

	<p><b>Environment Committee</b></p> <p><b>11<sup>th</sup> January 2018</b></p>
<p><b>Title</b></p>	<p><b>Parking Enforcement Contract Re-commissioning – In-house service provision as a comparison</b></p>
<p><b>Report of</b></p>	<p>Councillor Dean Cohen, Chairman Environment Committee</p>
<p><b>Wards</b></p>	<p>ALL</p>
<p><b>Status</b></p>	<p>Public. Enclosures partially exempt under paragraphs 2 and 3 of Schedule 12A to the Local Government Act 1972 Act as the report contains information which is likely to reveal the identity of individuals and information relating to the financial or business affairs of the Council and NSL.</p>
<p><b>Urgent</b></p>	<p>No</p>
<p><b>Key</b></p>	<p>No</p>
<p><b>Enclosures</b></p>	<p>Appendix A - Report by independent expert K Hagan - (Public) Appendix B - Report by independent expert K Hagan - (Exempt)</p>
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<p><b>Summary</b></p>
<p>The parking enforcement and associated services contract, presently with NSL Limited, is due to expire on 31 October 2018 and officers are currently part way through procuring a new contract. At the Environment Committee of 12<sup>th</sup> May 2016 a request was made to investigate delivery of the service in-house. An independent expert was subsequently commissioned to conduct a review of this option.</p>
<p>The findings of this work indicate that there would be significant negative financial impacts of bringing the service in-house, both from the cost of providing the service along with the potential reduced effectiveness of the operation. In recent years the Parking Service has</p>

benefited greatly from our contractor's expertise and technical depth of knowledge. This has allowed several large service initiatives to be delivered which have generated significant benefits for the quality of Barnet's parking enforcement activities. It is felt that future service initiatives and operational scenarios will continue to benefit from the level of expertise and specialist resource that a contractor can leverage. Therefore it is not recommended to return the borough's parking enforcement service to an in house model.

## **Officer Recommendations**

- 1. That the Committee note the content of this report, based on the findings of the independent expert's work on an in-house model, including the cost and income implications were the service to be brought in house.**
- 2. That the Committee note the content of the independent expert's report, including the exempt information at Appendix B.**
- 3. That the Committee agree to the continuation of the present procurement based on retaining the use of the private sector as a delivery vehicle for the Parking enforcement service.**

### **1. WHY THIS REPORT IS NEEDED**

- 1.1 The Council's existing contract with NSL Limited for the provision of Parking Enforcement and Associated Services began in May 2012 and was for duration of five years, with an option to extend for up to two years.
- 1.2 In May 2016 the Council agreed an extension for 18 months to the existing contract. This extension was agreed to enable the Council to explore options for delivery of the service.
- 1.3 The Council's existing contract with NSL Limited will therefore end on 31 October 2018 and to ensure continuity of service will need replacing with either a new contract or another form of service delivery. As part of the process for extension the Committee "requested if it was viable to bring the service in house." This report presents the findings of that investigation and gives more details on the reason why the existing outsourcing model should be retained.

### **2. REASONS FOR RECOMMENDATIONS**

- 2.1 The findings of the independent expert's investigation do not indicate a strong case to make a recommendation to proceed with an in-house delivery model. The independent expert investigated this option and its likely implications and found them to be negative in nature.

#### Background and existing service

- 2.2 The Parking Service operates to provide the Council's car park and on street parking control service, including decriminalised enforcement services,

parking permits, cashless and pay and display parking, parking suspensions and associated supporting services. Since the start of decriminalised parking enforcement in 1994 the Council has also taken on bus lane enforcement in 1997 and moving traffic contravention (MTC) enforcement in 2016.

