

WIRRAL COUNCIL

CABINET

7TH NOVEMBER 2013

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| SUBJECT: | MAINTENANCE, SUPPLY AND INSTALLATION OF TRAFFIC CONTROL SYSTEMS AND ASSOCIATED EQUIPMENT: OPTIONS APPRAISAL |
| WARD/S AFFECTED: | ALL |
| REPORT OF: | MARK SMITH, HEAD OF ENVIRONMENT & REGULATION |
| RESPONSIBLE PORTFOLIO HOLDER: | COUNCILLOR HARRY SMITH , HIGHWAYS AND TRANSPORTATION |
| KEY DECISION | NO |

1.0 EXECUTIVE SUMMARY

- 1.1 The current traffic signal maintenance contract will expire on 31 March 2014 and the Council needs to put in place a contractual arrangement to ensure essential maintenance of the traffic signal installations across the Borough can be carried out. The Head of Environment and Regulation has undertaken an options appraisal on a range of contract options , for consideration by Cabinet.
- 1.2 The options appraisal has been undertaken using methodology from Local Partnerships, a body jointly owned by HM Treasury and the Local Government Association, and the options appraisal report is attached in **Appendix 1**.
- 1.3 The outcome of the options appraisal indicates that a traditional contract operating over a four year term, with the possibility of a two year extension, is the preferred outcome to achieve Council objectives and be in place by 1 April 2014. The Restricted Accelerated Contract Procedure is recommended to procure the new contract.
- 1.4 Cabinet are requested to approve this proposed approach and procurement route.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The current traffic signals maintenance contract, previously awarded through a competitive tender process, was introduced on 1 April 2009 for a five year

term. The contract also contained options to extend for twelve months for a total period of three years. The contract will formally expire on 31 March 2014 but contract extensions could be considered. The current contract enables the necessary maintenance works on the traffic signal network to be completed and has provision for the installation of new sites as part of capital investment schemes.

- 2.2 Any consideration of a contract extension would need to demonstrate adequate contract performance against the contract to date, and benchmarking of price / cost information as compared with other recent contracts in the region.
- 2.3 The contract is managed and governed using a number of key performance indicators. The contractor has performed satisfactorily and there have been no contract disputes during the term of the contract.
- 2.4 Price benchmarking of the traffic signal maintenance costs has been attempted but there has been limited information obtained. The exercise has not been able to establish that the current contract or an extension of it would provide value for money based on the current position in the market.

2.5 Options Appraisal

- 2.5.1 An options appraisal has been undertaken to consider contract options for traffic signal maintenance. The options appraisal used the methodology developed by Local Partnerships, a body jointly owned by the HM Treasury and the Local Government Association, and considers a number of factors: setting of objectives; identifying options; the importance and significance of each objective and assigning a weighting; and using criteria to assess options against each objective.
- 2.5.2 The options appraisal included a range of Officers from different backgrounds and was facilitated by a Business Analyst from the Council's Change Team.
- 2.5.3 A new traffic signal maintenance contract will have a likely annual value of approximately £350,000, which will cover revenue maintenance and capital investment. The actual expenditure on the contract could vary each year.

2.6 Options Appraisal Project Objectives

- 2.6.1 The objectives for the traffic signal maintenance options appraisal were identified as :-
 - Meet the statutory obligations for traffic signals maintenance;
 - Reduce the on-going cost to undertake traffic signal maintenance and reduce the revenue burden on the Council;
 - Deliverability of the project to the Council's savings timetable (2015/16 onwards);
 - Flexibility to adapt to emerging issues and opportunities including changes in statutory framework or policy context;
 - Ability to embrace innovation and advances in traffic signal technology;

- Council retains robust accountability and performance management arrangements;
- Well maintained infrastructure of traffic signal assets and the best use of capital investment; and
- Service operational on 1 April 2014.

