

Item No. 20.	Classification: Open	Date: 21 June 2011	Meeting Name: Cabinet
Report title:		Combined Gateway 1 Procurement Strategy Approval and Gateway 2 Contract extension award for three parking and traffic enforcement contracts	
Ward(s) or groups affected:		All	
Cabinet Member:		Cabinet Member for Transport, Environment & Recycling	

FOREWORD – COUNCILLOR BARRIE HARGROVE, CABINET MEMBER FOR TRANSPORT, ENVIRONMENT AND RECYCLING

This report asks the Cabinet to approve the procurement of three new contracts for parking services. In effect it secures the short term replacement of the existing services which end in July 2011 to the end of June next year allowing the Council sufficient time to procure a longer term replacement service, with the possibility of that service being procured jointly with a neighbouring. I am satisfied that in agreeing this report cabinet will be making provision for the Council to secure a contract which will both reduce costs and improve its current services in the long term.

RECOMMENDATIONS

1. That the Cabinet approves the procurement strategy outlined in this report for the parking and traffic enforcement contracts.
2. That the Cabinet gives approval to allow negotiation with a single supplier in line with Contract Standing Orders (CSO 4.3.3).
3. That the Cabinet approves the award of three parking and traffic enforcement contracts to APCOA Parking UK Ltd for a period of one year (with a six month extension. The awards will be effected by way of a variation to the existing contracts. The new contract period will therefore run from 1 July 2011 to 30 June 2012.

BACKGROUND INFORMATION

4. On the 21 September 2010 the cabinet approved a Gateway 1 – Initial procurement strategy for parking services; as a result parking services has been investigating joint working with other local authorities and initial market testing. This extension allows parking services time to deliver on the ideas contained within the Gateway 1 from 21 September 2010.
5. The initial market testing took place in December 2010 and was carried out jointly with Lewisham Council attending. The result of the market testing has shaped a new Gateway 1 report for Cabinet approval which recommends the future strategy for parking enforcement services for Southwark Council.

6. Lewisham Council have extended their parking services contract to 30 June 2012, in order to allow the two councils the opportunity to go to tender for a joint service contract.
7. London Borough of Southwark currently operates three parking services enforcement contracts. The current contract values are as follows:
 - parking and traffic enforcement (including on street walking and mobile parking and traffic enforcement, fixed and mobile enforcement using CCTV and school crossing patrols
 - car pound and vehicle removal service and housing enforcement variation
 - the parking business support contract (provides IT, back office parking services, web payment interfaces, telephone enquiry line and as an extension cashless parking services).
8. In addition there are two following service areas which are currently undertaken on an ad hoc basis:
 - Abandoned vehicles contract; it is intended that APCOA will carry out this role in the car pound and vehicle removal contract.
 - Bailiff services have been jointly procured with the Revenues and Benefits Service, which has been recently completed.
9. The current parking and traffic enforcement, car pound and removal service (including estates) and the parking business support contracts expire on 30 June 2011.
10. An agreement has been reached to reduce the costs of the estate enforcement contract which changes in nature from 07 March 2011. The new arrangement is that the costs that APCOA charge for estate parking enforcement will be based on the number of clamps paid and will therefore be below the revenue received from this enforcement. The estate contract should operate at a surplus.
11. The Parking business support contract has also been subject to new arrangements following the adoption of a new customer services model in December 2010, which led to the subsequent closure of the parking shop.
12. The contract term is for 12 months with a six month extension. Before this contract commences, a new gateway 1 report will be produced in June 2011 to start a public procurement exercise to secure a long term contract for this service.
13. The extension will allow officers to deliver the Gateway 1 parking enforcement strategy to be approved by Cabinet.

Summary of business case/ justifications for the procurement

14. APCOA have several interfaces with Council systems built and it would be uneconomic to replicate these for a twelve month contract with a six month extension. Due to the specialist nature of the services which are contained within the current parking and traffic contracts it is not possible for another service provider to provide these services at a lower price for such a short contract period.