- 2.3 The Parking Service also has oversight of the Council's service issuing blue badges for people with mobility constraints and the issuing of Transport for London Freedom Passes for qualifying individuals in the Borough. The Parking Service also provides an abandoned vehicle removal service, although not a wider vehicle removal service for parking contraventions.
- 2.4 The Parking Service provides over 2million pay by phone transactions along with 25,000 parking permits and around 65 annual vehicle removals. Taking into consideration all the other parking events such as vehicles loading, disabled badge use and school runs, the Parking Service has many millions of interactions with Barnet's residents, businesses and their visitors every year.
- 2.5 The Parking Service is presently commissioned with a large use of the private sector but key areas are retained in house. The outsourced provider, NSL Limited, supply on street parking enforcement and CCTV clip review, back office services supporting the PCN (penalty charge notice) review process, payment processing, printing and scanning of correspondence, debt recovery (bailiff) services, computer systems for permits, enforcement and cashless parking and associated services for these.
- 2.6 The provider supplies the on street enforcement patrol service from a base within the Borough, employing a large proportion of their staff locally. The back office function generating PCNs from CCTV clips, along with the replies to PCN correspondence, (for the element not retained by the Council), are primarily delivered at NSLs offices in Dingwall, Scotland, with some cross-working with another office of theirs in Oldham. Scanning of letters is provided by a sub-contractor of NSLs in Sheffield whilst printing is provided by another in Croydon. Other services that are provided centrally, such as support for the software they supply are provided through a range of offices across the UK.
- 2.7 It is unlikely, were any of the non-London based staff in scope of TUPE regulations from a move in-house, that they would be likely to take up a role at the Council's offices and would therefore be subject to redundancy with the associated costs that entails.
- 2.8 The current retained in house team provide client side contract monitoring, PCN representation reviews and appeals functions as well as supporting the Capita and Re contracts with regards to their parking elements. Other functions, including blue badge and freedom pass fulfilment and permit applications are provided by the Customer Support Group. It should be noted that any services presently provided by Capita and Re are outside of the scope of this review and the consultant's report as well as the procurement presently being undertaken.
- 2.9 The contract with NSL Limited is valued at circa £4.3million annually and uses the BPA (British Parking Association) Standard contract, which is recognised as providing standard contract terms for the parking industry. The contract contains no incentive, payment or bonus linked to PCN issuance level for either the provider or its staff.

2.10 The majority of London local authorities deliver their parking services through an outsourced provider, with only 9 of the 33 Boroughs operating their service in house. The below map shows the breakdown across London.



#### Requirement for increased parking enforcement in Barnet

2.11 Driving and parking in Barnet are prominent issues. On a condensed outer London network the needs of the motorist to park easily have to be balanced with an urgent requirement for improved air quality, pedestrian safety, traffic control, congestion and a finite supply of parking spaces.

2.12 Consequently parking services are of great interest and concern to Barnet residents and businesses and have featured strongly on the Council's Resident's Perception's survey. Parking services are demand led and the frequent requests for parking enforcement that the Council receives as well as the high number of requests for controlled parking zones and changes to existing controlled parking zones, further demonstrate a strong desire from residents for the Council to enforce parking within the borough.

2.13 Barnet's road space asset is set to become even more complex in the near future as Electric Vehicle Charging points and car clubs become more prominent and more Controlled Parking Zones are delivered to support major new developments such as Colindale and Brent Cross. All of these development will need to be carefully balanced with Barnet's Parking Policy aims of:

- Keeping traffic moving
- Making roads safer
- Reducing air pollution
- Ensuring as much as possible that there are adequate parking places on the High Street

- That residents can park as near as possible to their homes

To support these aims in the future, the authority will continue to need effective parking enforcement which is flexible enough to meet the requirements of a rapidly evolving roads pace asset for London's fastest growing borough.

#### Benefits of existing commissioned model

- 2.14 So as to inform this report, the Parking Service has also detailed below the benefits of the commissioned model as presently used, which is also the basis of the existing procurement.
- 2.15 To date the Council's commissioned model working with an outsourced provider has allowed effective deliver of the expectations of the service as articulated in sections 2.5 to 2.7 of this report. During the lifespan of the contract service levels have been generally met and the service scope and size has grown to meet the Council and resident's expectations. On Street enforcement PCNs have risen from 120,000 a year to circa 150,000 a year since the enforcement service was outsourced. In 2015/16 Moving Traffic Contravention (MTC) enforcement was adopted seeing a growth of PCN levels of 56,000. (Source: London Borough of Barnet Parking Services Annual Report 2016/2017). The size of the NSL operation has meant that this growth could be accommodated in a way that would be difficult to have achieved in house, as they had the staff and operational facilities to rapidly grow that did not exist in house.
- 2.16 The success rate at the independent adjudication service has improved by 10% from the final year of the in-house service (2011/12) to the most recent year (2016/17) of the outsourced service.
- 2.17 Any occurrence of performance issues with the contract have seen the swift adoption of an improvement plan, backed up by strong financial penalties and contractual measures to achieve improvement.
- 2.18 The experience of NSL supporting the Barnet operation's growth detailed previously shows the benefits of working with an outsourced provider. This comes from the scale of their operations, which allow access to a range and depth of resources. This includes specialist training, recruitment, performance management and technology experts who know the parking and traffic industry well. Many resources are shared with other contracts where a full time person employed by the Council would not be viable. In many cases similar focused parking technical expertise would be difficult to fully recreate within the Council at an acceptable cost.
- 2.19 As the providers' core business, the focus of a private operator is on all things related to the parking industry. In general this would be expected to see the newest technologies, most advanced software and most specialised training and resourcing brought to the Borough.
- 2.20 Operating multiple contracts nation-wide allows for a sharing of staff and resources. The Council has benefitted in recent months from a boost to resourcing brought from a regional enforcement team shared around London by NSL giving a boost to trained staff far faster than any individual operation or Council could achieve. The growth of Moving Traffic enforcement and the associated CCTV clip processing would not have been achieved without

