

Environment

Town Hall, Upper Street, N1 2UD

Report of: Cllr Rowena Champion, Executive Member for Environment, Air Quality and Transport

Meeting of: Executive

Date: 01/09/22

Ward(s): All Wards

Subject: Procurement Strategy for Parking Debt Recovery Services (Concessions Contract)

1. Synopsis

- 1.1.** This report seeks pre-tender approval for the procurement strategy in respect of Procurement Strategy and Contract Award of Parking Debt Recovery Services (Concessions Contract) in accordance with Rule 2.7 of the Council's Procurement Rules.
- 1.2.** This report seeks approval to utilise an existing framework agreement to procure the services of three debt recovery suppliers for debt recovery of unpaid Penalty Charge Notices (PCN's). Two of the suppliers will be primary suppliers with the third as a reserve supplier to recover debts the primary suppliers are unable to. Applicable charges are set out in law therefore evaluation of the tender responses will be based upon social and added value, recovery rates, innovation and environmental credentials.

2. Recommendations

- 2.1.** To approve the procurement strategy for Parking Debt Recovery Services (Concessions Contract) as outlined in this report.
- 2.2.** To delegate authority to award the contract to the Corporate Director of Environment in consultation with the Executive Member for Environment, Air Quality and Transport.

- 2.3.** To delegate authority for sign off of the final specification to the Corporate Director of Environment.

3. Background

3.1. Nature of Service

- 3.1.1. The Council's Parking Operations Service is seeking to procure three suppliers to recover unpaid Penalty Charge Notices (parking fines). This is the final stage of a penalty charge notice when all other avenues have been exhausted yet the charge remains unpaid. Approximately 10% reach this stage, of which up to approximately 30% are actually recovered. After sending several items of correspondence to the registered keeper of the vehicle, if the charge remains unpaid and the keeper has not engaged, or been successful in, the appeal process, the Council will register the unpaid case as a debt with the Traffic Enforcement Centre after which it can legally be passed to a debt recovery agent as a warrant for collection. This process is part of decriminalised parking, which was introduced in London from 1993.
- 3.1.2. The income to the Council received from the current debt recovery contract (which expires on 19th November 2022) is £909,615 per annum (based on 2021/22).
- 3.1.3 Two supplier days have been held whereby a notice was released via the procurement portal for any suppliers in this market to have an informal (Teams) conversation with the Council regarding social and added value, industry innovation, technology and environmental credentials, as well as optimum pre-debt cleansing, contract terms and extensions and recovery rates, and applicable framework agreements. This has been used to determine the route to market (the YPO framework) and the specification which will focus on social and added value and build on Islington's current environmental credentials.

3.2. Estimated value

- 3.2.1. This is a concessions contract so there will not be a cost to the Council although the contract will generate a significant revenue stream of in the region of £909,000 per annum.
- 3.2.2. The total turnover of the contract is £1,651,376 per annum, of which £741,761 is income to the supplier and £909,615 is income to the Council (based on 21/22 figures). Over the maximum term of the contract (4 years consisting of 2 years plus option to extend for a further 1 year and then a further 1 year extension) this gives a total contract value of £6,605,504, of which £2,967,044 is income to the

supplier and £3,638,460 is income to the Council. This is based on historical data from the last 2 years. It is not anticipated that the revenue income will reduce during the term of the contract so service levels will not be impacted.

- 3.2.3. This contract is at no cost to the Council.
- 3.2.4. A supplier event has been held over two days to identify best practice, innovation, environmental credentials and social and added value to the Council, as well as how pre debt cleansing techniques can be used to maximise recovery rates. Note that this is a concessions contract therefore there is no cost to the Council although added value and social value and higher recovery rates can be achieved via appointing the most successful suppliers through a mini competition under a framework agreement.
- 3.2.5. Note this is a concessions contract therefore there is no cost to the service although it is expected we will increase the recovery rates from 18.24% to 23 to 25% within 12 months. This will be achieved through improved pre-debt cleansing as part of the new contract as well as reductions in the age of debt as part of the parking team restructure due for implementation in Summer 2022.
- 3.2.6. The Council intends to performance manage the competing contractors to drive up the recovery rate and therefore income to the Council for this contract. The Parking Service is aiming to restructure the service which will strengthen the debt management contract management process and capacity. Monthly performance meetings will be held with suppliers to review performance, with the allocation of warrants reviewed on a quarterly basis in favour of the most successful supplier. There will be PI's set for collection rates which are monitored and reviewed at the monthly meetings, there will be a further quarterly assessment which determines the allocation of warrants. The highest performing supplier will be issued with 70% of the warrants and the other will receive 30%.
- 3.2.7. Evaluation of the tenders will be 100% quality based because the fees that the debt recovery agents can charge are set in law (at £75 per letter sent and £235 per enforcement visit).
- 3.2.8. Upon receipt of the warrant (after the Council has registered the unpaid penalty charge notice as a debt at the Traffic Enforcement Centre) the debt recovery agent

