

AGENDA ITEM: 10

Page nos. 134 – 146

Meeting	Cabinet
Date	29 November 2010
Subject	Future of the Parking Service
Report of	Cabinet Member for Environment & Operations
Summary	The Parking Service in Environment & Operations is responsible for the provision and management of on and off-street parking facilities and the enforcement of on-street parking controls across the Borough. This report is seeking authority to initiate procurement for a new Parking Service to be provided externally which is anticipated to provide the Council with a significantly more efficient service and financial savings. This process will allow the Council to provide a better more efficient parking service to citizens.

Officer Contributors	Pam Wharfe, Interim Director, Environment & Operations Geoff Mee, Interim Assistant Director, Environment & Operations Suzanne Hope, Project Manager, Commercial Services
Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix One – Considered options for the future delivery Appendix Two – Parking Service Provision in other boroughs
For decision by	Cabinet
Function of Council/Executive	Executive
Reason for urgency / exemption from call-in	N/A

Contact for further information: Suzanne Hope, Project Manager, Commercial Services, tel: 020 8359 2684

1. RECOMMENDATIONS

- 1.1 That the Director of Commercial Services be authorised to commence the procurement process to identify a strategic partner for the delivery of Parking.**
- 1.2 That the procurement process for a Parking Service be commenced as soon as practicable and covering the end to end process of the service.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Cabinet, 6 May 2008 (Decision item 5) – approved the establishment of the Future Shape of the Organisation¹.
- 2.2 Cabinet, 3 December 2008 (Decision item 5) – approved the programme structure for the next phase of the Future Shape programme and that a detailed assessment of the overall model for public service commissioning, design and delivery should be undertaken.
- 2.4 Cabinet, 6 July 2009 (Decision item 5) – approved that three principles would be adopted as the strategic basis for making future decisions (a new relationship with citizens, a one public sector approach and a relentless drive for efficiency) and that a phased approach to delivering the Future Shape Programme and immediate consolidation of activity in the areas of property, support and transact.
- 2.5 Cabinet, 21 October 2009 (Decision item 8) – approved plans to implement the Future Shape programme.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The three priority outcomes set out in the 2010/13 Corporate Plan are:
 - Better services with less money;
 - Sharing opportunities, sharing responsibilities; and
 - A successful London suburb.

The One Barnet Programme has three overarching aims:

- A new relationship with citizens;
 - A one public sector approach; and
 - A relentless drive for efficiency.
- 3.2 The proposal to begin the process of selecting a strategic partner for the delivery of a Parking Service fits within the One Barnet objectives of “a relentless drive for efficiency” and “a new relationship with citizens”. It therefore also supports the corporate priorities of “a successful London suburb” and “better services with less money”.

¹ The Future Shape programme has been renamed One Barnet Programme. The relevant previous decisions shown refer to meetings held before this change.