2.7 Contract Options

2.7.1 The options appraisal identified and evaluated the following contract options :-

- Contract extension for 1 year;
- Contract extension for 3 years;
- Traditional contract operating over four year term with the potential for contract extension for two years;
- Innovative contract operating over a longer term (10 years) and securing investment in the traffic signal assets;
- New scope for the contract;
- Joint / collaborative contract; and
- In-house delivery.

2.7.2 Each of the above options was evaluated using the Local Partnerships' methodology. The process for the options appraisal, objectives and weightings and the evaluation results are shown in **Appendix 1**.

2.7.3 The result of the options appraisal produced two high scoring options :-

- Traditional contract for four year term with possible two year contract extension; and
- Innovative contract operating over a longer term with the facility to achieve investment in the asset stock to reduce the age of it.

2.7.4 A traditional contract operating over a four year period should provide a contractor with a reasonable amount of time certainty but also not tie the Council into an overly long timeframe. The Council has expertise in managing this type of contract and would not require any additional resources to administer the contract. This approach would also retain "strong client" management of the contract.

2.7.5 An innovative contract would establish a longer term relationship between the contractor and the Council. It would also secure investment into the traffic signal assets and reduce the age of the asset. This in turn would assist in reducing revenue costs for the on-going maintenance with newer, more efficient equipment being used to control and manage the traffic signal network. This type of contract would likely require a long lead-in time to develop and implement. The skills to develop this contract are not contained within the Council and an external consultant would need to be procured to research and develop the contract approach, specification, etc. This would also increase the client costs for procuring the contract. With a long lead-in time this option is also unlikely to deliver financial savings to the Council's timetable of 2015/16.

- 2.7.6 Four of the options would require longer lead-in time than is available and would not be in place by 1 April 2014 (innovative contract; new scope; joint / collaborative; and in-house delivery). These options would require, as a minimum, the one year contract extension to be put in place from 1 April 2014, which would then enable development work on these options. The one year contract extension is one of the lower scoring options and when considered that each of the four options (innovative, new scope; joint / collaborative; or in house delivery) are not the highest scoring option then this is not an ideal approach to take.
- 2.7.7 The option with the highest overall score and capable of being in place to the required timetable of 1 April 2014 is the traditional four year contract with two year extension option when the Restricted Accelerated Contract Procedure is used.

2.8 Procurement Route

- 2.8.1 The Restricted Accelerated Contract Procedure has been recommended as the procurement route as there are limited suppliers in the market place with expertise and experience of undertaking traffic signal maintenance works. The approach allows the Authority to restrict the number of candidates who will be invited to tender, which reduces cost and improves manageability.
- 2.8.2 The tender process timetable will ensure the contract will be operational on 1 April 2014. The key dates areas follows:-

| | |
|---|------------|
| ○ issue Office Journal of European Union notice | 10/12/2013 |
| ○ issue tender documents | 15/01/2014 |
| ○ contract award | 17/02/2014 |
| ○ contract start | 1/04/2014 |

3.0 RELEVANT RISKS

- 3.1 Failure to have a traffic signal maintenance contract in place by 1 April 2014 would result in the Council not being in a position to meet its statutory obligation to maintain the traffic signal network as part of its duty as highway authority. This would mean that there is no available mechanism to address instances of road traffic damage or emergency situations, thereby exposing road users to the risk of injury.
- 3.2 Failure to have a maintenance contract in place on 1 April 2014 could result in the Council having to switch off traffic signal installations, presenting road safety issues to road users including motorists, pedestrians and cyclists.
- 3.3 There are a limited number of suppliers of traffic signal maintenance and Cabinet are advised that this potentially creates a near-monopoly market.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 The options appraisal considered seven options in total. Some of the options would not be capable of being in place by 1 April 2014 and would require, as a minimum, a contract extension for twelve months, although this twelve month contract extension option was one of the lowest scoring options. The traditional four year contract option recommended to Cabinet is the one that scored highest through the options appraisal and can be put in place by 1 April 2014.
- 4.2 As part of the wider Highway Services Contract Options Appraisal, reported to Cabinet in March 2013 (Minute 229 refers), consideration was given to including traffic signals maintenance in the larger contract. Given the limited number of suitable contractors for traffic signals, and the consequential need for a highways main contractor to sub-contract the traffic signals element of the service, it is likely that this would have simply resulted in the additional cost of a management fee and longer lines of communication on traffic signals matters.

