

**Date Issued: 23 December 2020**

**Date Approved: 29 December 2020**

**Title: Maintenance and Management Contract for TfL Road Tunnels and Pumping Stations**

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**This paper will be published with the papers for the next meeting of the Finance Committee.**

## **1 Summary**

- 1.1 The purpose of this paper is to request the Procurement Authority required for TfL to enter into a single contract to fulfil statutory duties and ensure a safe, reliable and resilient service is provided to customers across London. The contract is for the essential maintenance and management of TfL's road tunnels and highway pumping stations (T&PS Contract) located on and around the Transport for London Road Network (TLRN) from 1 April 2021 to 31 March 2029.
- 1.2 The use of Chair's Action is considered appropriate as a decision to enter into the contract is required before the date of the next meeting of the Committee in March 2021. This decision is critical to secure a required three-month mobilisation period which will ensure supplier readiness to properly commence the works and services from 1 April 2021.
- 1.3 A paper for noting was presented to the Committee on 25 November 2020 on the proposed award of the T&PS Contract. It was not possible to present final papers for approval to that meeting as the evaluation was still ongoing and the output of that evaluation was required to support the request for Procurement Authority.
- 1.4 An appendix is included which contains exempt supplementary information. The information is exempt from publication by paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL and is legally privileged.
- 1.5 The members of the Committee are asked to consider the proposal and provide Ron Kalifa OBE, as Chair, with their views on or before 30 December 2020. The contents of this paper and the exercise of Chair's Action will be reported to the next meeting of the Committee.

## **2 Recommendation**

- 2.1 **The Chair of the Committee, in consultation with available members, is asked to note this paper and the exempt appendix and:**

- (a) approve entering into the Maintenance and Management Contract for TfL Road Tunnels and Pumping Stations (T&PS Contract) with the winning supplier and grant Procurement Authority of the amount set out in the exempt appendix to do so; and**
- (b) note that the proposed T&PS Contract includes commitments that extend beyond the period of the Business Plan and Budget approved by the Board on 9 December 2020 and provision will, therefore, need to be made for those commitments in future Business Plans and Budgets.**

### **3 Background**

- 3.1 Surface Transport currently manages its supply chain requirements in support of business activities covering infrastructure inspection, operation, maintenance, renewals and enhancements through a suite of contracts which are due to expire on or around 31 March 2021. The T&PS Contract is the second submission from this contract suite, following award of the London Highway Maintenance and Projects Framework in October 2020 which is currently being mobilised with positive progress being made with input from multiple areas of Surface Transport.
- 3.2 Delivery of road tunnel and pumping station management and maintenance is fundamental in ensuring that a safe, reliable and resilient service is provided to customers across London. Typical maintenance activities include emergency call out, reactive repairs to tunnels and pump station assets, safety inspections, other routine and cyclic maintenance activities, maintenance of tunnel outstation management equipment and delivery of minor capital renewal requirements.
- 3.3 The works and services to be delivered under the T&PS Contract are currently delivered through multiple contracts, predominantly the London Highways Alliance Contract (LoHAC) and the tunnel outstation maintenance (TOM) contract. These existing contracts are due to expire on 31 March 2021, with no extension options for LoHAC. The TOM contract does have further extension options if required, however it was identified that efficiencies could be achieved by combining the TOM contract requirements with the tunnels and pumping stations requirements at the earliest opportunity.
- 3.4 TfL is the highway authority for the TLRN and has a statutory duty under the Highways Act 1980 to maintain the public highway. The Traffic Management Act 2004 places a duty on TfL to, 'manage the road network with a view to securing and facilitating the expeditious movement of people and goods', which includes the provision and maintenance of assets that support this activity. These duties are further expanded upon through national and international industry standards and guidance. The T&PS Contract is required to ensure that TfL has the necessary capacity and expertise within the supply chain to fulfil these duties at the location of 10 of TfL's 12 road tunnels and 106 pumping stations which are in scope of this contract. The remaining 2 tunnels are currently being delivered under a DBFO arrangement for the A13 corridor.

- 3.5 The T&PS Contract will play a vital role in supporting the Mayor's Transport Strategy goals and Vision Zero targets, including:
- (a) a good public transport experience – maintaining assets in a good condition to support a safe and reliable network; and
  - (b) safe speeds, safe streets, safe vehicles and safe behaviours – supporting a holistic approach to delivery which recognises that all parts of the 'system' need to work in combination.
- 3.6 The current organisation, general industry and financial climates have been considered extensively in the development of the T&PS Contract, notably around the coronavirus pandemic and TfL's current financial situation. Various provisions have been incorporated to safeguard TfL and deliver best value to TfL throughout the contract term.
- 3.7 An OJEU compliant procurement process was followed using the Competitive Procedure with Negotiation. This provided TfL with the option to negotiate relevant aspects with the suppliers to optimise delivery solutions, explore cost savings and secure best value.
- 3.8 The progress delivered through the T&PS contract and the wider contract suite will see improvements in delivery across Surface Transport and realise a number of benefits to TfL which include:
- (a) driven by key principles such as collaboration, utilisation of the NEC4 form of contract, approach to performance management and incentivisation, including the emphasis placed on suppliers to work together to realise benefits, it is considered that the strategy represents progress both commercially and operationally when compared to current contractual arrangements. This includes the application of an ISO collaboration accreditation across TfL and the key suppliers in the contract retender suite and a multi-party collaborative forum to drive the sharing of best practice and encourage innovation; and
  - (b) the fragmentation of tunnel assets across the LoHAC and TOM contracts means that TfL currently has inconsistent approaches and standards. A key driver for consolidating these requirements into a single contract was to ensure that TfL has a dedicated contractor to provide a single point of responsibility to ensure a safe, reliable and resilient service, delivered to a consistently high standard.