4. RISK MANAGEMENT ISSUES

- 4.1 In order to begin the process of achieving potential cost savings during quarter 1 of the financial year 2012/13, the appointment of a partner or supplier should take place by the end of March 2012. In order to undertake such a complex procurement thoroughly and safely, it is usual to allow a 12-14 month timeframe for the procurement process. It is therefore recommended that the Council issues an OJEU notice for this cluster of services by the end of December 2010. This will allow the procurement process sufficient time to complete effectively.
- 4.2 By issuing an OJEU notice the Council is not bound to proceed with any procurement, however if the process is abandoned at final tender stage, there could be a risk of a claim for damages. This risk is mitigated by the planned undertaking of thorough and ongoing reviews of the Council's requirements for and of the services, their income and expenditure, and the changing financial and political landscape in which they are required to operate.
- 4.3 The procedure rules also state that acceptance of such a contract can be carried out by a Cabinet Member. However, the project will follow the Council's standard practice of returning to CRC for acceptance of any contract to be awarded.
- 4.4 The project will report spend against budget to CRC at the end of each phase of the project in order that members are fully informed of actual costs to the Council.
- 4.5 It is expected that the Council will begin to realise the benefits of this project from Q2 2012/13 and that additional financial pressures on the Council during 2010/11 and 2011/12 will be addressed via internal improvement initiatives. In order to mitigate the risk that a potential partner is given inaccurate establishment lists of staff the project manager will review the status of the lists with the HR One Barnet business partner and the service directors at key project stages.
- 4.6 The Special Parking Account (SPA) is a ring fenced account that makes a surplus each year which is then transferred into the General Fund. It has previously provided £5m per annum into the General Fund which can then be used for transportation and highway network management related work. However, in 2009/10 a reduction in income to the SPA meant that a reduced amount was transferred into the General Fund and this is likely to be repeated again this year if we fail to maximise income in parking.
- 4.7 Failure to improve the Parking Service would see a continuation or increase in the elevated number of challenges and appeals, leading to the inability to reduce administrative overheads.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 It is recognised that such a transformation of the service is likely to have an impact upon staff.
- 5.2 It will also be necessary to assess the equalities impact of the project on the different groups of people within the Borough, as outlined in the 2010-13 Corporate Plan, and work will be undertaken towards this end.

- 5.3 The Council's Equalities policy will be followed in the management of the tender process, including evaluation of tenderers' equalities and diversity policies concerning employment practice and service delivery. Any eventual contract will include explicit requirements fully covering the Council's duties under equalities legislation.
- 5.4 An Equalities Impact Assessment template was presented to the Future Shape Overview and Scrutiny Committee on 21 September 2010 for consideration. The committee welcomed the template and it is being used to assess the impact of service transformation on current staff.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 The Spending Review has announced reductions in government support to local authorities of 26% over the next four years. Grant distribution, which has yet to be announced, could result in greater reductions for individual Councils. In response to this challenge, the Council is consulting on potential budget reductions of £46m over the next three years.
- 6.2 For phase one of One Barnet projects, estimates of savings have been made which are reflected in our financial plans. These are therefore included within the budget reductions currently subject to consultation. Clearly, it has been necessary to make some assumptions regarding savings, but these have been assessed as reasonable and prudent.
- 6.3 For the Parking Service, savings have been estimated as follows:

2010/11	-
2011/12	-
2012/13	£239,000
2013/14	£620,000
2014/15	£208,000
2015/16	£208,000
2016/17	£208,000
2017/18	£176,000
2018/19	£176,000
Total	£1,835,000

- 6.4 These estimates are based on taking savings from the current published budget showing £239,000 of savings in year 2012/13. Additional savings have been identified in the published budget of £381,000 in 2013/14 making total cumulative savings of £620,000 that year. Between 2014/15 and 2016/17 assumed operational costs of parking are £3.2m. Allowing for a retained client function/area of spend there is an estimated 65% of the operating costs where savings could be made. An assumed estimated saving of 10% is allowed for (non-cumulative). Between 2017/18 and 2018/19 it is assumed the could be contract renewal activity or price increases so it is assumed savings can be made against 55% of the original operating costs. Again an estimated 10% is allowed for (non-cumulative). As the project is progressed these estimates will be amended as necessary and included within our financial planning.

- 6.5 The only service to be significantly affected by this work will be the Parking Service. However there will also be a marginal impact on the new CRM.
- 6.6 The cost to the Council of external resources for the project is estimated at this stage to be as follows:

Legal Advice	£100,000.00
Benchmarking of Civil Enforcement Officers	£15,000.00
Other	£20,000.00
Gross Total	£135,000.00

- 6.7 The project will be funded from the Council's Transformation Reserve.
- 6.8 Working with a suitable partner will allow the Council to leverage their expertise around the development and innovation within the industry.
- 6.9 There could be IT implications as currently the Council use a Civica software system for recording parking contraventions that was contracted until 2014. However it is anticipated that a new supplier would ensure compatibility with this software as part of the procurement process.
- 6.10 The Council will continue to meet all of its statutory and contractual obligations in regard to change and its impact upon our staff. In the context of One Barnet Programmes this means that all internal re-structures will be managed in compliance with the Councils Managing Organisational Change Procedure. Where the change results in a TUPE transfer the Council will meet all of its statutory obligations pursuant to the Transfer of Undertakings (Protection of Employment) Regulations 2006, Code of Practice and Best Value Authorities Staff Transfers (Pensions) Direction and any other relevant statutory provision.

