

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Executive Member for Economy, Transport and Environment
<b>Date:</b>	10 September 2013
<b>Title:</b>	Contract awards for a Host Operator or Processing System (HOPS), Customer Management System (CMS), Card Production and Operator Reimbursement for Concessionary Fares
<b>Reference:</b>	5164
<b>Report From:</b>	Director of Economy, Transport and Environment

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#### 1. Executive Summary

1.1 A report to the Executive Member for Environment and Transport on 22 January 2013 sought approval for a joint procurement exercise with Southampton and Portsmouth City Councils for the award of a new contract for an Asset Management System/Host Operators Processing System (AMS/HOPS), a Customer Management System (CMS) and a Card Production function. Both systems are needed to support the County Council's Concessionary Travel Scheme. This report outlines the results of this process and recommends the award of a new contract.

1.2 The report also recommends the extension of an existing contract with JMP Consultants Ltd, which is used to manage the day to day operation of the scheme on behalf of the council and support the financial reimbursement to operators participating in the scheme in respect of the travel concessions used on their services.

#### 2 Contextual information

2.1 In April 2011 Hampshire County Council became the Travel Concessionary Authority responsible for administration of the English National Concessionary Travel Scheme in Hampshire.

2.2 As part of the transfer of responsibilities, the County Council procured a Customer Management System (CMS) and Card Production facility which provides a back office function for the scheme. This provides a means of recording the details of people who are receiving concessions under the scheme (bus passes and vouchers). The CMS supports the initial production

of concessions, enables the replacement of lost/stolen cards, and assists any annual renewals of concessions which may be required. It also makes it possible to 'hot-list' missing bus passes. The current contract for the CMS and Card Production is held by Euclid Ltd, and runs until 31 December 2013 with the option of extension until 31 December 2015.

- 2.3 From 24 September 2012 it has been a legal requirement for Travel Concession Authorities (Hampshire County Council for the Hampshire Scheme) to ensure that they have access to another back office system (known as an Asset Management System/Host Operators Processing System - AMS/HOPS). Prior to this date the government provided and funded a HOPS facility which offered this function for the Hampshire Scheme and several other authorities. Travel Concession Authorities have subsequently been required to put their own arrangements in place and fund any associated costs.
- 2.4 The AMS-HOPS is a core component in every ITSO (the national standards organisation for transport smartcards) scheme, providing the pipeline through which all card information and data flows are managed. It stores all concessionary pass creation data, supports all transaction data (for example when a smartcard is used on a bus which has a smart reader, an electronic transaction is created and that data needs to be managed) and communicates with back office systems (AMS/HOPS) belonging to other schemes.
- 2.5 Most schemes employ a specialist provider to supply and manage their AMS/HOPS as it is a complex piece of software that requires ITSO certification which links to: the ITSO security system; The HOPS of other schemes; and all the devices in the local scheme as well as any external local systems that process and manage data from the scheme.
- 2.6 Following a previous procurement exercise the County Council awarded a short term contract to Applied Card Technologies (ACT) to set up and manage a HOPS for the Hampshire scheme. The current contract with ACT expires on 31 March 2014.
- 2.7 Following the successful Local Sustainable Transport Fund bid, the local authority partners of Transport for South Hampshire and the Isle of Wight are proposing to introduce a fully interoperable ITSO compliant smartcard, making public transport seamless, easier to use and cheaper, while also promoting growth. This would include the travel concessions offered by each of the local authorities and will involve the procurement of a joint back office function for this. The County Council has therefore been working with Southampton City Council and Portsmouth City Council on a joint procurement exercise for a combined AMS/HOPS system for the three authorities, which would also provide an option for the CMS function and Card Production.
- 2.8 In addition to the above, the County Council has a further contract with JMP Consultants Ltd who manage the scheme on a day to day basis on behalf of the council and support the financial reimbursement to operators participating in the scheme. The current contract with JMP expires on 31 December 2013

although there is provision within the existing contract for this to be extended for a further two years.

