

<p>TITLE OF REPORT: Parking Services Enforcement</p> <p>BUSINESS CASE</p> <p>Key Decision No. NH R.12</p>	
<p>CPC MEETING DATE (2020/21)</p> <p>9th November 2020</p>	<p>CLASSIFICATION:</p> <p>Open with Exempt Appendix</p> <p>By Virtue of Paragraph (s) 3, 4,5 and 6, Part 1 of Schedule 12A of the Local Government Act 1972, Appendix 1 is exempt because it contains in para 3 - information relating to the financial or business affairs of any particular person (including the authority holding the information),in para 4 - information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority; in para 5- information in respect of which a claim to legal professional privilege could be maintained in legal proceedings; and in para 6 - information which reveals that the authority proposes a) to give under any enactment a notice under or by virtue of which requirements are imposed on a person; and it is considered that the public interest in maintaining the exemptions outweighs the public interest in disclosing the information.</p> <p>If exempt, the reason will be listed in the main body of this report.</p>
<p>WARD(S) AFFECTED</p> <p>All</p>	
<p>CABINET MEMBER</p> <p>Cllr Jon Burke</p>	

KEY DECISION

Yes

REASON

Affects two or more wards
Spending/or saving

GROUP DIRECTOR

Ajman Ali - Neighbourhoods & Housing Group Director

1. CABINET MEMBER'S INTRODUCTION

- 1.1. The wide-ranging benefits of parking and traffic management include the provision of protecting parking spaces for residents and businesses, discouraging visitors and commuters from using Hackney's limited street space as well as, monitoring and enforcing traffic scheme compliance such as school streets, Low Traffic Neighbourhoods, Ultra Low Emission Vehicle zones and bus lanes.
- 1.2. The Mayor's 2018 Manifesto and the Sustainable Procurement Strategy 2018-2022 included a commitment to review all outsourced services with a view to bringing them in-house.
- 1.3. Furthermore, the Climate Emergency Declaration set out that we would do everything in our power to deliver net-zero emissions across all of our functions by 2040, parking enforcement services play a key role in achieving these objectives.
- 1.4. The comprehensive and thorough parking enforcement contract review and options appraisal undertaken by Council officers have concluded that an in-house parking enforcement service under Parking & Markets Services is the most practicable and cost-effective option out of all the options considered.
- 1.5. This report seeks Cabinet Procurement Committee approval to insource Parking Enforcement functions which will generate savings (details in Appendix 1 paragraph 1.1), improve service delivery and return the management of enforcement activities to the Council in full.

2. GROUP DIRECTOR'S INTRODUCTION

- 2.1. Parking Services have a statutory duty to enforce parking restrictions on our roads and car parks under the Road Traffic Regulation Act 1984 (RTRA), Road Traffic Act 1991 and the Traffic Management Act 2004.
- 2.2. By enforcing parking regulations motorists are more inclined to park safely and legally. This includes enforcing against moving traffic and bus lane contraventions, to encourage motorists to comply with restrictions. This in turn reduces traffic congestion, improves road safety, air quality and accessibility for all road users, including those with disabilities.
- 2.3. Parking enforcement plays a significant role in the Council's objective to improve air quality in Hackney and is a key tool in the management of traffic schemes, such as Hackney School Streets, Low Traffic Neighbourhoods (LTN) and Ultra Low Emission Vehicle zone (ULEV).
- 2.4. Parking Enforcement Service was first outsourced in 1999 and since 2004 the service has been provided by the same contractor, Airport Parking Corporation of America (APCOA) which is majority-owned by US and UK-based private investment firms. The existing contract was awarded in 2012 and was extended for 5 years in 2017.
- 2.5. Council's expenditure on the Parking Enforcement Contract is outlined in Appendix 1 in paragraph 2.1 and 2.2.
- 2.6. The existing contract is due to expire on the 31st of March 2022 with no option for a further extension. Parking Enforcement is the only statutory function in parking services that Hackney Council has outsourced.
- 2.7. In 2018 Parking Services commenced a review of the existing Parking Enforcement Contract (PEC) and the overall Parking Enforcement Service. This led to the service carrying out an insourcing appraisal and business cases to assess the viability of insourcing.

3. RECOMMENDATION(S)

Cabinet Procurement Committee is recommended to approve:

- 3.1. Commencement of the insourcing of parking enforcement from the external contractor before the contract expires in March 2022.**
- 3.2. Commencement of procurement exercises for the elements of service that will continue to be outsourced (Parking CCTV hardware/software and removal trucks which will follow the normal procurement process along with a business case).**

4. RELATED DECISIONS

4.1. Not applicable.

5. OPTIONS APPRAISAL AND BUSINESS CASE (REASONS FOR DECISION)

5.1. Background information and business case

5.1.1. This report provides the Cabinet Procurement Committee (CPC) with the results of the 'Parking Enforcement Contract Review' and the 'Parking Enforcement Insourcing Feasibility Study' along with details of the 'Parking Enforcement Insourcing Business Case' that was carried out by Parking & Markets Service since 2018 for all services that are currently outsourced to APCOA (the service provider).