7. LEGAL ISSUES

- 7.1 Procurement processes must comply with the European procurement rules and the Treaty obligations of transparency, equality of treatment and non discrimination as well as the Council's Contract Procedure Rules.
- 7.2 In the event that services are to be externalised, the Council must comply with its legal obligations under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE") with respect to the transfer of staff. Where they apply, the Regulations impose information and consultation obligations upon the Council and the incoming contractor and operate to transfer the contracts of employment, of staff employed immediately before a transfer, to the new contractor at the point of transfer of the services.

8. CONSTITUTIONAL POWERS

- 8.1 The Constitution, Part 3, Responsibility for Functions, section 3 – Responsibilities of the Executive.
- 8.2 The Council's contract procedure rules state that authorisation is to be sought at Cabinet Committee on contracts with a value of £500,000 and above, and this report seeks that authorisation.

9 BACKGROUND INFORMATION

9.1 One Barnet Programme

As part of the One Barnet Programme, the Transact Working Group, with the assistance of PricewaterhouseCoopers and Local Partnerships (previously 4Ps), identified a bundle of street scene services (grounds maintenance, street cleaning, street lighting (PFI contract) and highway maintenance) as an area where efficiencies could be made, through delivering this bundle in a different method. It was also suggested that as part of this bundle the current Civil Enforcement Officers (CEOs) could be included, as under the Traffic Management Act their duties had the scope to be widened. However given the scale of the parking operation and the current issues around performance and pressure on income, it is more appropriate to look at the Parking Service in isolation of the rest of the Environment & Operations Department.

9.2 Parking Service Strategy

Efficient transport provision within the Borough is vital to the local economy and quality of life of both residents and visitors. The Parking Service has an essential role to play in the maintenance of order on the highway. Within Barnet, effective control of parking is essential in combating the negative impact of parking on traffic movement, road safety, and essential servicing.

9.2.1 The Parking Service oversees the installation and maintenance of the infrastructure that allows residents and visitors to park legally both on street and in Barnet's car parks. This is through pay and display machines, parking permits and pay by phone parking. Compliance with the traffic and parking regulations is through CEOs on-street and through CCTV monitoring.

9.2.2 The income raised through these parking methods and through the payment of penalty charge notices (PCNs), is then received into the special parking account. The funds from this account are re-invested into parking and highways infrastructure such as fixing pot holes, ensuring street signage is in good condition and that payment methods are in working order.

9.3 Current Service

The on-street service comprises the installation and maintenance of signs and lines, pay and display machines, cashless parking, the patrolling of the streets and the enforcement of parking regulations through the issue of PCNs.

9.3.1 There is also a significant back office administrative function within the Parking Service, which deals with the processing of over 100,000 PCNs and the issue of 14,000 parking permits per annum

9.3.2 The table below outlines the income streams of the Parking Service over the previous three years. It should be noted that although income is important as it allows the service to maintain investment in parking and highways, it is an alternative for compliance to parking regulations.

Table 1

Income	07/08	08/09	09/10
Penalty Charge Notices	4,558,567	5,792,493	4,425,726
Permits	1,246,016	1,161,728	1,015,225
Pay & Display	2,938,408	2,716,719	2,531,827
CCTV Bus lanes	2,164,894	2,073,069	1,523,629
Total Income	10,907,885	11,744,009	9,496,406

9.3.3 Barnet is ranked 12th in regard to the number of PCNs issued compared with other London Boroughs. The level of PCNs issued, has reduced over the past three years as set out in Table 1 above, whereas the number of tickets appealed has remained stable in the previous two years, as reflected below.

