

Environment
Town Hall, Upper Street, N1

Report of: Corporate Director of Environment

Date: 16 December 2022

Ward(s): All

APPENDIX A IS EXEMPT AND NOT FOR PUBLICATION

Subject: Award of Contract for Debt Recovery Services (Concessions Contract)

1. Synopsis

- 1.1. This report seeks approval for the award of the Parking Debt Recovery Service (Concessions' contract) following a mini competition under the YPO framework. On 01 September, the Executive gave delegated authority to the Corporate Director of Environment and to award this contract in consultation with the Executive Member for Environment and Transport.
- 1.2. Parking Debt Recovery Service contract is to be awarded to three debt recovery contractors for debt recovery of unpaid Penalty Charge Notices (PCN's).
- 1.3. Two of the contractors will be primary contractors with a the third as a reserve supplier to recover debts the primary suppliers are unable to.

2. Recommendation

- 2.1. To approve the contract award for the Parking Debt Recovery Service as outlined in this report, to; CDER and Bristow & Sutor for the primary contractors and Newlyn for third reserved contractor for initial period of 2 years with an optional extension of 1 year plus 1 year (total of 4 years).

3. Date the decision is to be taken

3.1. 20 January 2023

4. Background

4.1. **Nature of the service**

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.

4.2 The income to the Council received from the current debt recovery contract (which expires on 19 November 2022) is £909,615 per annum (based on 2021/22).

4.3 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 has focused on social and added value and build on Islington's current environmental credentials.

5 Estimated Value

5.1 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.

5.2 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.

5.3 This contract is at no cost to the Council.

5.4 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.

Evaluation

5.5 This procurement exercise has been conducted in line with the Council's procurement rules and the Public Contracts Regulations 2015 (PCR 2015). The contract has been procured using a mini competition via the YPO framework agreement (Enforcement Agency Services 953). The award is 100% quality based as fees are set in legislation. The following tables provide a breakdown of the criteria and corresponding weightings that were used for evaluation: - evaluation criteria

Overall award criteria

Award Criteria	Total
Quality-made up of method statement questions:	100%
Innovation, social and added value	35%
Environmental credentials	15%
Dealing with vulnerable customers	10%
Technology	10%
Maximising collections	25%
Continuous improvement, complaint handling and training	5%
Total	100%

Quality Sub-Criteria

Table below outlines the quality sub-criteria, which consisted of 16 method statement questions focusing on criteria stated in the table above. Each method statement question was given a weighting, which reflected the relative importance of each criterion.

Criterion	Sub-criteria and score	Weighting	Total
Environmental credentials	Q1.1 Please provide a copy of your company's policy on committing to net zero carbon emissions.	5%	15%

	<p>Q1.2 Please explain how you would achieve the Council's objective to minimise 'feet on the street' and achieve maximum recovery through remote contact, as much electronic as possible, and use of green transport for in borough recovery, walking and electric forms of transport including bicycles, scooters, cars/vans over the duration of the contract.</p> <p>Your reply should include your expected percentage of visits using these methods for commencement of the contract.</p>	10%	
<p>Innovation, social and added value</p>	<p>Q2.1 Please provide details of any added value services you propose to include, giving a method statement for each added value service, explaining the service provision and value amount to the Council per annum.</p> <p>Please demonstrate how your proposal might offer the social, economic or environmental benefits to the community and take into account social provisions over and above the provision of the Services.</p> <p>This could include (but not limited to) creating jobs, improving skills, increasing local volunteering opportunities, promoting the local economy or improving environmental conditions over the Council's administrative area.</p> <p>Bidders' attention is drawn to the fact that all proposals in response to this question must be directly linked to the Council's administrative area.</p>	15%	35%
	<p>Q2.2 Please provide details of any solutions or services you propose to include at no charge in addition to the council requirements and the potential benefits of these services to the council.</p>	10%	
	<p>Q2.3 Please provide details of your innovation within the industry with particular reference to data usage and</p>	10%	

	management, environmental and technological innovation?		
Dealing with vulnerable customers	<p>Q3.1 How would you deal with debtors who appear to be vulnerable? Your reply should cover both:</p> <ul style="list-style-type: none"> • financial ability to pay' particularly in view of the current economic downturn as well as • mental health issues <p>A pre-approved policy document would be acceptable in your submission.</p>	5%	10%
	<p>Q3.2 Please describe your philosophy for the purpose of ensuring fair and ethical working while delivering all the Services required under the Contract</p>	5%	
Technology	<p>Q4.1 Please demonstrate the Council's real-time access to all reporting, providing details of all systems you will use to support this contract</p> <ul style="list-style-type: none"> • send screenshots of how this looks for us, the screen and fields we have access to and also confirm what reports we can access in real time. 	5%	10%
	<p>Q4.2 Please explain how you make use of technology to improve the customer experience including QR codes on correspondence, chat-bots etc and how these can assist debtors who do not speak English, including innovations such as virtual visits? Please demonstrate the technology available for customers to make payment and arrange a plan online as well as choose vulnerability options. Please provide screenshots of the web and app-based version and advise on your response times as normal working practice and during busy periods.</p>	5%	
Maximising collections	<p>Q5.1 How will you maximise collections at each stage of the 'enforcement of warrant stage'.</p>	5%	25%
	<p>Q5.2 What services can you provide, how are they delivered and what processes do you have in place for:</p>	10%	