- NSL's large shared service function that could scale up rapidly to meet the borough's requirements.
- 2.21 Certain functions that a private operator is able to share amongst clients that must be provided would have to be recreated by the Council. This includes the costs of specialist training staff and system (ICT) support.
  - 2.22 The Council presently has access to teams of high quality pooled shared resources that include business analysis for enforcement, technology specialists, customer service improvement and quality assurance staff. It is unlikely that the Council would be able to economically recreate all these functions.
  - 2.23 The private sector provides more flexibility and lower risk around reliance on technology. Most private sector organisations run multiple differing software platforms and technology solutions, which they can switch clients between as their needs change. This provides for innovation at lower cost and risk to the Council and resilience in the situation where a system unexpectedly fails.
  - 2.24 The Council will need to be ambitious in its approach to adopting new technology to the benefit of the residents and visitors of the Borough. Contracts with the private sector can place an obligation to adopt, update and refresh technology at a rate the Council could not achieve as a smaller entity. Risk, cost and learning from trials is pooled with other authorities through private sector partnering without the difficulty of setting up partnerships with other Councils.
  - 2.25 The process of procuring a Contract is a great opportunity to have external parties take an external view of the Council and make suggestions to change to deliver the needs of the Borough. Recent procurements in London have seen new solutions proposed that are industry leading. The value of this work can be significant, whilst the costs are spread over the life of the contract. A similar review of the service could be achieved with expenditure with a consultant but the cost would need to be paid up-front and without the consultant being there for the life of the contract to back up their proposals.
  - 2.26 The use of an outsourcing arrangement in a well written contract allows the private sector to hold the risk of change in the future. Parking is a volatile service area in terms of technical advancement. Given the growth of automation, in car technology, vehicle use and ownership and wider changes to the highway, we are expecting a great deal of change over the period of the next contract.
  - 2.27 The private sector has access to a range of providers and as a bulk purchaser is able to achieve cost savings unavailable to the Council. In areas such as technology where there are large overheads there is considerable strength from partnering with organisations which can reduce costs.
  - 2.28 As a commissioning authority, the Council has spent time in recent years building its capability and competence in contract letting and management. Most teams, including the Parking Service, are broadly focused around delivering service with partners. The skills that exist for this are not necessarily the same as those needed for operating an in-house service.