The service provider is currently responsible for the delivery of:

- On-street and off-street parking enforcement
- CCTV enforcement of moving traffic, bus lane and parking restrictions
- Processing of suspended bay signage
- Removal of vehicles and temporary car pound in Edmonton
- Managing event day parking signage (Arsenal stadium etc)
- Management of CCTV hardware and software
- Abandoned and untaxed vehicles processing
- Courier services for delivery of visitor vouchers
- Cleaning services for two operational bases and Council premises

5.1.2. Council's expenditure on APCOA is outlined in Appendix 1, paragraph 2.1 and 2.2.

5.1.3. Each year since 2016 under the current contract terms performance payments are made to the current provider (Appendix 1, paragraph 3) As the contract costs increase, either through increased activity or additional services through contract variations, so do the performance payments as they represents a fixed % (Appendix 1, paragraph 3) of the overall contract costs.

5.1.4. It is estimated that the Council pays up to £617k per annum towards costs that are not covered directly by the current provider, i.e. operational base, utilities etc. The main reason that these costs are not covered by the service provider is that the contractor passes such costs back to the Council with potential margins and is subject to performance payment.

5.1.5. The service provider currently delivers this contract with 132 Full-Time Employees (FTE) and two sub-contractors, ELV for vehicle removals and Siemens for CCTV hardware and software.

5.2. Insourcing

- 5.2.1. In line with the Mayor's 2018 Manifesto and the Sustainable Procurement Strategy 2018-2022 which included a commitment to review all outsourced services with a view to bringing them in-house an insourcing appraisal has been carried out.
- 5.2.2. The comprehensive and thorough insourcing appraisal undertaken by Council officers has concluded that an in-house parking enforcement service under Parking & Markets Services is the most practicable and cost-effective option out of all the options considered. The insourcing of the parking enforcement service will deliver savings to the Council.
- 5.2.3. Managing the process of insourcing parking enforcement will include an initial 'drag and drop' of the existing operation into Parking & Markets Services without any changes and with staff remaining on existing terms and conditions for 6-12 months to allow for full-service review, consultation with staff and redesign of the service.
- 5.2.4. After the service structure review is completed the overall staffing costs are expected to cost more than outsourced costs (Appendix 1 paragraph 4). The main reason for the increase in staffing costs is the transition to the Council's terms and conditions which is a significant improvement on their current terms and conditions, the main difference being membership of the Local Government Pension Scheme.
- 5.2.5. The initial HR evaluation of the roles within a restructured parking enforcement service was undertaken to estimate the costs of the insourced service. Details of the costs estimate are included at Appendix 1, paragraph 5. The job description is subject to change following consultations with the contracted staff and relevant Trade Unions.
- 5.2.6. The overall insourced service operational costs are forecasted to be lower than outsourced, details of savings can be found in Appendix 1 paragraph 6. This saving is achieved predominantly by eliminating all margins that external contractors make on top of the service costs, using resources more efficiently and by integrating with existing Council's services.
- 5.2.7. Two elements of the service will continue to be outsourced, provisions of CCTV software and hardware and vehicle removal services. Future costs are forecasted to remain at a similar level. However, a full procurement process will be completed to obtain the best value for money for the Council and deliver savings where possible. Discussions are underway with the Community Safety Team to explore options of joint procurement to achieve efficiencies.
- 5.2.8. The Council pays specific operational costs for the current provider, such as its operational base, utilities, cleaning, IT, telephones etc. These costs are expected to remain the same as the service will continue to use the same facilities and operate from Council buildings. These costs amount to over £617k and are already covered by existing budgets.

5.2.9. A table illustrating breakdown per each financial year between the outsourced costs and the insourced costs can be found in Appendix 1 paragraph 7.

5.3. **BENEFITS REALISATION / LESSONS LEARNED**

5.3.1. The Parking Enforcement Contract (PEC) is an “open-book” contract meaning that the contractor provides a monthly breakdown of their costs which the Council is liable to pay.

5.3.2. Based on the monthly costs, an additional fixed-rate % performance payment (Appendix 1 paragraph 3) is available to the contractor subject to the satisfactory achievement of an agreed set of Key Performance Indicators (KPIs).

5.3.3. There are 20 KPIs in this contract. Each KPI has a different value of performance payment attributed to it.

5.3.4. There are no KPIs or targets attached to the number of Penalty Charge Notices (PCN) issued by Civil Enforcement Officers (CEO) as this is prohibited by law. All of the KPIs are quality measures, the main KPI relates to overall coverage of the borough and the frequency of street visits made by CEOs.