5.0 CONSULTATION

- 5.1 Traffic signal maintenance works invariably only involve like for like replacement of equipment and maintenance works would not change the overall performance and level of service that road users would experience. As such no public consultation is planned for routine maintenance programmes. The new contract will include the installation of new equipment as part of capital investment programmes and with such schemes consultation will be undertaken with Elected Members, the public and relevant interest groups.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 The Council is required to undertake maintenance of traffic signal installations and the maintenance contract will have no implications on voluntary, community and faith groups.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 7.1 Expenditure through the contract is likely to be £350,000 per annum which will be funded through the Traffic Signals Maintenance Budget for revenue maintenance and the Local Transport Plan allocation for capital investment into new installations. A new traffic signal maintenance contract will ensure that necessary maintenance work on the existing traffic signal assets is undertaken.
- 7.2 There is no guarantee that the existing budget will be sufficient to cover the new tender price.
- 7.3 The procurement of the contract will be undertaken by existing staff in the Traffic and Transportation Division and supported by staff in Contract Procurement and Legal Services.

7.4 Staff employed by the existing traffic signal contractor are unlikely to want to transfer into any new / alternative contract arrangements as part of the Transfer of Undertakings (Protection of Employment) Regulations (TUPE).

8.0 LEGAL IMPLICATIONS

8.1 There is a requirement under the Highways Act to maintain highways including the network of traffic signal installations and equipment in the Borough. There is also a requirement to ensure that the traffic signal systems are electrically safe. The Traffic Management Act 2004 places a duty on local authorities to ensure the expeditious movement of traffic. Staff employed by the existing contractor are unlikely to transfer into any new contract arrangement as part of the TUPE Regulations.

9.0 EQUALITIES IMPLICATIONS

9.1 The effective operation of the traffic signal network will ensure that road users, including motorists, pedestrians and cyclists are able to negotiate along the road network and travel around the Borough.

9.2 An Equality Impact Assessment has been undertaken for the traffic signal maintenance contract, please follow link to <http://wirral.gov.uk/my-services/community-and-living/equality-diversity-cohesion/equality-impact-assessments-eias-2010/technical-services-0>

10.0 CARBON REDUCTION IMPLICATIONS

10.1 Traffic signal systems that operate efficiently will reduce traffic congestion and the amount of energy consumed in operating the network. Each of these will contribute to reducing carbon emissions.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 Traffic signals help to regulate traffic flow and can contribute to reducing road traffic accidents, thereby improving road safety.

12.0 RECOMMENDATION

12.1 Cabinet is requested to:

- (1) Approve the process to implement a new four year traffic signals maintenance contract of an approximate value of £350,000 per annum with the option of a two year extension, subject to satisfactory contract performance and value for money being demonstrated;
- (2) Approve the contract to be procured through a competitive tender using the Restricted Accelerated Contract Procedure.

13.0 REASON/S FOR RECOMMENDATION/S

13.1 The existing contract will formally expire on 31 March 2014 and there is a need to ensure that the Council has a contract mechanism in place that can operate from 1 April 2014. Option two (traditional four year contract) for the

options appraisal exercise demonstrated the best overall value for the Council in achieving its objectives and is capable of being in place by 1 April 2014.

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APPENDICES

Appendix 1 Options Appraisal for Traffic Signals Maintenance

REFERENCE MATERIAL: SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|------------------------|-------------|
| NONE | |