation panel included officers from a wide range of roles within the Service as well as those with particular relevance to the specific ITS discipline, including Strategic Commissioning, and IT & Digital.
- 15. In March 2021, a pre-market engagement exercise was conducted with the objective of gaining insight into the Intelligent Traffic Systems market.
- 16. Member and customer feedback to the Traffic Operations Team on performance over the life of the current ITS contracts, particularly around duration of works and their impact, has guided new contract development and changes, and this feedback has been incorporated into the procurement exercise.

Risk Management and Implications:

- 17. Failure to have an ITS contract in place from April 2022 would mean SCC would be unable to respond to ITS asset faults and failures. Failure of traffic control systems through unresolved defects/repairs would lead to unnecessarily increased traffic congestion and a failure to fulfil our 'Network Management Duty' under the Traffic Management Act 2004. Ensuring the tender process and final Cabinet approval are secured to allow for contract award to be completed by January 2022 will allow for a sufficient contract mobilisation period, negating this risk.
- 18. In addition, there is a key requirement that the successful supplier has the necessary skills, experience, technical knowledge, resource levels and resilient supply chain to satisfactorily complete all the various elements of the contract. The tender process included a 60% quality element towards the overall contract award, including specific details on the delivery of an indicative year one capital refurbishment programme

featuring 43 sites of varying type/complexity to provide assurance regards contractor competency and delivery.

19. As the successful bidder's price submission is within the allocated budget provision as set out in part 2 of this report, the risk of a financial pressure created from the new contract – which was present at the procurement stage - is therefore mitigated. Had this pressure not been mitigated by the winning tender received, or if unforeseen costs are incurred over and above tender prices submitted, the service can scale back programme delivery in order to remain within the available budget.
20. In order to mitigate risks from the bidders' perspective and particularly those that are likely to result in additional premiums in their pricing, a pre-market engagement exercise was undertaken, a clear and robust suite of tender documents were produced, and a thorough clarification process was conducted. This mitigates elements such as areas of liability and price increase mechanisms where if not addressed, could lead to the bidders making assumptions based on worst-case outcome and pricing on that basis which could easily have led to the Council paying more than was needed.
21. Following award, there is a minor risk in successfully mobilising the contract. Based on previous experience and the scope of the contract, a three-month mobilisation period has been allowed commencing from January 2022 in order to mitigate this risk. The Council's team will work closely with the Contractor to carry out the various activities required under the mobilisation process to ensure the transition to the new Contract is as smooth as possible.

Financial and Value for Money Implications:

22. A key part of the evaluation criteria covered the price of services with 40% of the overall score allocated to price.
23. To ensure the Council maintains an effective relationship with the Contractor, it is important to ensure the contract remains financially sustainable for both parties. As well as paying market rates (albeit competitively driven), having an appropriate mechanism to review prices on a periodic basis is key to ensuring that financial sustainability as well as value for money for the Council. Initially the contract will use RPIx, although there is provision for a change to (BCIS PAFI Series 4) which is becoming more widely used in the local Highways Maintenance sector. This change will need to be progressed by mutual agreement with the Contractor.
24. The proposal is within the agreed revenue budget and capital programme. Full details of the contract value and financial implications are set out in the Part 2 report.

Section 151 Officer Commentary:

25. Although significant progress has been made over the last twelve months to improve the Council's financial position, the medium-term financial outlook beyond 2021/22 remains uncertain. The public health crisis has resulted in increased costs which may not be fully funded. With uncertainty about the ongoing impact of this and no clarity on the extent to which both central and local funding sources might be affected in the medium term, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority in order to ensure stable provision of services in the medium term.

26. The Section 151 Officer supports the award of the Intelligent Traffic Systems contract to the successful bidder, which represents best value to the council. Further comments are included in Part 2 to this report.

Legal Implications – Monitoring Officer:

27. This report seeks approval to award the contract for The Supply, Installation, Commissioning, Inspection, and Maintenance of Intelligent Traffic Systems in the County of Surrey (Intelligent Traffic Systems), and to delegate authority to finalise and enter into the contract following on from a successful procurement exercise. Cabinet is asked to delegate the award of the contract to the Executive Director for Environment, Transport and Infrastructure, this is permitted under Article 6 of Part 2 of the Constitution. The Cabinet has authority to delegate the responsibility of entering agreements for the execution of highway works under the Constitution Part 3, section 2, paragraph 5.1.7.

28. Due to the proposed contract values as being in excess of the regulatory threshold, the Public Contract Regulations 2015 (PCR 2015) was applicable, and the process followed according to the Regulations as outlined in Section 7 to 14 of this report which resulted in the appointment of a successful bidder.

29. In accordance with 2.7a of the Council’s Procurement Standing Orders the contract will need to be sealed as a deed which legal services will facilitate.

Equalities and Diversity:

30. The need for an Equality Impact Assessment (EIA) was considered; however, a conclusion was reached that as there were no implications for any public sector equalities duties due to the nature of the services being procured, an EIA was not required. Nonetheless, the preferred supplier will be required to comply with the Equalities Act 2010 and any relevant codes issued by the Equality and Human Rights Commission.

31. All traffic systems equipment used includes the appropriate additional facilities and design standards, as nationally specified, to accommodate those with sight and other physical impairments.

Other Implications:

32. 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.

Area assessed:	Direct Implications:
Corporate Parenting/Looked After Children	No direct implications identified
Safeguarding responsibilities for vulnerable children and adults	No direct implications identified
Public Health	No direct implications identified
Environmental sustainability	Supports this policy area with environmental commitments included in the innovations section of the successful bidder’s tender, and

	through continued upgrade of LED bulbs throughout ITS assets.
Compliance against net-zero emissions target and future climate compatibility/resilience	Supports this policy area with measurable carbon reduction commitments included in the innovation, and social and environmental value sections of the successful bidder's tender, and through continued upgrade of LED bulbs throughout ITS assets.

What Happens Next:

- 33. Following Cabinet award, the Council will work with the successful bidder's Mobilisation and Senior Management Teams to implement their mobilisation plan.
- 34. A communication plan will be developed and implemented to advise stakeholders on the award to the successful bidder.

Report Author:

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Consulted:

Section 151 Officer
 Legal Monitoring Officer
 Cabinet Members for Transport and Infrastructure, and Resources

Annexes:

Part 2 Annex

Sources/background papers:

Cabinet Paper September 2020 (item 134/20)

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