5.3.5. The current operational model is based on street visits and this is reflected as the main KPI in the contract. The latest review shows that on average each month 34% of streets visited result in no PCNs being issued. This would suggest that there is 100% compliance with parking restrictions or that no vehicles are being checked by the officers. Furthermore, in 2019 there were 45,618 visits carried out, of which, 210 streets did not result in a PCN being issued for 12 consecutive months.

5.3.6. The in-house enforcement service will adopt a new approach that will be demand-led. In essence, streets that have 100% compliance will be visited less often (for example, once a week) and streets that have very low compliance will be visited multiple times a day.

5.3.7. The Council has reviewed KPIs with the service provider and details can be found in Appendix 1 paragraph 8.

5.3.8. One of the key drivers for insourcing Council services is to improve the work life balance of the workforce. It is expected that by insourcing this service and moving these workers to the Council on improved pay and conditions, this will improve staff morale which in turn result in better performance and reduced staff turnover particularly as the workforce will also benefit from being under Council management structure with clear career progression and development opportunities.

5.3.9. The service provider staff turnover has also been reviewed and details can be found in Appendix 1 paragraph 9.

5.4. **Strategic Context:**

- 5.4.1. The Mayor's 2018 Labour Manifesto included a commitment to review all outsourced services with a view to bringing them in-house.
- 5.4.2. The insourcing of parking services is in line with at least 3 of the Mayor's 5 overarching priorities for the Council:
- Insourcing helps to tackle inequality by better job opportunities.
 - This ambitious proposal will allow parking to create a well-run service that delivers high-quality services and financial stability.
 - Parking Enforcement plays a key part in prioritising quality of life and the environment; making our streets safer for cyclists and pedestrians, tackling air pollution, and protecting our parks and green spaces.
- 5.4.3. The Climate Emergency Declaration set out to deliver net-zero emissions across all of our functions by 2040 and parking enforcement services play a key role in achieving these objectives.
- 5.4.4. The Council faces unprecedented financial challenges as a result of COVID-19 pandemic and this proposal will generate a certain savings per annum (Appendix 1 paragraph 1.1).
- 5.4.5. This will create multiple opportunities for the Council to achieve further savings and efficiencies by reviewing the insourced service and potentially expand the officers' role to also incorporate other types of enforcement functions that the Council has.
- 5.5. **Preferred Option:** Is to insource the parking enforcement service which will generate certain savings per year, improve service delivery and return the management of enforcement activities to the council in full.

5.6. ALTERNATIVE OPTIONS (CONSIDERED AND REJECTED)

Option 1: Re-tender the same contract:

5.6.1. Advantages:

- 5.6.1.1. The main benefit of this option is that it's the quickest option to implement as the contract & specifications are already drafted and the same scoring mechanism could be used as before, providing a quick and easy tender process and new service provision

5.6.2. Disadvantages:

- 5.6.2.1. The existing contract model does not provide any incentive for the contractor to deliver savings. This is mainly due to the fact that once savings are achieved it reduces the performance payment that the contractor receives as the value of the performance payment is relative to the monthly cost of the contract.
- 5.6.2.2. The KPIs outlined in the contract are based on the parking demands and measures before 2012 (the contract has not seen many significant changes since the original contract from 2004). As a result, the current contract would not provide the best tools for the Council to respond to the current priorities such as air quality, environmental impact etc.
- 5.6.2.3. The current contract model does not provide the best value for money to the Council as the contractor has no incentive to provide the most efficient enforcement, as long as the contractor meets the KPIs they will receive their share of income, which does not provide the best service to our residents and does not reduce the complaints received.
- 5.6.2.4. The current contract has multiple subcontractors over which the Council has no control. Furthermore, the Council has no control over the actual fees charged by the sub-contractor and as a result, value for money can not be guaranteed. The current contract provides elements of margins and performance payment costs added on top of the sub-contracted services where the Council could achieve better price and control directly.
- 5.6.2.5. There are currently no penalties for under-performance in the contract, therefore, if the contractor fails to deliver the service the Council is still liable for the costs, the only reduction would be the performance payments. This is a very safe model for the contractor as regardless of their performance they will not operate at a loss on this contract.
- 5.6.2.6. This contract model also does not incentivise the contractor to exceed KPI performance, once KPIs are achieved then activity reduces - there is room for the service provider to exploit this by making savings towards the month-end by reducing the service as the KPI has already been met.
- 5.6.2.7. Additional information that is commercially sensitive is outlined in paragraph 16 and 17 of Appendix 1.