Options for procurement including procurement approach

15. The option to begin complete procurement during 2010 was considered but as in the Gateway 1 initial procurement strategy it was appropriate to consider alternative ways of providing this service. The Council will use its appropriate powers to extend the current contracts to 30 June 2012.
16. For the longer term contract a procurement process will take place and will be completed before the end of this extension period. Extending our existing contracts for that period will be most economically advantageous.

Timetable of procurement process

Activity	Completed by/Complete by:
DCRB/CCRB Review Gateway1: Procurement Strategy report	March 2011
Approval of Gateway 1 and 2: Contract extension award for three parking and traffic enforcement contracts	21/05/2011
Completion of tender documentation	Single provider
Completion of evaluation of APCOA's proposals	March 2011
DCRB/CCRB Review Gateway 2: Contract award report	March 2011
Approval of Gateway 1 and 2: Contract Award Report	21/05/2011
Contract award	June 2011
Add to Contract Register	June 2011
Contract start	01/07/2011
Contract completion date	30/06/2012
DCRB/CCRB Review Gateway1: Procurement Strategy report	May 2011
Approval of Gateway 1: Procurement Strategy Report	21/06/2011

Indicative timetable for new contracts

Activity	Complete by:
Forward Plan (if Strategic Procurement)	30/10/2010
DCRB Review Gateway 1: Procurement strategy approval report	14/04/2011
CCRB Review Gateway 1: Procurement strategy approval report	May 2011
CMT Review Gateway 1: Procurement strategy approval report	May 2011
Notification of forthcoming decision - Five clear working days (if Strategic Procurement)	16/06/2011
Approval of Gateway 1: Procurement strategy report (this report)	21/06/2011
Scrutiny Call-in period and notification of implementation of Gateway 1 decision date to be added subject to CCRB <i>Note: You should allow a minimum of 8 clear working days. This is subject to the decision not being called-in. If the decision is called-in the timetable will need to be adjusted accordingly.</i>	30/06/2011
Completion of tender documentation	30/06/2011
Advertise the contract	07/07/2011
Closing date for expressions of interest	05/08/2011
Completion of short-listing of applicants	30/09/2011
Invitation to tender	07/10/2011
Closing date for return of tenders	11/11/2011
Completion of evaluation of tenders	02/12/2011
Completion of any interviews	09/12/2011
DCRB/CCRB/CMT Review Gateway 2: Contract award report <i>Note: CMT review for full cabinet decisions only.</i>	10/12/2011
Notification of forthcoming decision (five clear working days)	12/01/2012
Approval of Gateway 2: Contract Award Report	18/01/2012
Scrutiny Call-in period and notification of implementation of Gateway 2 decision <i>Note: You should allow a minimum of 8 clear working days. This is subject to the decision not being called-in. If the decision is called-in the timetable will need to be adjusted accordingly.</i>	27/01/2012
Alcatel Standstill Period notice period 10days to be added	10/02/2012
Contract award	15/02/2012
Contract start	01/07/2012
Contract completion date	31/06/2022

Description of procurement outcomes

17. APCOA parking are our existing service provider and have been since 1996, initial discussions have highlighted their willingness to continue to provide services through an extension period and we have concluded discussions about cost savings following the conclusion of the current contract period on 30 June 2011.
18. The range of services currently delivered in the existing parking contracts includes:
 1. Parking Enforcement Contract
 - Deployment of on-foot civil enforcement officers
 - Deployment of mobile civil enforcement officers, including enforcement on the Council's estates
 - School crossing patrols
 - Fixed and mobile CCTV parking and traffic enforcement
 2. Vehicle removal and car pound contract
 - Removal and relocation of vehicles
 - Car pound operations
 - Estate parking enforcement
 - Mobile CCTV enforcement
 3. Business Support Contract
 - Parking back office software supply and maintenance
 - Dealing with correspondence
 - Managing PCN payments and appeals
 - Managing parking permits
 - Cashless parking services

KEY ISSUES FOR CONSIDERATION

Tender process

19. For this one year contract it is proposed to complete single supplier negotiations with the incumbent provider. The procurement for the longer term replacement service is to be subject to another Gateway 1 report proposing a strategy for future parking services after the end of this extension. That procurement will be subject to an EU compliant process including a call for expressions of interest through the publication of a contract notice in the OJEU.

