

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Lead Member for Universal Services
Date:	23 January 2023
Title:	Procurement of the contract for the installation and maintenance of traffic signals and associated equipment 2024 – 2029
Report From:	Director of Universal Services

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Purpose of this Report

1. The purpose of this report is to seek approval to procure and spend for a contract to provide the installation and maintenance of traffic control and associated equipment.

Recommendations

2. That the Executive Lead Member for Universal Services gives authority to procure, spend and enter into contractual arrangements for the installation and maintenance of traffic signals and associated equipment for a four-year nine month term, with an estimated value of up to £14million, in consultation with the Assistant Director of Legal Services.
3. That the Director of Universal Services be given delegated authority to agree minor variations to the contract, in consultation with the Assistant Director of Legal Services.

Executive Summary

4. This paper seeks approval to procure and spend for a contract to provide the installation and maintenance of traffic control and associated equipment.
5. The current contract for the installation and maintenance of traffic signals and associated equipment was awarded to Siemens Mobility – Traffic Solutions (now Yunex Limited) in July 2016 following a competitive tender. The contract was for an initial period of five years to July 2021, with provision to extend the contract annually up to a maximum of three years to July 2024. Each extension was awarded as there were no performance issues and it was considered 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 be extended beyond July 2024, and a decision is needed now to re-tender the service.

Contextual information

6. The current term contract for the installation and maintenance of traffic control and associated equipment expires on 30 June 2024 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.
7. The contract will provide for the installation and maintenance of traffic control and associated equipment and the provision of services to support the delivery of these activities, including scheme design, installation testing and commissioning.
8. Intelligent Transport Systems (ITS) such as traffic monitoring cameras and variable message and other roadside electronic signs are included, along with the 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.
9. The current term contract for the installation and maintenance of traffic control and associated equipment was awarded to Siemens Mobility, now Yunex Limited, in July 2016 with a five-year initial term, with three optional one-year extensions. The optional extensions were subject to contract performance and all three were awarded. The contract is considered to have provided a good level of service and value for money.

Finance

10. The Executive Member for Economy, Transport and Environment gave approval in November 2015 to procure and spend the current contract with an estimated value of £12million. Currently the forecast spend is anticipated to be £13.7 million by end of June 2023 and £15.6 million by end of June 2024.
11. The Executive Lead Member for Economy, Transport and Environment approved a variation to contract spend in September 2021 in respect of the revised forecast contract spend.
12. The higher than anticipated expenditure is in part due to the extensive capital programme, much of which includes traffic control, but also the £455,000 National Productivity Infrastructure Fund and £2.58million Traffic Management infrastructure programme.
13. The contract currently covers 1,154 sites, which range in size from a single detector to a signalised roundabout. Of these sites, approximately 75% are considered safety critical. The annual revenue cost of the maintenance of all assets is in the region of £1.1million, of which £800,000 is for the safety critical equipment and £175,000 for essential annual inspections and for bulk lamp changes that minimise reactive defect repairs.
14. Funding for routine ITS maintenance works is provided from the Highways Maintenance Revenue budget (£1,070,000 2022/23).
15. Funding for replacing life-expired ITS assets is provided from the Highways Structural Maintenance Capital budget. The historic annual allocation has been £150,000 but increased to £400,000 in 2021/22 and £650,000 in 2022/23 reflecting the need to manage an increasing number of aging assets. Additional

corporate funding has also been provided to support the ITS asset management life cycle plan (£2.58million Traffic Management infrastructure programme) to reduce the impact of these life-expired assets on the revenue budget and the likelihood of a complete failure.

16. The cost of bulk lamp changes is decreasing annually as life-expired equipment is replaced with LED traffic signals. By the start of the new contract, approximately 12% of traffic signals sites (80) will require bulk lamp changes, but it is expected that this will reduce to zero over the period of the new contract. Whilst each site would still need to be visited annually for an essential inspection, the current bulk lamp change cost of £75,000 per annum will significantly decrease.
17. Whilst some equipment is not considered to have a safety impact, for instance CCTV and Variable Message Signs (VMS), these sites provide information to allow better management of the highway network.
18. Other revenue costs are incurred for maintaining essential fault management systems for monitoring and controlling equipment, and for minor modifications that are not defect repairs, with an approximate cost of £150,000 per annum.
19. In addition, new equipment is installed through this contract in support of the County Council's Capital Programme and other infrastructure projects. The annual value of these Capital improvement schemes will vary but is anticipated to be in the range of £250,000 to £750,000 per annum.
20. The current contract includes the provision of an extended five-year warranty, in addition to the initial manufacturer's warranty. This will be continued in the new contract as this offers a maintenance cost saving on the new equipment installed during the contract term.
21. The current contract also includes a rebate of 5% on all capital improvement work orders, which supports highways maintenance costs. This will be continued in the new contract. The rebate value is approximately £50,000 per annum.
22. Whilst some cost savings can be made by reducing the number of faults and making changes to newer equipment and technology, the impact of Capital improvement work and developer schemes is that the asset maintained is growing at an average rate of 7.5% per annum. The revenue implications of the Capital Programme are reported in individual project appraisals.
23. The new contract has therefore needed to consider where cost reduction and service delivery efficiencies can be made.
24. 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 2021, 18% of reported faults were classified as urgent. Some savings can be made by restricting the use of urgent repairs to safety defects.
25. In 2021, 51% of reported faults were classified as non-urgent, with the remaining 31% classified as planned works. Some further savings can be made by extending the contractual time to non-urgent repairs and by allowing the

