

Environment
Town Hall, Upper Street, N1

Report of: Acting Corporate Director of Homes and Neighbourhoods

Date: 12 December 2023

Ward(s): All

The appendix to this report is exempt and not for publication

Subject: Contract Award for Debt Recovery for Parking Service

1. Synopsis

- 1.1. This report seeks approval for the award of three contracts for provision of Parking Debt Recovery Services
Parking Debt Recovery Service contracts are to be awarded to three debt recovery contractors for debt recovery of unpaid Penalty Charge Notices (PCN's).
- 1.2. Two of the contractors will be primary contractors with a third as a reserve contractor to recover debts the primary contractors are unable to.

2. Recommendation

- 2.1. To approve the contract awards for the Parking Debt Recovery Service as outlined in this report. To award the contracts as follows: Newlyn Plc and CDER Group to each be awarded as primary contractors. Bristow & Sutor Group to be awarded as the reserved contractor. All contracts are awarded for an initial period of 2 years with optional extensions of 1 year plus a further 1 year (total of 4 years).

3. Date the decision is to be taken

- 3.1. 12 December 2023

4. Background

4.1. Nature of the service

- 4.1.1. The Council's Parking Operations Service is seeking to award the contracts to three contractors to recover unpaid Penalty Charge Notices (parking fines). The council has an ongoing requirement to procure three contractors to provide specialist debt recovery services for its Parking Operations Service. Debt recovery is the final stage of a penalty charge notice recovery when all other avenues have been exhausted yet the charge remains unpaid. Approximately 10% of parking penalty charge notices reach this stage. After sending several items of correspondence to the registered keeper of the vehicle about a parking notice that has been issued by the council, if the charge remains unpaid and the keeper has not engaged, or been successful in the appeal process, the Council will register the unpaid debt with the Traffic Enforcement Centre. Once registered with the Traffic Enforcement Centre the debt can legally be passed to a debt recovery agent as a warrant for collection. Fees that the debt recovery contractors can charge are set in law (at £75 per letter sent and £235 per enforcement visit). This process is part of decriminalised parking enforcement, which was introduced in London from 1993.
- 4.1.2. On 1 September 2022, the Council's Executive approved the procurement strategy for the procurement of three new contractors to deliver debt recovery for the parking service.
- 4.1.3. Following approval of the procurement strategy, the council held two supplier days inviting any suppliers in this market to have an informal 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 was used to determine the preferred route to market and the development of the specification for the service including social and added value and Islington's current environmental credentials.

4.2. Estimated Contract Value

- 4.2.1. The funds received by the Council from the previous debt recovery contract was on average £909,600 per annum.
- 4.2.2. Because the debt recovery companies deduct their fees from the money recovered from the debtors there is no cost to the Council in the provision of the debt recovery contracts.

4.2.3. Based on historical data from the last two years, the total estimated turnover of the new contracts is £1,651,376 per annum, of which £741,761 is income to the contractor and £909,615 is income to the Council. Over the maximum four year term of the contracts this gives a total estimated contract value of £6,605,504, of which £2,967,044 is income to the contractor and £3,638,460 is income to the Council. It is not anticipated that the number of parking charge notices issued will reduce during the term of the contracts.

4.3. **Timetable**

The contracts are due to commence in early December 2023 following approval of the contract award report.

4.4. **Procurement route options appraisal**

4.4.1. Several options were considered for the procurement of the Debt Recovery Services contracts, including insourcing. Full details of the options appraisal can be found in the Procurement Strategy for Debt Recovery Services, Executive decision date 1 September 2022.

The approved route was to procure the contracts pursuant of the Yorkshire Purchasing Organisation (YPO) framework agreement using the further competition process.

4.5. **Key Considerations**

4.5.1. The successful contractors in the bids have committed to deliver the following service improvements and innovation. All three tenders had robust and extensive offers of social value. One has a social Value Quality Mark. They all have considerable experience in this area and their responses clearly set out a range of offers and opportunities. For example two of the suppliers stated their commitment to five new employees to deliver the contract will come from a long-term unemployed background, and a further five will come from a NEET (Not in Education, Employment or Training) background. All suppliers acknowledged and committed to the Islington request for the funding of an apprenticeship position within the Parking and Debt recovery section.

As this contract is directly connected with the financial position of the individual, often a resident of the borough, the suppliers offered a range of workshops, training courses, mental health awareness training and advice services to assist individuals that could benefit from a better budgeting and saving etc. In addition, a number of volunteer days and charitable events were given as examples of their social value offering.

In terms of an environmental social value commitment, each supplier committed to green and sustainable transport measures, and initiatives such CleanUP UKs Beautiful Boroughs project, funding for some EV charging points within borough and We funding for e-bike subscription for 4 young people from Islington.

4.5.2. It is expected we will increase recovery rates from 18.24% to 23 to 25% within 12 months. This will be achieved through improved pre-debt data cleansing as part of the new contract as well as reductions in the age of debt passed to the debt recovery contractors as part of the recent parking team restructure. Data cleansing addresses issues such as previous history of recovery showing the debtor no longer lives at the address recorded by the Driver and Vehicle Licensing Agency (DVLA). such as surveys, pre- debt data cleansing (to optimise the recovery rate), data analytics. This will improve the efficiency of the service delivered.

4.5.3. The contracts have also committed to deliver the following social value 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).

4.6. Evaluation

4.6.1. This procurement exercise has been conducted in line with the Council’s procurement rules and the Concession Contracts Regulations 2016. The contract has been procured using a mini competition via the YPO framework agreement (Enforcement Agency Services 953).