## **4 Procurement Summary**

### **Contract Approach**

- 4.1 Due to the critical nature of works and services to be delivered under the T&PS Contract, a single supplier will be appointed to provide a single point of responsibility for the management and maintenance of TfL's road tunnels and pump stations. Appointing a specialist supplier for these key assets will ensure consistency in the delivery of works and services, enhance critical operational

relationships, ensure effective and more timely response to reactive requirements and introduce a consistent performance regime, which will incentivise positive behaviours and promote best working practices.

- 4.2 The T&PS Contract includes a critical interface with the new London Highway Maintenance and Projects Frameworks (LHMPFs) (authority for which was approved by the Committee in September 2020). To ensure efficiencies are achieved, notably through the formation and continuation of collaborative relationships, the duration of the T&PS Contract will be aligned with the LHMPFs, at an initial eight years with the option to extend by a further four years. Ensuring this consistency in duration will also allow for joint consideration of these contractual arrangements at their expiry, which is crucial due to the nature of the interface. To provide flexibility to TfL should the anticipated efficiencies not materialise, a break clause has been included at four years.

### **Evaluation and Supplier Selection**

- 4.3 A robust selection process was followed, with financial checks undertaken, to ensure that suppliers retain both the operational and financial capacity and capability to meet the requirements.
- 4.4 As part of the tender process, suppliers were required to submit initial tender submissions on 1 July 2020. These comprised full financial and quality submissions, which informed discussions during the subsequent negotiation stage. The outcome of the initial evaluation was that two suppliers failed to achieve the minimum quality thresholds and were excluded. Following conclusion of the negotiations, the remaining suppliers were invited to review their initial financial submission to reflect the outcome of the negotiation stage. Minor changes were made to the tender documentation and final financial submissions were received on 22 October 2020.

### **Coronavirus Pandemic Implications**

- 4.5 The impact of the coronavirus pandemic was highlighted as a key risk and identified as an area which could lead to considerable price uncertainty to both TfL and the suppliers over the course of the contract term. Mitigation provisions have been incorporated, linked to Government guidance, with the opportunity provided to suppliers to tender adjustments following the negotiation phase against their base rates and prices. These adjustments, obtained within a competitively tendered process to obtain best value, account for restrictions as a result of social distancing and other costs which may be incurred as a result of the coronavirus pandemic. They will only apply when working restrictions are required in accordance with the Government guidance. Suppliers were therefore not required to price the coronavirus pandemic related risks within their tendered base rates and prices.

### **Mobilisation and Contract Readiness**

- 4.6 In recognition of the scale and complexity of mobilisation of a contract of this nature, a workstream is being progressed in collaboration with a wide range of stakeholders from across TfL. The key objectives of this workstream are to

ensure contract readiness and implement a robust contract management plan, through a range of activities including training and systems development.

- 4.7 From the commencement of the process, provision of an adequate mobilisation period has been recognised as a key risk. It is regarded that the setup and interface of systems between the supplier and TfL and the appointment and training of key staff are time intensive activities. Acknowledging the current impact of the coronavirus pandemic, there is a strong likelihood that this will provide additional challenges in ensuring a state of readiness exists to commence delivery of the works and services from 1 April 2021.
- 4.8 Achievement of a three month mobilisation period, prior to commencement of the works and services in April 2021, provides extensive opportunity for TfL's project management team to work closely with the supplier to ensure excellent contract management principles are developed collaboratively and embedded into both the operational and commercial approach to the contract from the outset. Further, this provides necessary timescales for the successful mobilisation of operational premises, systems, plant and equipment and the training of staff.

### **Key Milestones**

- 4.9 The programme for approval of Procurement Authority for the T&PS Contract anticipates a decision based on approval of the proposals set out in this paper, enabling commencement of the standstill period in the New Year and award of the T&PS Contract in early January 2021, with the full service to commence on 1 April 2021.

## **5 Financial Implications**

- 5.1 The Financial Authority in the latest TfL Business Plan was based on LoHAC prices plus indexation. When the Revised Budget was completed for 2020/21, an uplift of 20 per cent was included in 2021/22. The full financial authority is included in the 2-year TfL Business Plan and Budget which was approved by the Board on 9 December 2020. Further provision will need to be included should the extension option be exercised which could extend the term to 31 March 2033.

### **List of appendices to this report:**

Appendix to this paper contains supplementary information that is exempt from publication.

### **List of Background Papers:**

None

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