HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Economy, Transport and Environment
Date:	26 November 2015
Title:	Term Contract for the Supply Installation and Maintenance of Traffic Control and Associated Equipment 2016 – 2021 (extendable to 2024)
Reference:	6991
Report From:	Director of Economy, Transport and Environment

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1. Executive Summary

1.1 The purpose of this paper is to seek approval to procure and spend for a contract to provide for the installation and maintenance of traffic signals and associated equipment.

1.2 The current contract for the installation and maintenance of traffic signals and associated equipment was awarded to Siemens Traffic Controls Limited (now Siemens Mobility – Traffic Solutions, a division of Siemens plc) in July 2011 following a competitive tender. The contract was for an initial period of three years to July 2014, with provision to extend the contract annually up to a maximum of two years to July 2016. Each extension was awarded as there were no performance issues and it was felt that the costs of the contract were less than would be achieved in an open tender such that extending the contract would represent good value for money. The contract cannot lawfully be extended beyond July 2016, and a decision is needed now to re-tender the service.

2. Contextual information

2.1. The current term contract for the installation and maintenance of traffic control and associated equipment expires in June 2016, and a replacement contract is required to ensure continued maintenance of installed equipment and to procure new equipment in support of the County Council's Capital Programme.

2.2. The contract will provide for the installation and maintenance of traffic control and associated equipment, and the provision of services in support of the delivery of these activities, including scheme design, installation testing and commissioning.

2.3. Intelligent Transport Systems such as traffic monitoring cameras and variable message and other roadside electronic signs are included, along with integral and discrete computer and telecommunications equipment associated with such equipment. Other electric and electronic installations installed and maintained by the County Council may also be included as necessary.

2.4. The current term contract for the installation and maintenance of traffic control and associated equipment was awarded to Siemens in June 2011 with a three year initial term, with two optional one-year extensions. As referenced above, the optional extensions were subject to contract performance, and both were awarded. Although the contract is considered to have provided a good level of service and value for money, the financial environment has changed markedly since its original procurement, and the current level of service may not be affordable going forward.

2.5. Revenue savings of £200,000 were identified as part of the County Council's Transformation and Savings review to 2017 to be achieved through amending the contract service requirements and redesigning the client specified maintenance regime.

2.6. The new contract has therefore needed to consider where cost reductions and service delivery efficiencies can be made to reduce the unit cost of maintenance and to respond to reducing staff levels as part of the department's savings plans.

2.7. Under existing maintenance regimes, interventions to repair faults are classified as urgent, non-urgent and planned. Urgent fault repairs are required to be completed more quickly than non-urgent and planned repairs, and as a result would be expected to incur a premium rate from a contractor. In 2013, 28% of reported faults were classified as urgent. Some savings can be made by restricting the use of urgent repairs to safety defects.

2.8. In 2013, 61% of reported faults were classified as non-urgent, with the remaining 11% classified as planned work. Some further savings can be made by extending the contractual time to complete non-urgent repairs and by allowing the contractor to complete a greater proportion of work as planned activity, giving more flexibility in how they manage their resources.

2.9. To minimise the impact of longer repair times, where a non-safety critical equipment fault is not repaired as a priority, client staff will where practicable adjust the operation of traffic control equipment to minimise delay and inconvenience to road users. It is expected that equipment beyond economic repair and classed as life-expired will need to remain in operation for longer where possible. In the event that the amount of equipment classed as life-expired increases, faults that cannot be cost effectively repaired will be collated as planned work and prioritised for replacement within the available funding. As with other repairs, client staff will where practicable adjust the operation of traffic control equipment to minimise delay and inconvenience to road users.

3. Finance

3.1. The revenue savings of £200,000 identified as part of the Transformation to 2017 agenda will be achieved primarily through reducing the £975,000 contract spend for maintenance repairs and the replacement of life-expired equipment, and the new contract has been written to achieve this objective.

3.2. The Revenue implications of the new term contract are set out above. In addition, new equipment installed in support of the County Council's Capital Programme and other infrastructure projects, including the Local Enterprise Partnership (LEP) major schemes, is intended to be procured through this contract.

3.3. The annual value of these Capital improvement schemes will vary over the eight year contract term, but is expected to be in the range of £250,000 to £750,000, potentially higher if current funding for LEP major schemes continues.

4. Performance

4.1. Performance will be incentivised by awarding the contractor Capital improvement schemes provided that the performance threshold for maintenance and other service activities is met. The contractor will additionally only be eligible for contract extensions on the basis of continually assessed performance. This system of performance related benefits is included in the current contract, and has proven successful in incentivising high performance over the duration of the current contract.

4.2. Poor performance will be addressed through the contract, and may ultimately lead to the contract being terminated early.