Option 2: Tender a new contract arrangement (multiple lots)

5.6.3. Based on the lessons learned from the existing contract and based on the feedback and knowledge gained from benchmarking, the new contract model would have to be split into multiple lots. This option considers the contract in 8 lots. A single provider can win all lots. The proposed lots are as follows:

- Lot 1 - On-street and off-street Parking Enforcement services
- Lot 2 - CCTV parking, bus lane and traffic enforcement services
- Lot 3 - CCTV hardware and software services
- Lot 4 - Vehicle removal services for parking contraventions
- Lot 5 - Suspension, event day and special sign processing services
- Lot 6 - Courier delivery services for visitor vouchers and parking products
- Lot 7 - Cleaning services of parking operational base(s)
- Lot 8 - Removal, processing and disposal of abandoned & untaxed vehicles

5.6.4. The new contract model is expected to have a “service credits” element which will provide criteria in KPIs as to when the service provider will receive a performance payment and when they will receive a deduction. It is expected that the new contract model will work on basic criteria that if the KPI is met, then the service provider will receive their normal remuneration, if the KPI is failed then they will pay a penalty and if the KPI is exceeded then they will receive a performance payment.

5.6.5. In the existing contract, a contractor who fails to achieve KPI does not receive any penalties and is still paid the normal contractual remuneration. When they meet the KPI they receive a performance bonus.

5.6.6. Advantages:

- 5.6.6.1. This provides the Council with greater control over each element of the contract.
- 5.6.6.2. With potentially multiple providers this will provide greater flexibility and competition between contractors and, in turn, provide better services for the Council.
- 5.6.6.3. One provider can tender for multiple lots which may provide better value for money when the economies of scale are applied.
- 5.6.6.4. Reduces the need for the main contractor to use sub-contractors as this can be done directly by the Council.
- 5.6.6.5. This provides greater flexibility for the Council in implementing change in its services as only a single lot can be affected as opposed to large contracts being changed.
- 5.6.6.6. A smaller number of KPIs per each lot but a greater number of KPIs as a whole can be monitored.
- 5.6.6.7. A service credit model will provide the Council with an improved contract model that will incentivise the service providers to exceed their KPI measures in order to achieve performance payments and not be rewarded for simply carrying out their contractual obligations as they are under the current model.

5.6.7. Disadvantages:

- 5.6.7.1. Having multiple contractors working together can create compatibility and cooperation issues due to different systems being used by each provider or contractors looking to pass on the blame to other contractors for failures or non-delivery of services.
- 5.6.7.2. Each lot would require a separate tender process and this would create additional workload in comparison to a single lot tender.
- 5.6.7.3. Based on the fact that this may require multiple contractors there is little chance of economies of scale being applied to the contract, which could cumulatively cost more.
- 5.6.7.4. In cases where there is a staff shortage, it may be more difficult for each provider to deliver their contract as they will be unable to share staff between different parts of the service.
- 5.6.7.5. Fewer savings may be delivered as it will have an impact on each provider and would require contract variations.
- 5.6.7.6. Based on the fact of multiple lots there might be multiple different unions involved, one for each provider making it more difficult to manage staff and union relations consistently.
- 5.6.7.7. During a period of handover, there is a risk to the delivery of the service. Based on different aspects of the contract being directed to potentially new contractors from existing one there is a significant risk that the service will not be delivered for a period of time.
- 5.6.7.8. TUPE transfer will be more complicated as there will be multiple staff potentially transferring to different providers. There is a risk of some roles being split due to the different areas of responsibility being won by different contractors.

5.7. Success Criteria/Key Drivers/Indicators:

- 5.7.1. The Traffic Management Act 2004 clearly states that any Local Authority must not set any targets for the number of Penalty Charge Notices (PCN) to be issued.
- 5.7.2. Once the service is brought in house the Council will carry out a full review of the service delivery and will introduce new KPIs. This will include at a minimum:
- 5.7.3. All KPIs from the current contract will continue to apply and will be reviewed to make sure that these are up to date and take into account service changes.
- 5.7.4. PCN levels will be benchmarked against previous year performance to ensure that service does not fall behind.

5.8. Whole Life Costing/Budgets:

- 5.8.1. The detailed breakdown of the cost per year is outlined in Appendix 1 paragraph 7. Once the service is brought back in-house and the restructuring

is completed, the service will achieve savings for the Council. (Appendix 1 paragraph 1.1).

- 5.8.2. There are potential additional costs for exiting the contract with the current provider and a contingency budget has been included in the implementation plan, (outlined in Appendix 1 paragraph 10). These additional costs would only apply in 2021/22 and will be covered entirely within Parking Services budgets. There is no requirement for implementation funding.
- 5.8.3. Once the insourcing of parking enforcement is completed, the service in line with other departments within the Council will continue to seek out efficiencies and savings through exploring the potential of integrating with the Council's other enforcement service and increasing the Council's street presence. This opportunity will be explored once the parking enforcement service is successfully insourced, restructured and operating effectively and any changes will follow separate consultation and business case processes.
- 5.8.4. With the more efficient management of the workforce under the Council control there is a potential for further savings and improved income generation.
- 5.8.5. The insourcing costs for future years have an inflation element included in the financial modelling to cover all elements of costs, including payroll, pensions and operations.