will engage with the debtor via letter. The debtor will be given the opportunity to set up an affordable payment plan via the web or portal, at any point in time approximately 5% of cases are subject to a payment arrangement. In the event the customer does not engage or fails to meet the payment plan commitments, an enforcement agent will then visit the debtors known address and attempt to clamp the vehicle. The debtor will then need to pay the release fee or the vehicle will be impounded and eventually sold, assuming there is no outstanding hire purchase agreement. If no vehicle is accessible, for example, because it is stored in a garage or has been sold, the enforcement agent will attempt to secure goods from the debtors property, which again can be sold if the debt is not paid. The debtor is still able to make a payment plan arrangement at this stage and seizing goods is a last case resort that occurs in approximately 0.5% of recoveries. At every stage of the process, the enforcement agent will assess the debtor to determine whether they are of a vulnerable status (further information in 3.5.5)

3.2.9. There are a whole range of reasons why debtors are unable to pay, these range from a change in personal circumstances, the debt rising so high due to multiple penalty charge notices issued to those who ignore the problem and hope it goes away. There are also cases where an individual has deliberately tried to avoid payment and has allowed the case to escalate as a point of principle, for example if they disagreed with the parking restriction and felt they should not have been booked. Each case however is unique, and Debt Recovery Agents have in place robust and well tested policy and procedures to help the vulnerable, as well as ensuring payment is ultimately made (further information on vulnerability in 3.5.5).

3.2.10. The Council approves the appointment of the debt recovery agency via a tendering process. The debt recovery agency is not permitted to sub-contract the recovery of debts without prior permission.

3.3. Timetable

3.3.1. September 2022 – approval to tender by Executive
September/October 2022 – mini competition under framework
October/November 2022 – delegated authority to award
December 2022/January 2023 – New contract goes live

3.3.2 The current contract expires on 20th November 2022.

3.3.3 Warrants are only valid for 12 months and the most successful recovery rates are for the most recently issued warrants (as people have not had time to move away) therefore it is important to pass warrants over to the suppliers in a timely manner.

3.3.4 Internal consultation has been held with legal and procurement, as well as consultation via well attended supplier events with wide and varying range of current market.

3.4. Options appraisal

3.4.1. A non-framework approach was considered although as the vast majority of the market is on the chosen YPO framework available this option was considered unnecessary and would have increased procurement costs and time-frame. YPO is a publicly owned Public Purchasing Organisation.

3.4.2. An in-sourcing option was investigated as part of the options appraisal. However, it was concluded that this would not be viable as with significant number of the debts are from outside of the borough, across the country and overseas. A two-tier process would need to be in place with local debts recovered internally and national debts recovered externally. This would dilute the contract significantly and thus reduce the social and added value available to the Council. This is a specialised and heavily legislated area of work and not one which the Council has the in-house, skills, expertise or IT systems to deliver the service. Benchmarking information from neighbouring authorities has confirmed that all choose to procure the service because of the specialist nature of the work.

3.4.3. Framework agreement – A mini competition under the YPO framework – Enforcement Agency Services 953.

3.4.4. As this service is provided at no cost to the Council there are no benefits from a collaborative approach with other boroughs.

3.4.5. Framework agreements are a simple, low cost and effective method of procurement. The drawback is that they tend to be restricted to a four year maximum term although in this instance this is suitable for the Council's current needs.