Table 2

	07/08	08/09	09/10
Number of PCNs	156,972	149,137	143,386
Number paid at discount	104,259	65,102	59,603
Number appealed at PATAS*	875	1,138	1,139

*Parking and Traffic Appeals Service

9.3.4 The Parking Service still retains control over the contact centre, which has historically suffered from poor performance. This is in part due to the fact that when the contact centre was created, the number of calls was severely underestimated and the team has never grown to accommodate the call levels. The table below shows the quarterly figures and that the performance issue is still very real.

Table 3

	2009/10			2010/11
	Q2	Q3	Q4	Q1
Calls Received	70225	58547	54822	55817
Calls Answered	34928	33212	33549	32516
Calls Abandoned	35297	25335	21273	23301
% Abandoned	50%	43%	39%	42%

9.3.5 Barnet's Parking Service is somewhat unusual in providing almost all of its services in-house. In an established market place, it is one of a minority of London local authorities still providing in-house enforcement, compared with 23 of 34 (68%), who are already using an external service provider. Only the bailiff service, IT enforcement system and cashless parking are currently operated externally.

9.3.6 The table below shows the current operating costs against each the three main divisions of the service.

Team	Staffing Budget (£)
Maintenance	155,260
Enforcement and CCTV	2,128,810
Back Office	1,100,840
Total	3,384,910

9.4 Challenges

The service is currently facing a number of challenges. These include:

- Lack of available funding to ensure signs and lines are in place to an acceptable standard.
- Lack of funding to renew pay and display machines, which means that a relatively significant proportion are out of order at any one time.
- There are high sickness levels among CEOs; in the first quarter of 2010/11 parking lost a total of 379 days due to sickness.
- Reduced income to the special parking account.

9.4.1 Special Parking Account (SPA)

The SPA is a ring fenced account that makes a surplus amount which is transferred into the General Fund each year. It has previously provided £5m per annum into the General Fund, for transportation and highways related work. However, in 2009/10 a reduction in income to the SPA, meant that a reduced amount was transferred into the General Fund and this is likely to be repeated again this year. The reasons for this reduction are currently being investigated and are considered to be in part due to the snow levels last winter, general economic downturn and out of order pay and display machines.

9.4.2 It is anticipated that regardless of whether the service is delivered in-house or externally, the issue of a reduced transfer into the General Fund would remain. This will need to be addressed through the Parking Service recovery plan and also through procuring a new supplier.

9.5 Future delivery

At this point the service could take a number of different directions. It is accepted that Parking Services cannot remain as it is, as with a public facing service there is a great reputational risk, also due to the lack of investment and maintenance, income has reduced and compliance with regulations may not be enforced. Additionally through researching other models in the market it has been established that the current service does not provide value for money to the Council when compared to the operating costs of other suppliers.

9.5.1 In light of the considerable up front and continuous annual investment required to raise and maintain the service at an acceptable level which would improve the relationship with citizens and the fact that the service can not match other suppliers in regard to value for money retaining it in-house is not considered to be a viable option. In order to improve customer experience of the service and provide one most financially beneficial to the Council it is considered appropriate to initiate the procurement process now to outsource all the parking

operations. There is no significant counter reasoning to delay initiating procurement.

9.5.1 **Outsourcing now**

The main benefit of outsourcing Parking Services at this time is that the financial and resource investment required to remedy the issues within Parking, would be passed to a provider who may be in a better position to leverage the investment required. This investment in infrastructure would mean that compliance could be enforced and it would also ensure that pay and display machines were working properly, thereby improving the income of the service. Currently the Council's reputation for running parking services is low and by bringing in an external provider to run and manage the service the reputational risk would be shared with an external provider. The market for delivery of these services is well established and as such it is also likely the Council's reputation would improve as it would be expected that a provider would be able to draw on best practice gained for working with other Local Authorities. By initiating a procurement process now it is expected that a new supplier would be in place for April 2012.