5.9. Policy Context:

- 5.9.1. The Mayor's 2018 Manifesto included a commitment to review all outsourced services with a view to bringing them in-house.
- 5.9.2. The insourcing of parking services is in line with at least 3 of the Mayor's 5 overarching priorities for the Council:
 - 5.9.2.1. Insourcing helps to tackle inequality by better job opportunities.
 - 5.9.2.2. This ambitious proposal will allow parking to create a well-run service that delivers high-quality services and financial stability.
 - 5.9.2.3. Parking Enforcement plays a key part in prioritising quality of life and the environment; making our streets safer for cyclists and pedestrians, tackling air pollution, and protecting our parks and green spaces.
- 5.9.3. The Climate Emergency Declaration set out to deliver net-zero emissions across all of our functions by 2040 and parking enforcement services play a key role in achieving these objectives.
- 5.9.4. The insourcing will play a key role in implementing and enforcing the Parking Enforcement Plan 2020-2025.

5.10. Consultation/Stakeholders:

Staff and union consultations

- 5.10.1. The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) will apply to all permanent posts within APCOA and as a result, the Council will have to carry out consultations with all affected APCOA staff, unions and HR.
- 5.10.2. The existing contract is due to expire on 31st of March 2022 with no further option of extension.
- 5.10.3. The current COVID-19 pandemic is expected to have a significant impact on the way consultations are carried out and as a result, it is anticipated that it will take longer than normal to complete these. Such a process normally takes 6-months, however, as large group meetings will be impossible due to existing restrictions the process can take up to 12 months. It will have to be completed at the latest in November 2021 to allow sufficient time for the transition to take place before the contract expires on 31st of March 2022. Virtual meetings will be explored to ensure all staff can attend at the same time with relevant stakeholders and representatives.
- 5.10.4. HR staffing has been factored into the costs after the service is brought in-house. Details of HR staffing are outlined in Appendix 1 paragraph 14.
- 5.10.5. The TUPE consultations must be carried out and if the service is to carry out a restructure within 2 years from the point of transfer then this will require a further consultation in line with restructuring guidelines. This will also require consultations with union representatives. This provision would apply regardless of whether the service is insourced or outsourced. The Council will carry out a second consultation after the “drag and drop” TUPE transfer in regards to the new structure.

Contractor and subcontractors negotiations

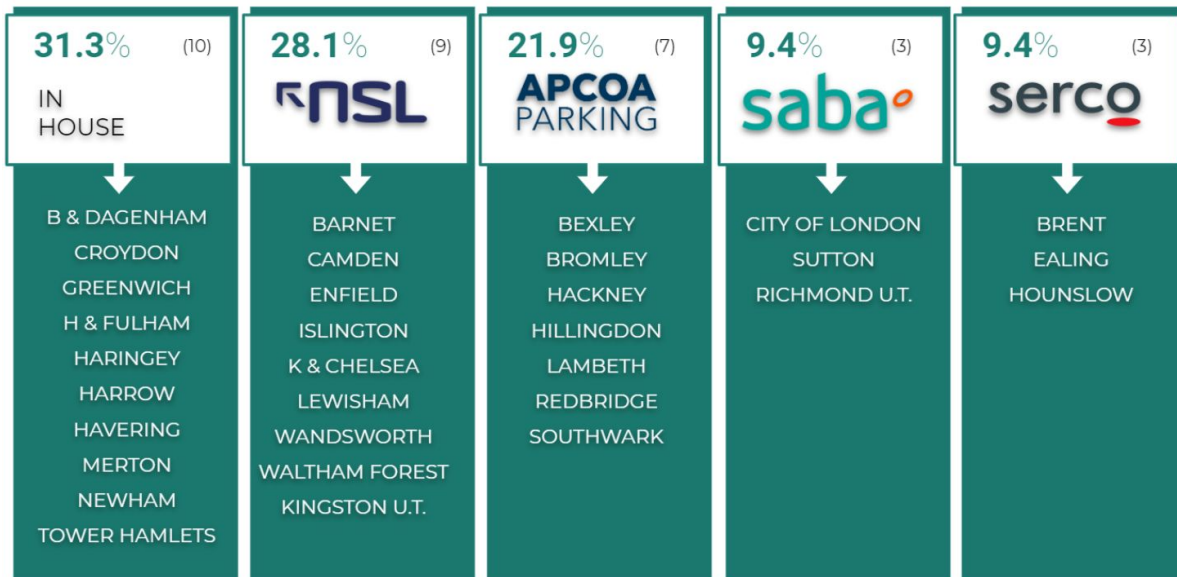
- 5.10.6. Negotiations and consultation will have to take place with the contractor in regards to all of the provisions of the contract and how the Council will take control over the services.
- 5.10.7. Negotiations of the sub-contracts of the service provider that will then be replaced with Council’s contracts that will follow the standard procurement procedure and be approved by the CPC. This only applies to the CCTV hardware and software services and Vehicle Removal services.