3.5. Key Considerations

3.5.1. We will include a requirement to provide social value which may include such things as funding apprenticeship schemes, working with the homeless to provide

jobs and accommodation as well as funding staff days off for charitable activities. Social and added value will be 35% of the evaluation criteria

- 3.5.2. The London Living Wage will apply for debts recovered by Enforcement Agents within the borough. The National Living Wage will apply for debts recovered outside of the borough.
- 3.5.3. Best value will be included by way of added value and additional free services available to the Council as part of the contract, for example, pre-debt cleansing, data analytics, surveys and potentially installation of electric vehicle charge points.
- 3.5.4. The specification and evaluation will have a high focus on environmental sustainability including recovering as many debts via means other than visits (e.g. letters, telephone calls, e-mails) as well as use of electric vehicles including bicycles and scooters for in borough debt recovery (as well as walking).
- 3.5.5. Economic and social sustainability will be managed by way of robust vulnerable customer management offering achievable and affordable payment plans via web portal and app. Vulnerable debtors will be given the opportunity to seek independent advice before cases proceed to recovery. Upon making contact for the first time, the enforcement agent will seek to identify whether a debtor is vulnerable which may involve ongoing mental illness/severe depression, allegations of attempted suicide, long standing health conditions, learning disabilities, terminally ill, recently bereaved, elderly (where the person is unable to deal with their affairs), people with severe physical or mental disabilities, where the debtor or partner is in the final weeks of pregnancy (to be reviewed after the birth), where severe social deprivation is evident or communication difficulties where an interpreter would be useful (profound deafness, blindness or language difficulties).
- 3.5.6. There are no TUPE, pensions or staffing implications. As standard practice at contract hand-over to a new supplier, the Authority would stop passing warrants over to the incumbent contractors 1 month prior to the end of the contract term, in this case, 19th November 2022, to allow the new suppliers to commence the contract with a significant workload. This would fit with the contract time-frames whereby the new supplier would likely commence contract in December 2022.

3.6. Evaluation

- 3.6.1 The evaluation of this will be conducted after a further competition is undertaken under the YPO framework 953. The evaluation criteria is set out below;

- 3.6.2 35% innovation, social and added value
- 3.6.3 15% environmental credentials
- 3.6.4 10% dealing with vulnerable customers
- 3.6.5 10% technology
- 3.6.6 25% maximising collections
- 3.6.7 5% continuous improvement, complaint handling and training
- 3.6.8 The social and added value is likely to consist of access to services such as surveys, pre-debt cleansing (to optimise the recovery rate), data analytics, goods such as electric vehicle charge points, funded apprenticeship schemes and assisting in borough charities, for example, charitable days off and housing, training and employing in borough homeless people. This will represent approx 15% of the value of the contract to the supplier (up from approx 10% under the current arrangement).

3.7. Business risks

- 3.7.1. There is a risk that a significant lapse in contract will result in older warrants being passed to the new suppliers which are likely to be less recoverable. There is a risk of industry challenge to the procurement this is mitigated by the use of a framework and could potentially be avoided if a direct award was made under the framework although this would not ensure the Council achieved the best service with added and social value, therefore it has been decided to tolerate the risk.
 - 3.7.2. There is the opportunity to increase the recovery rate to generate more income. There are also opportunities to provide added value services free to the Council which would otherwise need to be paid for from revenue. There is an opportunity to improve social value with innovative schemes, for example, recruiting and housing the homeless in borough as well as adding additional electric vehicle charge points and also increasing the focus on environmental credentials.
- 3.8.** The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be required to complete an anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The Council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences.

3.9. The following relevant information is required to be specifically approved in accordance with rule 2.8 of the Procurement Rules:

Relevant information	Information/section in report
1. Nature of the service	Procurement Strategy for Parking Debt Recovery Services
2. Estimated value	<p>The estimated value per year is £1,651,376</p> <p>The agreement is proposed to run for a period of 2 years with an optional extension of 1 year plus 1 year.</p> <p>The total contract value to the supplier over a 4 year term is £6,605,504</p>
3. Timetable	<p>September 2022 – approval to tender</p> <p>September/October 2022 – mini competition under framework</p> <p>October/November 2022 – delegated authority to award</p> <p>December 2022/January 2023 – New contract goes live</p>
4. Options appraisal for tender procedure including consideration of collaboration opportunities	<p>Option 1 – Do Nothing This will result in a significant loss of income to the Authority</p> <p>Option 2 – Direct Award This will not achieve any added and social value</p> <p>Option 3 – Full Tender This will be expensive and time consuming and is not likely to result in a better outcome than the recommended option</p> <p>Option 4 – Competition under framework (recommended option)</p>