9.5.2 By outsourcing the Parking Service at a later date it would defer benefit accrual. The Council is not in a position to deliver the savings that an external provider could provide due to the level of investment required both in financial and resource terms. Therefore authorisation to begin a procurement process now is the best decision for the long term delivery of the Parking Service and as such the Council.

9.5.3 In order to provide the most suitable contract for the Council it is necessary to both look at best practice across other Local Authorities and through use of a competitive dialogue process. Competitive dialogue is a procurement procedure for "particularly complex projects". It may be used where the Council is not able to objectively set out technical solutions and/or the legal framework and/or the financial make-up of a project, in this case particularly due to the technical innovation surrounding cashless parking solutions. It should be used to enable a dialogue with bidders directly with the aim of developing one or more suitable alternative solutions.

Competitive Dialogue key features:-

- Dialogue is allowed with selected suppliers to identify and define solutions to meet the needs and requirements of the Council
- The award is made only on the most economically advantageous criteria
- Dialogue may be conducted in successive stages with the aim of reducing the number of solutions/bidders
- There are explicit rules on post tender discussion

The purpose of the dialogue phase is to allow the Council to discuss with participants their solutions whilst identifying and defining the best means by which to satisfy Barnet's requirements. The procedure results in the remaining participants submitting a final tender to the Council which once submitted can only be "clarified, specified and fine tuned".

9.5.4 It should be noted that this work will be closely linked to the work being carried out to deliver a new Customer Services Organisation. This will allow the Council through competitive dialogue to ascertain the most appropriate location for parking customer contact to be directed to and ensure that a new parking provider has the appropriate links with the future customer service organisation to ensure a smooth continuity of service for customers at all times.

9.6 **Service Recovery Plan**

In order to ensure the Council achieves maximum income from any new contract a recovery plan is now in place to ensure that work is carried out to reverse the downward trajectory of the income from parking. This work will be carried out concurrently with the procurement process. This will ensure that those tendering for the service will see the potential income, based on previous year's figures and an upward trajectory in the final months of 2010/11. Upon point of contract agreement it is anticipated that the Parking Service will be in a position fit for a new supplier to take on without the Council risking losing any efficiency savings.

9.6.1 Improving the income from the service will be achieved in a number of ways; firstly by focusing pay and display maintenance on the minority of machines that provide the majority of income. Also additional work will be carried out with the CEOs to ensure they are confident in their understanding of parking regulations and finally by sub contracting a number of CEOs from outside suppliers for example NSL or Apcoa and allocating them a couple of controlled parking zones to enforce. This final measure will have the added benefit of allowing the Council to benchmark the current in-house service against industry levels.

Alongside this plan to improve income a review of the service structure will also be carried out to ensure that the teams are working in the most efficient way. This will ensure that staff are properly supported, for example with the call centre staff it is accepted that they could receive more comprehensive support by becoming part of the customer services call centre and would have an added benefit of reducing the abandoned call rate.

10. **LIST OF BACKGROUND PAPERS**

10.1 None

Legal: MM

Finance: JH

Appendix One

1. Options for future delivery

At this point the service could take a number of different directions. It is accepted that Parking Services cannot remain as it is, as with a public facing service there is a great reputational risk, also due to the lack of investment and maintenance, income has reduced and compliance with regulations may not be enforced.

The first key decision that is required, is whether to look at outsourcing Parking Services in any form now or at a later date. The benefits and issues around both options are described below.

2. Outsourcing now

The main benefit of outsourcing Parking Services at this time, is that the financial and resource investment required to remedy the issues within Parking, would be passed to a provider who may be in a better position to leverage the investment required. This investment in infrastructure, would mean that compliance could be enforced and it would also ensure that pay and display machines were working properly, thereby improving the income of the service. Currently the Council's reputation for running parking services is low and by bringing in an external provider to run and manage the service the reputational risk would be transferred to the external provider. It is also likely the reputation would improve as it would be anticipated that a new provider would be able to draw on best practice gained for working with other Local Authorities.