### **3 Joint Procurement Exercise**

- 3.1 At the Decision Day on 22 January 2013 the Executive Member gave approval for the County Council to be involved in a joint procurement exercise with Southampton City Council and Portsmouth City Council for a joint back office function which would provide key elements of the ITSO offer. The procurement exercise, which has been led by Southampton City Council, has encompassed the requirement for an AMS/HOPS as well as a CMS to administer the scheme and Card Production.
- 3.2 A restricted tendering process has been followed to ensure that organisations on the tender list have relevant experience, good references, and are financially sound. The conditions of contract and the service specifications have also been designed to set clear quality standards for the services being tendered to ensure that the quality of service remains high.
- 3.3 The evaluation of tenders has been based on Quality (60%) and Price (40%). Tenderers have been required to submit a Quality Statement which has been used to assess the extent to which they can meet the quality standards set out in the contract. Tenderers were also asked to provide a demonstration of their systems and this was also included as part of the evaluation. The evaluation panel included representatives from all three authorities involved in the procurement process.
- 3.4 Tenders were received from two tenderers one of whom currently provides some of the existing functions to the three authorities. Following the evaluation process, Southampton City Council will be awarding a Framework Agreement for the AMS/HOPS, CMS and Card Production to Euclid Limited. Hampshire County Council and Portsmouth City Council will then be able to use this Framework Agreement to award their own contracts for their respective AMS/HOPS, CMS and Card Production requirements.

### **4 Award of AMS/HOPS and CMS Contract**

- 4.1 It is proposed that the Framework Agreement which is being put in place by Southampton City Council following the recent procurement process should be used to award a contract to Euclid for the provision of the AMS/HOPS and CMS and Card Production functions in order to enable the continued operation of the Concessionary Travel Scheme in Hampshire. It is proposed that the initial contract term should be for four years but include the option to extend this for 2 one year increments to a maximum of to six years.
- 4.2 The estimated cost of this contract over the six year period is expected to be £815,448. In comparison, based upon current annual costs, the existing arrangements if they were continued would cost £841,226. In making this comparison the following also needs to be taken into account:

- a) The existing contracts would need to be retendered at some point and this would almost certainly result in much higher costs given that the price obtained for providing the current AMS/HOPS facility is known to be very competitive.
- b) The current contracts do not include an uplift for inflation. The new contracts include annual price uplifts
- c) The new contract will be to a higher specification and will include a number of new features which will be required to support the fully ITSO interoperable compliant smartcard, which will be introduced following the successful Local Sustainable Transport Fund bid.

4.3 In particular the new contract will allow for a new smartcard product which will offer the following advantages over the existing arrangements:

- a) Quicker boarding times and reduced queuing for users.
- b) Reduced potential for fraudulent journeys given that the smart tickets are harder to replicate and can be hot listed when they are reported lost or stolen.
- c) Introduction of loyalty schemes and offer ticket types to suit individual customers' needs.
- d) Services can be joined up through using smartcards for other products such as library membership, leisure centre entry, benefit entitlement, parking, bike and car hire, and even lift share arrangements.
- e) A greater level of data can be provided, including for the purposes of reimbursement.

4.4 As the new contract will support the ITSO interoperable compliant smartcard, an element of the funding required for this will be met from the Local Transport Sustainable Funding bid. The new contract is expected to start on 1 January 2014.

## **5 Contract for Operator Reimbursement**

5.1 The County Council has a contract with JMP Contractors who manage the day to day operation of the scheme on behalf of the council, and support the financial reimbursement to operators participating in the scheme. The initial three year contract was awarded in January 2011 and currently expires on 31 December 2013, although there is provision within the existing contract for this to be extended for a further two years. The annual cost of this contract is £53,800. To provide continuity during the changes to the AMS/HOPS and CMS/Card Production arrangements, it is proposed that authority be given to exercise the option and extend the existing contract to 31 December 2015.