5.11. Risk Assessment/Management:

There are certain risks associated with the process of insourcing the service and these are listed in a table in Appendix 1 paragraph 11.

5.12. Market Testing (Lessons Learnt/Benchmarking):

Benchmarking across London has shown that 31.3% of Councils have their Parking Enforcement carried out in-house, followed by 28.1% of Councils using NSL as their outsourced provider for Parking Enforcement. This is then followed by APCOA (21.9%), Saba (9.4%) and Serco (9.4%).



A benchmarking exercise has been carried out with out-of-London Councils and how they deliver their services. From those who have responded, over 70% carry-out their Parking Enforcement in-house. This is mainly due to better value for money.

In-house	Outsourced
Aberdeenshire	Adur and Worthing
Cheshire East	Bath & NE Somerset
Coventry	Cotswold
Dacorum	Dacorum
Harrogate	Forest of Dean
North Lincolnshire	Lancaster
Nottingham	
Portsmouth	
Teignbridge	
West Oxfordshire	
Winchester	
Wychavon	

Parking Services have also carried out a Soft Market Research Testing Exercise to find out views and options from private operators. Below is the summary of key findings:

- 5.12.1.1. The way the current contract is laid out does not fully meet all of the needs of the service, nor does it deliver meaningful scope for cost-saving elements or allow room for ongoing improvement.

- 5.12.1.2. Taking the market testing findings into account, a new approach is required for the implementation of the new Parking Enforcement contract.
- 5.12.1.3. The outsourced providers have indicated that they prefer to have a large contract with all elements included as opposed to multiple 'lots' of contracts.
- 5.12.1.4. All providers have indicated that they would require more than 6 months to mobilise and start delivery of the contract.

The ultimate test of a PCN quality is at Environmental and Traffic Adjudication (ETA) which was previously known as Parking and Traffic Appeals Service (PATAS). A benchmarking exercise was carried out to see if there is any link between outsourced/insourced parking enforcement operation and the success rate and adjudication. The results of the exercise clearly show that there is no link between insourcing/outsourcing and the win rate at ETA.

In 2018-19 Hackney Council was ranked at 22nd place in London with many in-house Council being higher but also Council's using the same contractor being lower. Please see the graph in Appendix 2.

In 2019-20 Hackney Council has improved its performance and achieved the 3rd place in London. For example, Lambeth Council uses the same contractor and the same back-office system and has achieved the lowest rank. Please see the graph in Appendix 3.

- 5.13. **Savings:** the insourcing will deliver savings for the Council (Appendix 1 paragraph 1.1). This will be achieved through a combination of service efficiencies with the majority of the savings achieved because the Council will no longer be required to pay performance payments as required under the contract. (Appendix 1 paragraph 3).
- 5.14. There is a scope for further savings to be achieved by the Council by cross-departmental work and sharing/integrating resources.

6. SUSTAINABILITY ISSUES

6.1. Procuring Green

The insourcing will result in the existing contractor's fleet of diesel and petrol vehicles being replaced with electric vehicles. This will also drive a lower monthly cost of maintaining the service.

During the procurement of Removal Truck services, the Council will review options for alternative fuel for removal trucks as there is currently no electric alternative for a removal truck. The contract will have a regular review of the vehicle fleet to ensure that electric vehicles are introduced as soon as it is practically possible.

In the new service delivery, it will be explored where bicycles, e-scooters and other alternative modes of transport can be used by officers to get to and from their dedicated patrol area.

6.2. Procuring for a Better Society

The insourcing of the parking enforcement will result in all officers having better pay, better pension and terms and conditions of work. This in turn will result in them being less likely to be reliant on benefits/social housing and will be having better opportunities for the future.

After the transition period is completed the service will aim to offer regular apprenticeship opportunities within the team. The parking service has already a track record of apprenticeship opportunities.

The service will work with local job centres and other relevant stakeholders to ensure that any posts that are recruited in this team are supporting local people.

6.3. Procuring Fair Delivery

The insourcing of parking enforcement does not change the Parking Services enforcement policy, merely the employer of the officer who carries out the enforcement. As a result, there is no impact on any social or ethical issues. Each parking policy goes through a process where a dedicated Equalities Impact Assessments (EIA) are carried out.

6.4. Equality Impact Assessment and Equality Issues

The Equality Impact Assessment has indicated that the insourcing of Parking Enforcement Contract from an external supplier does not have any greater or lesser impact on account of sexual orientation, age, disability, ethnicity, gender, religion or belief.

The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) will apply to all permanent posts within APCOA.