3. Outsourcing later

By outsourcing the Parking Service at a later date, it would allow Barnet to consider the service as part of a wider strategic street scene review. Also the savings from making short term improvements to the service would be retained by the Council, whereas if it is outsourced now, the Council would not be able to retain these savings. However, this should be considered against the ability of the Council to actually deliver these savings given the scale of changes underway across the Council impacting heavily on time and resource. It could be argued that officer time may be best spent elsewhere, when we know the market could improve the service with little input from officers.

4. Methods of outsourcing

If the decision is to proceed to the market place immediately, this then puts forward a second set of options to be considered. The current service may be outsourced either through a single provider or by bundling the service. The benefits and issues of these options are set out below.

a. A single contract

A single contract would provide the Council with a complete end to end service covering all the teams within the staff diagram on page 4. The main benefit of this type of provision would be to provide the Council with a single point of contact for the entire parking service operations. It could also prove beneficial to the customer, as all their questions and issues would be dealt with by the same provider; from permit issue to reporting a faulty pay and display machine. It is

also anticipated that if the entire service were given to one provider, they would be willing to provide the level of capital investment needed up front to restore our on street payment infrastructure and signs and lines, as they would see a return on their investment across the length of the contract.

The issues to be considered against outsourcing everything to a single provider is the potential to lose our customer insight, being an area customer services are currently working on. Also the market for the provision of end to end services is still not a mature market, with only a handful of boroughs using a single provider to carry the end to end process (see Appendix One). As such, there is not yet proven innovation in this market.

b. Bundled services

By bundling the services it would allow the Council to use a more mature market place, where specialists deliver their service. It could also prove beneficial to the future of the Council's customer services. By moving the call centre functions formally into the customer service organisation, it would allow for a new customer service organisation to deliver a complete customer service package.

Bundling services could allow the Council to take advantage of other London Borough initiatives such as Partnerships in Parking which would allow the Council to enter framework contracts that are deemed beneficial to the Council, for example using a parking stationary contract that provides consistency across the member Boroughs.

Bundled services could be as simple as moving the back office correspondence and / or the contact centre service, into Barnet Customer Services and then looking for a single provider to carry out the remaining enforcement, maintenance and suspensions services.

The issues that should also be considered are that it is possible that by breaking the service into bundles, it may restrict the amount of investment providers are willing to provide to improve the service. It could also be more complex to administer but this again, would depend on how it is bundled e.g. if back office functions are transferred out of the Parking Service and the public facing services are outsourced as one it would be likely to require the same level of administration as looking for a single contract.

Appendix Two

Local Authority	CEOs	Back Office PCN Processing	Mobile Phone Parking Contractor
Barking & Dagenham	In house	In house	N/A
Barnet	In house	In house	Verrus
Bexley	NSL		
Brent	APCOA	APCOA (informal) In-house (formal)	RingGo
Bromley	Vinci Park		RingGo
Camden	NSL	In house	N/A
City of London	Vinci Park	In house	n/a
Croydon	In house		
Ealing	NSL	In house	RingGo
Enfield	NSL	NSL	Verrus
Greenwich	In house	In house	N/A
Hackney	APCOA	In house (printed by FDM)	N/A
Hammersmith & Fulham	In house		Parkmobile
Haringey	In house		N/A
Harrow	In house	In house	n/a
Havering	In house		
Hillingdon	Mouchel		
Hounslow	In house	In house	RingGo
Islington	NSL		
Kensington & Chelsea	NSL	In house	N/a
Kingston	NSL	In house	N/A
Lambeth	NSL	In house	
Lewisham	NSL	In house	RingGo
Merton	In house	In house	N/A
Newham	Mouchel	In house	N/A
Redbridge	Apcoa		
Richmond	NSL	In house	RingGo
Southwark	APCOA	APCOA	Cobalt
Sutton	NSL		
Tower Hamlets	In House	In house	Verrus
Waltham Forest	NSL	In house	N/A
Wandsworth	Mouchel	In house	Parkmobile & RingGo
Westminster	NSL	Vertex	Verrus
Transport for London	MPS	NSL	