## **6 Conclusion**

- 6.1 In order to be able to operate the Hampshire Travel Concession Scheme and comply with the legal requirements of Travel Concession Authorities (Hampshire County Council for the Hampshire Scheme), it is necessary for the council to be able to produce ITSO compliant smartcards. For this the council requires an Asset Management System/Host Operating Processing System (AMS/HOPS), CMS and Card Production function. Following the transfer of concessionary fares to the County Council in April 2011, contracts have been put in place to provide these back office functions.
- 6.2 Following the successful Local Transport Sustainable Fund bid a joint procurement exercise has been undertaken with Southampton and Portsmouth City Councils for the future provision of these back office facilities as part of the implementation of the proposed Solent Smartcard for South Hampshire.
- 6.3 Following the procurement process, which has been led by Southampton City Council, the City Council will be awarding a Framework Agreement to Euclid Ltd for the provision of these functions. Against this it is proposed that the County Council award a contract to Euclid Ltd, initially for four years, but with the option to extend in two annual increments to up to six years, for the provision of the AMS/HOPS, CMS and Card Production functions to enable the continued operation of the Concessionary Travel Scheme in Hampshire. The estimated cost of this contract over the six year period is £815,448 and an element of the cost up to 31 March 2015 will be met from the Local Sustainable Transport Fund.

## **7 Recommendations**

- 7.1 That approval be given to award a (call off) contract, via the Framework procured by Southampton City Council, for the provision of the AMS/HOPS, CMS and Card Production functions for the continued operation of the Hampshire Concessionary Travel Scheme for four years with an option to extend up to six years via 2 one year increments, at a total estimated value of £815,448.
- 7.2 That approval be given to extend the existing contract with JMP Consultants, who manage the day to day operation of the scheme and support reimbursement to operators up to 31 December 2015, as allowed in the existing contract.
- 7.3 That, in consultation with the Executive Member for Economy, Transport and Environment, the Director of Economy, Transport and Environment be given delegated authority to extend the AMS/HOPS and CMS contract in increments up to its maximum term of six years, and also to agree minor contract variations to the items approved at paragraphs 7.1 – 7.2.

Rpt/ref/KI

**CORPORATE OR LEGAL INFORMATION:**

**Links to the Corporate Strategy**

<b>Hampshire safer and more secure for all:</b>	no
Corporate Improvement plan link number (if appropriate):	
<b>Maximising well-being:</b>	yes
Corporate Improvement plan link number (if appropriate):	
<b>Enhancing our quality of place:</b>	no
Corporate Improvement plan link number (if appropriate):	

**Other Significant Links**

<b>Links to previous Member decisions:</b>		
<u>Title</u> Joint Procurement of HOPS for Concessionary fares	<u>Reference</u> 4610	<u>Date</u> 22 January 2013
<b>Direct links to specific legislation or Government Directives</b>		
<u>Title</u> Transport Act 2000		<u>Date</u> 30 November 2000

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

## IMPACT ASSESSMENTS:

### 1. Equalities Impact Assessment:

- 1.1 The proposals in this report have been developed with due regard to the requirements of the Equality Act 2010, including the Public Sector Equality Duty and the Council's equality objectives.

The website contains a summary [assessment of the impacts](#) under 'Safe and Efficient Transport systems in Hampshire'.

- 1.2 It is considered that the issues covered by this report will not have impacts requiring further specific actions by the Council above those already established in its existing policies and working

### 8 Impact on Crime and Disorder:

- 2.1 The creation of a smart ticketing system will make it easier to hot list travel concessions which are no longer valid. This will help prevent fraudulent use by unauthorised users of the scheme.

### 9 Climate Change:

- 9.1 How does what is being proposed impact on our carbon footprint / energy consumption?

The new shared HOPS back office will provide the basis of a multi-operator public transport Smartcard which will provide an attractive alternative to individual car journeys and so help reduce carbon emissions.

- 9.2 How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

The proposal supports the provision of alternatives to the car, and thereby contributes to adaptation to the increasing requirement for sustainable modes of transport.