4.6.2. The award criteria is 100% quality based as fees to contractors are set in legislation. The following table provides a breakdown of the criteria and corresponding weightings that were used for evaluation:

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

4.6.3 The mini competition documents were released via the YPO e-tendering portal on 14 September 2023 with a closing date for tenders to be received of 16 October 2023. Three tenders were received. These were evaluated by a panel during the week commencing 16 October 2023. The quality of all bids received was very high with the successful

primary contractors achieving 93% (Newlyn), 91% (CDER) and the reserve contractor (Bristow & Sutor) achieving 88%. The evaluation information is attached in Appendix A. This is exempt from publication.

4.7. **Business risks**

- 4.7.1. There is a risk to the Council of poor performance from any of the primary contractors. The Council intends to minimise this risk by performance managing the contractors using a competitive process to drive up the debt recovery rate and therefore funds passed to the Council. The Parking Service has recently restructured which will strengthen the debt management contract management process and capacity. Monthly performance meetings will be held with contractors to review performance, with the allocation of warrants reviewed on a quarterly basis in favour of the most successful contractor. There will be key performance indicators (KPIs) set for collection rates which are monitored and reviewed at the monthly meetings. Quarterly assessments by the council of contractor performance will determine the allocation of warrants for recovery. The highest performing primary contractor will be issued with 70% of the warrants and the other primary contractor will receive 30%.
- 4.7.2. There is a reputational risk to the Council linked to how the Debt Recovery contractors undertake their work with customers. The Council has set out clear standards in its service specification highlighting the need for contractors to take individuals' circumstances into account when delivering the service. The council has confirmed that each of the Debt Recovery contractors have in place robust and well tested policies and procedures to support vulnerable customers whilst ensuring payment is ultimately made.
- 4.8. 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.
- 4.9. 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
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1. Nature of the service	Award of contracts for debt recovery services for parking enforcement. See section 4.1
2. Estimated value	The estimated value per year is £1,651,376 . The three contracts will be awarded for an initial period of 2 years with two optional further extensions of 1 year each. The total combined value of the service to the contractors over the full 4-year term is £2,967,044. This is a Concessions contract award so there is no cost to the Council of awarding these contracts. See section 4.2
3. Timetable	<ul style="list-style-type: none"> • Award of contract – December 23 • New contracts commence December 23 See section 4.3
4. Options appraisal for tender procedure including consideration of collaboration opportunities	Full options appraisal for procurement of these contracts was set out in the approved Procurement Strategy report. The agreed procurement route was to undertake a further competition using the YPO framework agreement. See section 4.4
5. Consideration of: <ul style="list-style-type: none"> • Social benefit clauses; • London Living Wage; • Best value; • TUPE, pensions and other staffing implications 	London Living Wage is a condition of the contracts covering the staff delivering this service within the borough. There are no TUPE, staffing or other implications. 35% of the quality evaluation of bids received was based on social and added value. See section 4.5
6. Award criteria	The award is 100% quality based as fees are set in legislation. Tenderers were advised that the top two scoring tenders would be awarded the primary contracts. The third placed tenderer being awarded the secondary contract.

	See section 4.6
7. Any business risks associated with entering the contract	The business risks linked to these contracts are set out in the body of this report. See section 4.7
8. Any other relevant financial, legal or other considerations.	See section 5

5. Implications

5.1. Financial Implications

5.1.1. 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 contractor value of c.£0.74m per annum. Income generated from parking activities are paid into the ring-fenced Parking Place Reserved Account (PPRA).

5.2. Legal Implications

5.2.1. The council has power to carry out the activity of debt recovery of Penalty Charge Notices debt under section 111 of the Local Government Act 1972 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. Under section 1 of the Local Government (Contracts) Act 1997 local authority have the power to deliver their functions by awarding contracts to external contractors, and so enter into the proposed three contracts.

5.2.2. A 2023 case of *Dukes Bailiffs v Breckland District Council* confirmed that the bailiff contracts of the type being awarded carry the required degree of risk transfer to the contractor to qualify as concession contracts as defined in the Concession Contracts Regulations 201 ("the Regulations"), rather than the usual Public Contracts Regulations 2015. 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) have a total aggregated contract value, based on 4 years' turnover, of £6,605,504 plus VAT which exceeds the current relevant statutory threshold of £4,447,448 plus VAT (assuming the VAT rate at 20%). They are therefore subject to the Regulations. (Turnover is the required method of valuing concession contracts in the Regulations).

5.2.3. 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.

5.2.4. 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.

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

5.3.1. The service is designed to operate largely remotely and digitally. However, where visits to properties are necessary, the successful contractor 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. All bidders submitted their environmental policy documents which are approved at senior management level. They have benchmarked their emissions, have strategies and targets in place and are committed to reducing and offsetting emissions. They have implemented more effective route planning, allocating cases geographically to reduce the need for travel in the first instance. Home working is encouraged. They are committed to reducing energy in offices, one contractor uses Green Electricity and others are investigating switching to renewable energy providers. Two of the three contractors have ISO 14001 Environmental Management Systems accreditation. All bidders work closely with staff and other stakeholders, contractors etc. in communicating their environmental policy and objectives. Therefore, the environmental impact of the contract and service is considered to be positive.

5.4. **Equalities Impact Assessment**

5.4.1. 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.

5.4.2. An Equalities Impact Assessment was completed on 05 May 2022. 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. (Appendix B).

6. Conclusion and reasons for the decision

- 6.1. Following a successful procurement exercise, it is recommended that contracts are awarded to the contractors listed below as this option protects the financial interests of the Council and provides the best added and social value to the council. The contracts are to be awarded to:

Primary Contractors

Newlyn

CDER

Reserve contractor

Bristow & Sutor

7. Record of the decision

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

Signed by:

Acting Corporate Director of Homes and Communities

Date: December 2023

Appendices:

- Exempt Appendix A – Evaluation Criteria
- Appendix B – Equality Impact Assessment

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