7. PROPOSED PROCUREMENT ARRANGEMENTS

7.1. Procurement Route and EU Implications: Not applicable for insourcing.

7.2. Resources & Project Management

7.2.1. The recommended option of managing the transition period of insourcing the PEC is to hire the senior management along with the support roles of the new proposed structure. These are the posts that are not affected by TUPE

transfers and would need to be filled in any case after the transition period is completed.

- 7.2.2. The details of the recommended option can be found in Appendix 1 paragraph 12. The recommended option is also the most cost-effective.
- 7.2.3. The reasons for the recommended option in Appendix 1 paragraph 12 is the fact that a team responsible for the implementation of the new service will also be responsible for the future management of the new service which mitigates the risks listed below:
- 7.2.4. The fixed-term project team and external consultants are by default designed to implement a change to the service and leave after it is completed. This creates a long-term problem of maintaining the relationships that were developed with key stakeholders during the transition process.
- 7.2.5. There is a high risk that both fixed term and external consultancy can ignore potential long-term problems as those will not be considered a risk to the current project and something that they will not have to deal with in the long run. Leaving the service with potential problems that will see daylight after the fixed-term project team or external consultants leave.
- 7.2.6. While consultants should be experts in their field there is a very limited number of consultants that have experience in managing a transition to insourcing Parking Enforcement services. The great majority of consultants in this field have experience in outsourcing services which can lead to a risk of consultants using an approach to the job with a one-size-fits-all mentality. This may miss several issues that have to be taken into account during the transition stage that will have a significant impact on the future delivery of the services.
- 7.2.7. External consultants like fixed-term project teams are normally made out of individuals that come from outside of the organisation. This creates a gap in knowledge and understanding of the Council's priorities, vision and strategy which can have a negative impact on the project. Furthermore, this can add to a further delay to the project as some elements can be omitted which will have to be re-done.
- 7.2.8. After the transition period is over both the fixed-term project team and the external consultant are most likely to leave the organisation and move over to new projects. This will result in a significant portion of knowledge leaving the organisation. Although a handover process can be agreed this will create further risks in information going missing or the new structure not fully understanding why certain decisions have been made.
- 7.2.9. Lastly, once the transition period is over and the fixed-term project team or external consultants leave, the Council will have to carry out a recruitment campaign for the new structure management positions regardless. This creates a risk that the new hires will have limited knowledge of the service and the workforce that can be obtained during the management of this process.

7.3. Key Milestones:

There are various workstreams in the insourcing of parking enforcement services. The below table shows the top-line view of the key milestones on this project (detailed milestones can be found in Appendix 1 paragraph 13):

Key Milestones	
Report to CPC	9th November 2020
Negotiations with contractor	November 2020
New structure (management & support) recruitment	By March 2022
Unions and staff consultations	By March 2022
Tender specification for CCTV and removals	By March 2022
HPB/CPC for CCTV and removals	By March 2022
CCTV and removal procurement advert	By March 2022
CCTV and removal procurement advert end	By March 2022
CCTV and removals shortlisting/interviews	By March 2022
CCTV and removals CPC contract award	By March 2022
CCTV and removals cooling off period	By March 2022
CCTV and removals 6-month handover starts	By March 2022
TUPE process to commence	By March 2022
TUPE process to complete	By March 2022
New structure consultation	After April 2022 Before April 2023
New structure to be implemented	Before April 2023
PEC contract end	31st of March 2022

7.4. **Contract Documents: Anticipated contract type**

Not applicable.

7.5. **Sub-division of contracts into Lots**

Not applicable.

7.6. **Contract Management:** The existing contract with the service provider will continue to be managed by the existing Contracts Team within Parking & Markets Services and the team will temporarily report to the new post of Parking Enforcement Manager.

7.7. **Key Performance Indicators:** The service provider will be subject to the same KPI under the contract. A new set of KPIs for the insourced service will be agreed closer to the implementation date but as a minimum will be the same as the service provider current KPI so the service delivery will not be impacted. It is however anticipated that the new KPI will be more oriented around productivity and customer satisfaction.

8. **COMMENTS OF THE GROUP DIRECTOR FINANCE AND CORPORATE RESOURCES**

8.1. This report is seeking permission to start the process of bringing parking enforcement services in house. The current contract is with the current

provider which expires in March 2022. A comprehensive and thorough insourcing appraisal undertaken by Council officers has concluded that an in-house parking enforcement service under Parking & Markets Services is the most practicable and cost-effective option.