5. Other key issues

5.1. The current contract is predominantly an attend and repair pay-as-you-go system where the client determines the work required and priority of an activity and raises separate task orders, reimbursing the contractor for time and materials. Some work is included in a lump sum, where the contractor is responsible for delivering an outcome. Elsewhere, local authorities generally use either a similar pay-as-you-go system or pay a lump sum for more or all service activities. Lump sum contracts specify the service required and transfer more risk to the contractor, but may result in higher and avoidable costs to the client. More recently new availability type contracts have emerged where the contractor has more freedom to plan activity. The cost of risk is likely to be lower than lump sum arrangements as the contractor has the ability to manage operations to limit exposure provided the availability criteria are met. These contracts are in their infancy and are being used in larger organisations (Transport for London, Transport for Greater Manchester) where there are sufficient client teams to monitor systems and performance. Investment in IT systems is also needed for contract monitoring and billing. These availability contracts would not necessarily generate savings, and it is therefore proposed to retain the existing pay-as-you-go system as it offers more control over costs, increasing deliverability of savings now and in the future.

5.2. The duration of the current ITS term contract (three years plus two one year extensions) is in the lower quartile of contract lengths published in the Highways Electrical Year Book 2015. Bidders have advised that they will price a contract based on the period excluding extensions that may not be granted, and seek to recover fixed costs over this duration, leading to higher prices for shorter periods. Weighing against a longer duration is the gap between market testing prices and uncertainty in the affordability of a contract at a time when funding for local government services is being cut. It is proposed to let the new ITS term contract with a five year initial duration and three annual year extensions, as this is more in line with contracts elsewhere and is considered to offer a reasonable balance between encouraging low bid prices at this time with longer term affordability.

5.3. When the current ITS term contract was awarded, the price/quality split used in the tender evaluation was 70% on price and 30% on quality. With few potential suppliers and the complex nature of the specification a price/quality split of 60/40 is now considered more likely to deliver the service required by the Authority.

6. Future direction

6.1. It is proposed to let the new ITS term contract with a five year initial duration and three annual year extensions. The contract would therefore be from 1July 2016 to 30 June

2021. Future decisions will be needed as to whether to award each contract extension beyond 2021 to a maximum end date of 30 June 2024.

6.2. There may be benefit in seeking to align a new ITS term contract with other contracts, like the Hampshire Highway Service Contract (HHSC) for future combined renewal or incorporation. The HHSC will run from May 2017 and consideration is being given to a maximum duration of up to 12 years with a seven year initial duration, a three year extension and an option to negotiate the last two years. The ITS term contract duration of eight years, starting in July 2016, brings its re-tender to coincide with the anticipated extension period of the HHSC, and provides the opportunity for a three or five year contract from that date to jointly re-tender the HHSC and ITS in 2027 or 2029, and for the HHSC contractor to bid for the ITS contract in 2024. Should the ITS term contract extensions not be awarded or accepted, the contract could be tendered in 2021, with the HHSC contractor able to bid, and retaining the opportunity for a joint HHSC and ITS tender in 2027 or 2029.

7. Recommendations

7.1. That approval to procure and spend be given in respect of the contract for the installation and maintenance of traffic signals and associated equipment of up to eight years duration with an estimated value of £12 million.

7.2. That a ratio of 60% for price and 40% for quality is applied in tender evaluation of the items approved.

7.3. That the Director of Economy, Transport and Environment be given delegated authority to agree any variations to the items approved, in consultation with the Executive Member for Economy, Transport and Environment.

CORPORATE OR LEGAL INFORMATION:

Links to the Corporate Strategy

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

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.)

Document	Location
Category Decision Document Intelligent Transport Systems LGR Baseline 18 May 2015	Hantsfile
Category Decision Document Intelligent Transport Systems LGR Baseline 7 October 2015	Hantsfile

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

(a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;

(b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;

(c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionally low.

1.2. **Equalities Impact Assessment:**

It is consider that the project will have a low or no impact on groups with protected characteristics. The services provided under the contract are for supply and installation of new traffic equipment, and the maintenance of faulty equipment. The equipment itself may have an impact on specific groups e.g., the operation of audible and tactile devices for visually and hearing impaired pedestrians, but the contract is intended only to provide for their effective operation where provided.

2. Impact on Crime and Disorder:

2.1. The provisions of the Crime and Disorder Act 1998 have no implications for this proposal

3. Climate Change:

3.1. How does what is being proposed impact on our carbon footprint / energy consumption?

The proposal in itself has no impact on climate change. There is scope to reduce power consumption and carbon footprint by the use of extra low voltage, low power equipment to replace less energy efficient, life expired equipment. Developments in fuel cell technology may reduce carbon emissions, but are not likely to be commercially available for some years.

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

The need to adapt to climate change and be resilient to its longer term impacts have no implications for the proposals in so far as the scope of the project is limited to the supply, installation and maintenance of traffic signals and associated equipment. There may be implications for individual projects requiring the use of equipment procured through this contract that will be reported in the associated project appraisal.