	This is a simple and cost effective option to achieve the best outcome for the Authority
<p>5. Consideration of:</p> <ul style="list-style-type: none"> • Social benefit clauses; • London Living Wage; • Best value; • TUPE, pensions and other staffing implications 	<p>There are no LLW implications as most of the enforcement agents will operate outside of London and/or be self- employed. Those within London that are direct employees will receive LLW.</p> <p>There are no TUPE, staffing or other implications as this is a concessions contract</p> <p>35% of the evaluation will be based on social and added value.</p>
6. Award criteria	The award is 100% quality based as fees are set in legislation. See appendix 1
7. Any business risks associated with entering the contract	Generally new contracts require a period to settle in before (in this instance) optimum recovery rates are achieved and improved upon. There is a small risk that the current recovery rates will drop during this period which will affect income, however, this likelihood of this risk is considered low.
8. Any other relevant financial, legal or other considerations.	None

4. Implications

4.1. Financial Implications

4.1.1. The contract is a concession contract at no cost to the council. Based upon current performance it is estimated that the contract will provide a revenue income stream of c.£0.9m per annum over the 4 years of the contract with a supplier value of c.£0.74m per annum. Income generated from parking activities are paid into the ring-fenced Parking Place Reserved Account (PPRA).

4.2. Legal Implications

- 4.2.1 The council has power to enter into the proposed contracts under section 111 of the Local Government Act 1972 and section 1 of the Local Government (Contracts) Act 1997, which enable the council to carry out any activity that is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions, and to enter contracts accordingly.
- 4.2.2 The proposed contract is Concession Contract subject to the Concession Contracts Regulations 2016 (“the Regulations”) as the total contract value, based on 4 years’ turnover, of £6,605,504 plus VAT exceeds the current relevant statutory threshold of £4,447,448 plus VAT (assuming the VAT rate at 20%).
- 4.2.3 The procurement route of a mini-competition under YPO framework (Enforcement Agency Services 953) is a compliant route to market under the Regulations and under the council’s Procurement Rules.
- 4.2.4 Framework YPO 953 is valid from 1st April 2019 to 31st March 2024 and call-off contracts based on the Framework can validly run for up to 4 years as long as the contracts commence before the Framework itself expires.
- 4.2.5 The value of the proposed contract is above £2m (Revenue) and therefore above the delegated power of the Corporate Director to award under Procurement Rule 18.1.1, unless the Executive grants express delegated power to the Corporate Director for Environment in consultation with the Executive Member for Environment pursuant to the recommendation in this report.
- 4.2.6 This is a Key Decision to be taken by the Executive as the Proper Officer has determined that the decision is financially significant.

4.3. Environmental Implications and contribution to achieving a net zero carbon Islington by 2030

- 4.3.1. The service is design to operate largely remotely and digitally. However, where visits to properties are necessary the successful supplier will be expected to use electric vehicles (with a minimum requirement that this forms at least 10% of their fleet from contract commencement, to be increased annually) including bicycles and scooters, as well as standard bicycles, public transport and walking in borough. Therefore the environmental impact of the contract and service is considered low.

4.4. Equalities Impact Assessment

- 4.4.1. The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act

2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

- 4.4.2. An Equalities Impact Assessment was completed on 05/05/22. The main findings are that this will not negatively impact anyone with protected characteristics. However, those identifying as vulnerable will be given an additional support to manage payments or arrange a payment plan. The full Equalities Impact Assessment is appended.

5. Conclusion and reasons for recommendations

- 5.1. This report recommends agreement for the procurement strategy for the Parking Debt Recovery Service (concession contract) via a framework agreement as this will achieve the best social and added value for the Council. It also recommends delegation of the authority to award the contract to the Corporate Director of Environment in consultation with the Executive Member for Environment, Air Quality and Transport, and for the sign off of the final specification to the Corporate Director of Environment

Appendices:

- Appendix A - EQIA

Background papers:

- None

Final report clearance:

Signed by:



Executive Member for Environment, Air Quality and Transport

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