### **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

#### **Return the service to in house enforcement**

- 3.1 To fully consider the option to bring the services presently provided by NSL back in house the services of an independent expert with industry relevant knowledge and experience were obtained. The choice of an independent, external expert was to provide an un-biased view from a neutral position. The Council provided relevant data to allow a review to be undertaken and the results of this review were presented in a report to the Council.
- 3.2 As some of the information in the report is highly detailed and sourced from the existing operational costs of the present outsourced provider, NSL, it has been redacted from the publically available documents. This is to protect the commercial interests of both the Council and NSL, especially in the context of the ongoing procurement by the Council. In all cases the higher level financial information has been retained and it is not expected that the redactions would materially impact the understanding of the report and contents.
- 3.3 The independent expert investigated the impact of bringing the current service mix provided by NSL In-House at the end on the current contract period (2018). The report produced used the current NSL cost matrix as the basis for comparison, identifying additional costs or savings on a line by line basis. Cost variances are considered against three areas; Mobilisation, Annual Running Costs, At Risk Costs.
- 3.4 The independent expert considered that cost variances in the mobilisation category would be driven mainly by the requirement to source new premises and set up IT systems. The one off year one cost of mobilisation was projected to cost £305k by the independent expert. It should be noted that there would be set up costs for an outsourced operator too which are likely to be capitalised over the lifetime of the contract. The Council would have the option to capitalise costs too. They would also be highly likely to be lower than the Council's costs, as some functions would likely already exist within their organisation, such as ICT services and likely premises for back office staff. The existing operator would be unlikely to see many of these costs were they to be successful in the ongoing procurement.
- 3.5 The independent expert considered that variances in the Annual Running Cost section are driven by the additional cost of employing staff in a Local Government setting. These include the higher pay grades for Local Government staff, pension costs and experienced higher levels of absenteeism than the private sector. The additional ongoing costs were calculated by the independent expert to be £1,061k each year.
- 3.6 The independent expert detailed how At Risk Costs are driven by both certain risks relating to the unknowns of contractual negotiation on staff terms and conditions as well as redundancy cost along with the risk of lower PCN productivity of an In-House workforce based on experiences between the two operating models. The at risk costs have been profiled at both a low and high end estimate, with the independent expert's report (enclosed) providing more details on the reasoning behind this.
- 3.7 The experience, especially in the content of other local authority parking operations, led the independent expert to conclude that productivity differences in staff between the private and public sector likely come down to a range of reasons however the performance management tools are typically stronger in the private sector. The setup of the organisations, from a business entirely focussed on parking compared with a large multi-service public sector organisation, see differences in the nature of performance management, training, and HR/recruitment approaches. The defined nature of contracts

makes the potential for non-productive (non-enforcement) time less likely in private sector organisations (especially where that would impact key performance indicators). The Parking Service acknowledges that the financial imperative of key performance indicators and the need to control costs are slightly less acute on public sector organisations and individual employees.

- 3.8 The independent expert's report recommended that the Council should expect additional Year one cost of £1.4m, which should the At Risk cost materialise, would rise to £2.4m as a low end estimate or £3.1m as a high end estimate. In future years the £304k one off mobilisation cost would drop away. The report cautioned that while the *At Risk Costs* are not guaranteed to materialise, the council should consider the At Risks Cost (Low) as highly likely to materialise and the at risk cost (High) as more likely than not to materialise.
- 3.9 The at risk costs are detailed in the independent experts report. At a high level they derive from three areas. The first of these comprises of the cost to harmonise staff terms and conditions when staff are transferred to the Council. The second of these comprises of the redundancy costs of staff where their distance from Barnet is such that a transfer to the Council is improbable. The third area is from the loss of PCN income that the independent consultant believes would arise with an in-house operation. The report goes into more detail on the reasons behind this.
- 3.10 The table below sets out the summary of the at risk costs arising from these three sources as a low and high risk scenario.

<b>At Risk Costs - Low</b>	
Street Services Staff T&Cs	£300,000
Back Office Redundancy	£100,000
PCN (Low)	£654,326
	<b>£1,054,326</b>

<b>At Risk Costs - High</b>	
Street Services Staff T&Cs	£300,000
Back Office Redundancy	£100,000
PCN (High)	£1,308,652
	<b>£1,708,652</b>

- 3.11 Combing the mobilisation costs and annual running costs with the low and high at risk costs provides the following range of potential cost of the in house option. This would be in addition to the existing £4.3million expenditure with NSL.

		Year 1
1	Mobilisation	£304,783
2	Annual Running Costs	£1,060,930
3	<b>Total (1+2)</b>	<b>£1,365,713</b>
4	At Risk Costs (Low)	£1,054,326
5	<b>Total Low (3+4)</b>	<b>£2,420,039</b>
6	At Risk Costs (High)	£1,708,652
7	<b>Total High (3+6)</b>	<b>£3,074,365</b>

#### Benefits of an in-house service

- 3.12 The Parking Service's view is that there are some benefits to running an in-

house operation that should be considered in conjunction with the financial implications detailed in the report. The Council would hold complete flexibility in how it uses the operation and a greater degree of control with no need to use change control processes and incur their associated costs. These were on balance, however, not sufficient to offset the dis-benefits and to recommend a further investigation into an in-house option.