- 8.2. A detailed analysis has been carried out of the costs and benefits of insourcing parking enforcement service, a summary can be seen in Appendix 1 paragraph 15. The insourcing will deliver savings which will contribute to the Council's budget strategy, The main source of the savings will be achieved by the removal of the performance payment element of the costs of the service, (Appendix 1 paragraph 3) of the contract value to the service provider. The performance payments value is outlined in Appendix 1 paragraph 15.
- 8.3. It proposed that the insourcing of parking enforcement will include an initial 'drag and drop' of the existing operation into Parking & Markets Services without any changes and with staff remaining on existing terms and conditions as required by the TUPE regulations for 6-12 months to allow for full-service review, consultation with staff and redesign of the service in line with Council's Organisational Change Procedures.
- 8.4. Based on financial modelling of the new service after the structure is complete, the overall staffing costs are expected to cost more than the current outsourced staffing costs (Appendix 1 paragraph 15). The main reason for the increase is the staff will be on improved pay and conditions including higher pension benefits offered by the Council in comparison with the provisions under the current contract.
- 8.5. The overall operational costs for the in-house service are forecasted to be lower than outsourced, details of savings can be found in Appendix 1 paragraph 15. This is achieved by eliminating all margins that external contracts take on top of the charges but also by managing resources more efficiently and by utilising Council's internal services. The full saving will be delivered by 2023/24.
- 8.6. Two elements of the service will continue to be outsourced, provisions of CCTV software and hardware and vehicle removal services. Future costs are forecasted to remain at a similar level. However, a full procurement process will be completed to obtain the best value for money for the Council and deliver savings where possible. Discussions are underway with the Community Safety Team to explore options of joint procurement to achieve efficiencies.
- 8.7. As per the current contract provisions, the Council is paying several operational costs for the current contractor, such as its operational base, utilities, cleaning, IT, telephones etc. These costs are expected to remain the same as the service will continue to use the same facilities and operate from Council buildings. These costs amount to just over £617k and are covered by existing budgets.
- 8.8. A table showing the breakdown per financial year between the outsourced costs and the insourced costs can be found in Appendix 1 paragraph 7. It

should be noted that there is no additional call for new resources and all budget changes will be contained with existing resources.

- 8.9. In 2019/2020, the Council has collected income in excess of £25.6m. This is derived from four income streams:

Pay and Display	£7.2m (28%)
Penalty Charge Notices	£8.7m (34%)
Permits & Vouchers	£6.9m (27%)
Suspensions	£2.8m (11%)

The services contracted under the PEC collects £8.7m in PCN income on behalf of the Council of which just over 50% is generated from on street traffic enforcement. Over the last few years there has been an increasing number of PCNs generated from CCTV cameras. The onstreet CEO's generate 17% of parking income.

- 8.10. An effective enforcement service is essential to maintain the income from all streams of parking in the borough. In order to maintain income levels the insourced service will need to have effective performance management processes in place to ensure the quality and effectiveness of the service. This has been built into the structure and will be monitored closely throughout the implementation of the restructured in house service.

9. VAT Implications on Land & Property Transactions

No VAT implications.

10. COMMENTS OF THE ACTING DIRECTOR OF LEGAL AND GOVERNANCE

- 10.1. Under paragraph 3.3.3 (Terms of reference of Executive Committees and Bodies) of Part 3 of the Council's Constitution, Cabinet Procurement Committee is authorised by Cabinet to give detailed consideration on all issues relating to procurement practice and policy. Furthermore it may also consider and advise, as appropriate, on the use of procurement to support the Council's wider Equalities, Environmental, Social and Community Benefit objectives. Therefore the decision regarding the insourcing of the services in this Report can be considered by Cabinet Procurement Committee.
- 10.2. The proposed insourcing of elements of the parking enforcement service contract under paragraph 3.1 of this Report will result in a transfer of staff from the existing provider to the Council as set out in the Transfer of Undertakings (Protection of Employment) Regulations 2006. Consideration of these issues will need to be given when the details are known. The proposed procurement of services under paragraph 3.2 of this Report will be the subject of a further report to the relevant committee or board when details of such procurement process are known.

11. COMMENTS OF THE PROCUREMENT CATEGORY LEAD

- 11.1. This report is seeking permission to bring parking enforcement services in a house following a comprehensive insourcing appraisal undertaken by Council officers.
- 11.2. The Council's draft insourcing policy document requires each service to consider whether a service can be insourced.
- 11.3. The current contract will expire in March 2022. Other elements of the current contract will continue to be outsourced and will be the subject of a separate report.

APPENDICES

Appendix 1 - Additional report information [EXEMPT]

Appendix 2 - ETA Performance 2018-19 [OPEN]

Appendix 3 - ETA Performance 2019-20 [OPEN]

EXEMPT

By Virtue of Paragraph(s) **3, 4, 5 and 6** Part 1 of schedule 12A of the Local Government Act 1972 this report and/or appendix is exempt because it contains (3) information relating to the financial or business affairs of any particular person (including the authority holding the information), (4) Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority; (5) Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings; and; (6) Information which reveals that the authority proposes a) to give under any enactment a notice under or by virtue of which

requirements are imposed on a person; and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

BACKGROUND PAPERS

In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required

Description of document (or None)

None.

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