	<p>(a) pre-debt cleansing, (b) post warrant stage collection/activity (c) recovering foreign debt including Scottish and Northern Ireland debt (d) Persistent evader cases (e) Alternative tracing arrangements to the DVLA</p>		
	<p>Q5.3 Give details of historical collection rates, at similar authorities (central London or Metropolitan authorities) for Local Authority Parking debt, your arrangements for collecting out of the LB Islington area; ease of contact for debtors, clarity of documentation.</p>	10%	
<p>Continuous improvement, complaint handling and training</p>	<p>Q6a, b and c and 6.2 How many complaints have you received in the last 12 months?</p> <p>What was the nature of those complaints and how did you resolve them, including how you seek to continuously improve your service and improve staff training as a result of complaints? Please describe the approach and methodology proposed to ensure continuous improvement throughout the Contract Period. Your response must include specific proposals for improving and exceeding the Quality Key Performance Targets. Please also advise who holds responsibility for undertaking or ensuring the undertaking of continuous improvement within your organisation What processes or technologies do you have in place to demonstrate transparency in the provision of 'contact' with customers, and to facilitate early resolution of complaints. These may include, call recording, body worn video, text messaging records, etc. What is your 1) average response time for a customer calling the call centre and 2) first contact resolution with customer when a customer contacts. Please explain process and procures in place to ensure excellent customer service.</p>	5% covers 6a, b and c and 6.2	

	<p>When drafting their response, Bidders must bear in mind that the Council is very keen to ensure that the overall collection rate is subject to continuous improvement and that the impact of the new statutory fees structure on the debtors is minimised as much as feasibly possible. (Not a question).</p> <p>Please detail the Training and Development policies that you will implement for the purposes of the Contract including those available to Council staff.</p> <p>Please also state how you will monitor staff performance and quality of their work and provide details of the qualifications held by the enforcement agents who will be engaged in the delivery of the Contract.</p> <p>Bidders are advised that copies of professional qualifications must be provided for all staff. (CQ – required on contract award)</p>		
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- 5.6 The mini competition documents were released via the YPO portal on 12 September 22 with a closing date of 10 October 2022. Four tenders have been received. These were evaluated by a panel during the week commencing 17 October 2022. The quality of all bids received was very high with the successful primary suppliers achieving 81.03% (Bristow and Sutor), 79.31% (CDER) and the reserve supplier (Newlyn) achieving 75.86%. The unsuccessful supplier achieved 68.97%. The evaluation information is attached as Annex A. This is exempt from publication.
- 5.7 Evaluation of the tenders was 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).
- 5.8 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 Autumn 2022.
- 5.9 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%.

- 5.10 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.
- 5.11 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 policies and procedures to help the vulnerable, as well as ensuing payment is ultimately made.
- 5.12 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.

6. Timetable

- a. Award of contract – December 22
- b. Current contract expires 19/11/22
- c. New contract commences Jan 22

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.

7. Options appraisal

Several options were considered for Debt Recovery Services, including insourcing. However, YPO framework agreement (Further Competition) process was considered most

effective at this time. Full details of the options appraisal can be found in the Procurement Strategy for Debt Recovery Services, decision date 1 September 2022.

8. Key Considerations

- 8.1 Full details of the key considerations can be found in the Procurement Strategy for Debt Recovery Services, decision date 1 September 2022. TUPE was not applicable to this contract.

9. Evaluation

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

- 35% innovation, social and added value
- 15% environmental credentials
- 10% dealing with vulnerable customers
- 10% technology
- 25% maximising collections
- 5% continuous improvement, complaint handling and training

- 9.1.2 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).

10. Business risks

- 10.1.1 The business risks were fully considered in the procurement strategy including the council's statutory obligations to tenants', risks associated with the procurement outcome and the contractors' potential to fulfil the capacity of work. Full details of the business risks can be found in the Procurement Strategy for Parking Debt Recovery Services, 1 September 2022.

- 10.1.2 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.

10.1.3 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	Award of contract for 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>Award of contract – December 22</p> <p>Current contract expires 19/11/22</p> <p>New contract commences Jan 22</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) This is a simple and cost-effective option to achieve the best outcome for the Authority</p>
5. Consideration of: <ul style="list-style-type: none"> • Social benefit clauses; • London Living Wage; • TUPE, pensions and other staffing implications • Best value: 	<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.
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
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11. Implications

11.1 Financial

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).

11.1 Legal Implications

11.2 The council has power to enter into the proposed three 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.

11.3 The proposed three contracts for an initial period of 2 years with an optional council extension of 1 year plus 1 year (maximum total of 4 years) are Concession Contracts 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%)

11.4 The procurement route of a mini-competition under YPO framework (Enforcement Agency Services 953) was a compliant route to market under the Regulations and under the council’s Procurement Rules.

11.5 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.

11.6 On 1st September 2022 the Executive granted express delegated power to award these three contracts to the Corporate Director for Environment following consultation with the Executive Member for Environment, Air Quality and Transport.

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

11.3.1 The service is designed 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.

11.4 Equalities Impact Assessment

- 11.4.1 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. 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.

12. Conclusion and reasons for the decision

- 12.1.1 It is recommended that the contract is awarded to the suppliers listed below as this option provides the best added and social value to the Council.

Primary Suppliers

CDER

Bristow and Suitor

Reserve Supplier

Newlyn

13. Record of the decision

- 13.1 I have today decided to take the decision set out in section 2 of this report for the reasons set out above.

Signed by:

Corporate Director of Environment

Date:

Appendices:

- Exempt Appendix A – Evaluation criteria
- Appendix B - EQIA

Report Author: Sara Bailey, Specialist Parking Project Manager

Tel: 07400 286662

Email: sara.bailey@islington.gov.uk

Financial Implications Author: Steve Abbott, Head of Finance,

Tel: 0207 527 2369

Email: steve.abbott@islington.gov.uk

Legal Implications Author: Clive Sheldon, Senior Lawyer, Legal Services

Tel: 0207 527 2965

Email: clive.sheldon@islington.gov.uk