contractor to complete a greater proportion of repairs as planned activity, giving more flexibility in how it manages its resources.

26. The current contract is predominantly an attend and repair 'pay-as-you-go' system when the client determines the work required and priority of an activity and raises separate tasks orders. This is considered to have provided good value for money over the period of the current contact. It is proposed to retain this 'pay-as-you-go' system, as this offers more control over costs, increasing deliverability of savings now and in the future, and helping assure the affordability of the service at a time when there is considerable uncertainty over funding for local government.

Performance

27. It is proposed to apply a ratio of 60% for price and 40% for quality in the tender evaluation, which is considered an appropriate balance for a contract of this type.
28. Performance will be further incentivised by awarding the contractor Capital improvement schemes provided that the performance threshold for maintenance and other service activities are met. This system of awarding the contractor Capital improvement schemes is included in the current contract and has proven successful in incentivising high performance over the duration of the current contract.
29. Poor performance will be addressed through the contract and may ultimately lead to the contract being terminated.

Consultation and Equalities

30. It is considered that the proposal to re-procure the contract for the installation and maintenance of traffic signals and associated equipment will have a neutral impact on all protected groups as existing service delivery would be unaffected.
31. Traffic signal equipment enables flexibility in operation, and in the event that negative impacts are identified at existing installations, this flexibility could potentially provide options for mitigation.
32. Any new traffic signals are subject to formal consultation on a scheme specific basis.
33. Should TUPE requirements arise from the re-procurement of the contract, all appropriate HR and Legal processes will be followed, including engagement with affected staff.

Climate Change Impact Assessments

34. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.

Climate Change Adaptation

35. The climate change mitigation tool was not applicable because this report relates to the procurement of the contract for the installation and maintenance of traffic signals and associated equipment only and not to physical infrastructure. Proposals for new ITS infrastructure areas will be subject to individual assessments.

Carbon Mitigation

36. The effective operation of traffic signals is important in supporting strategic transport policy, including achieving transport-related climate change outcomes. Where existing traffic signals are upgraded through the contract, incandescent lamps will be replaced with equivalent low power LEDs and will reduce energy and support the climate change target to be carbon neutral.

Future Direction

37. The contract term of four years nine months brings the ITS contract in line with the end of the Hampshire Highway Service Contract (HHSC) in 2029, providing an opportunity to explore the potential for future combined renewal or incorporation.

Conclusions

38. The current contract for the installation and maintenance of traffic signals and associated equipment cannot be extended beyond July 2024, and a decision is needed now to re-tender the service.
39. It would be technically feasible to transfer the service activities to the Hampshire Highways Service Contract (HHSC), but this option is rejected, as the efficiencies derived from closer alignment of related construction activities are outweighed by the costs of integrating the other service activities at this time. It is considered that the specialist scope of the ITS contract would result in the service being subcontracted at this time, resulting in an additional management fee with no offsetting cost or efficiency saving. The duration of the new contract will be set to coincide with the re-tender of the HHSC in 2029 to seek contract efficiencies through closer alignment at that time.
40. The current contract is predominantly an attend and repair 'pay-as-you-go' system when the client determines the work required and priority of an activity and raises separate tasks orders. It is recommended that the existing 'pay-as-you-go' system be retained, as this offers more control over costs, increasing deliverability of savings now and in the future.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	yes
People in Hampshire enjoy a rich and diverse environment:	yes
People in Hampshire enjoy being part of strong, inclusive communities:	yes

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

None

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

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 by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

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

- The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

It is considered that the proposal to re-procure the contract for the installation and maintenance of traffic signals and associated equipment will have a neutral impact on all protected groups, as existing service delivery would be unaffected.

Traffic signal equipment enables flexibility in operation, and in the event that negative impacts are identified at existing installations, this flexibility could potentially provide options for mitigation.