- 3.13 Other potential benefits from an in-house model would arise from lower contract management costs to the Council and no provider overheads. However, the overall cost increase arising from both in house labour costs and operational costs would significantly outweigh this. These are already factored into the report by the independent expert.
- 3.14 The operational benefits may be increased levels of control for the Council over staff and the ability to return some jobs to the Borough. However existing recruitment and retention to Council employed roles in the representations and appeals team has been difficult and London-wide there are recruitment difficulties to the all parts of the parking industry.
- 3.15 An in house service may provide some additional flexibility to the Council if there was a desire to reshape roles for staff in the future to cope with changing expectations, subject to appropriate consultation with staff and costings. However, an in-house option would mean that the Council holds all the risk for operating the service and any liabilities for service failure, redundancy and other costs that the private sector has taken from the Council.

#### **Other Options Considered**

- 3.16 The option to deliver the service through multiple smaller contractual lots was also considered. However, the additional procurement and contract management costs, along with a reduction in the potential for joined up solutions and loss of price competition from reducing the size of individual lots means this option is not recommended.
- 3.17 The Parking Service also considered bringing only some elements of the service back in house, however, it was perceived that the same concerns raised regarding bringing the whole of the service in house would still exist without the benefits of reducing contract management costs, making this is less appealing option. Therefore this option is not recommended.
- 3.18 A further option is to commission more of the service outside of the Council, such as the representation and appeals service by transferring these functions to the private sector, leaving just a very thin client side. This option is not considered an appropriate balance given the desire to maintain a closely managed parking service which is highly adaptive to the Borough's developing needs and with a strong quality focus. Instead it is preferable to maintain a sufficiently large team in the representations and appeals area to assure appropriate decisions of representations are taken by the Council.
- 3.19 The Council investigated with other North London authorities the potential for a shared service or a shared procurement. This work was discontinued when it became apparent that other local authorities plans did not align with Barnet's and some went out directly for procurements on their own which effectively precluded this option. Any future opportunities will be investigated at the appropriate stage.

#### **4. POST DECISION IMPLEMENTATION**

- 4.1 The Council will continue with the procurement of the new parking contract based on the intention to maximise

#### **5. IMPLICATIONS OF DECISION**

##### **5.1 Corporate Priorities and Performance**

- 5.1.1 The continued provision of a parking service through the new procurement will allow the continuation of delivery of corporate priorities of the service. This includes the budgetary contribution of the parking surplus accounts as well as fulfilling the statutory needs for a managed Highway.

- 5.1.2 The procurement documents have been drafted to include Key Performance Indicators that will allow close alignment with expected performance measures for the service now and in the future.

- 5.1.3 The procurement documents have received contributions from colleagues widely within the Council to ensure close alignment with customer service standards, MyAccount, data protection and complaints processes and other similar common standards.

##### **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 5.2.1 The proposal recommends the continuation of the present service structure and therefore no financial or resource implications arise directly from this decision. The cost of the new procurement is contained within the current service budgets and the cost of the new contract is expected to be broadly in line with the existing contract.

##### **5.3 Social Value**

There is no anticipated negative social value element to this decision as it is a continuation of the existing service structure. The procurement of the new contract will include a requirement to demonstrate social value in line with the Council's expectations and obligations and will be tested through that process.

##### **5.4 Legal and Constitutional References**

- 5.4.1 The Council has a duty to manage the highway under the Road Traffic Act 1991 and Traffic Management Act 2004. The powers for parking controls and enforcement are provided under various legislation, the main elements of which are the Greater London (Powers) Act 1974, Road Traffic Regulation Act 1984, Traffic Management Act 2004, London Local Authorities Acts 1996 and 2003.

##### **5.5 Risk Management**

- 5.5.1 The risk of managing the procurement and the service and dealt with separately within the service.

##### **5.6 Equalities and Diversity**

- 5.6.1 The procurement of the new contract will require the provider to evidence their

processes to comply with equalities and diversity requirements and best practice. The Council owns the policies and processes used by outsourced providers and equalities and diversity are considered and handled through these. These processes are not being altered as a result of this decision.

#### **5.7 Consultation and Engagement**

5.7.1 No consultation or engagement was necessary or appropriate for this decision.

#### **5.8 Insight**

5.8.1 Insight data is used within the Parking Service to drive performance and customer service improvements. This decision does not impact the existing activity linked to insight information.

### **6. BACKGROUND PAPERS**

6.1 London Borough of Barnet Parking Services Annual Report 2016/2017:

<://barnet.moderngov.co.uk/documents/s40933/Appendix%20A%20-%20Annual%20Parking%20Report%202016%2017.pdf>