Tender evaluation

20. For the new contract period APCOA have agreed for the contract to be completely open book and therefore we will have full confidence that the Council are receiving value for money. The parking services and development manager will meet with APCOA regularly to review this aspect of the service.

TUPE implications

21. Not applicable

Plans for transition from the old to the new contract

22. Not applicable as the current service operates will continue through the proposed new contract.

Plans for monitoring and management of the contract

23. The parking services and development manager will monitor and manage the contract, to ensure compliance with the specification, control costs and ensure satisfactory performance.
24. Officers currently meet with APCOA on a weekly basis to discuss parking enforcement issues with a three weekly overview meeting which covers all aspects of the contract. Officers are in day to day contact with APCOA and visit their premises in Southwark on at least a weekly basis and normally more often than that. Southwark Council have agreed Key Performance Indicators (KPI's) for all of the various aspects of the contract and these are monitored on a weekly and monthly basis.
25. The current relationship between Southwark Council and APCOA is good. For the Parking and traffic enforcement contract APCOA are achieving the levels of deployment required (which is a key KPI), their levels of street visits have been slightly below expectation but that is improving. The Car pound and removal contract is meeting its Key Performance Indicators and housing are pleased with the new agreed arrangements in regards to estate enforcement. The business support contract is achieving virtually all of their KPI's and have been consistently for a number of years. In the last 12 months APCOA have delivered along with their IT partners SPUR three new additional online services. Areas where there is under performance are being addressed regularly and improvements agreed.

Community impact statement

26. This is an extremely sensitive service though the procurement of this contract will have very little or no additional impact on local people and communities it will continue the Council's current policies in regards to parking and traffic enforcement. It is the continuation of an existing service.

Sustainability considerations

27. There are no identified sustainability issues in approval of this Gateway 1&2.

Economic considerations

28. The parking service currently provides a surplus of approximately £3.25 million per annum to the Council which funds transport related expenditure in line with legislation.

Social considerations

27. This is the continuation of an existing service.

Environmental considerations

28. APCOA parking have reached a suitable environmental standard on their existing contracts with Southwark and have low emission vehicles as part of their enforcement fleet.

Market considerations

29. APCOA parking are one of a number of specialist parking contractors in the UK.
- The successful tenderer is a private organisation
 - The successful tenderer has more than 250 employees
 - The successful tenderer has a national area of activity.

Staffing/procurement implications

30. As a supply contract there are no additional staffing implications above and beyond the current working arrangements.

Financial implications

31. The Parking Services has been operating at a surplus for the past five years which is invested back to fund transport related expenditure in line with legislation.
32. The 2011/14 budget agreed by the Council in February 2011 included savings of £540k to be achieved from the parking contract over 3 years. (£160k 2011/12, £250k 2012/13 and £130k year 2013/14). The proposed contract sums for the year are within the agreed budget and the procurement strategy is expected to generate the required long term savings.

Legal implications

33. Southwark Council is required to carry out parking and traffic enforcement, following the adoption of decriminalised powers initially under the Road Traffic Act 1991 from April 1994.

Consultations

34. No consultation has been carried out.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance (SB0511)

35. The Strategic Director of Communities, Law & Governance ("SDCLG", acting through the Contracts Section) has advised officers in connection with the legal implications arising from the procurement of both new, long-term parking enforcement and support contracts and interim contracts, and notes the content of this report. The recommendations set out within paragraphs 5 to 8 are consistent with the Council's statutory duties and powers relating to parking and traffic enforcement. The report sets out the reasons why it has become necessary to procure further provision of the existing parking and associated services by way of negotiation with APCOA.

36. In view of their estimated aggregate value (taking into account the extension option) the procurement of the proposed contracts is a strategic procurement for the purposes of the Council's Contract Standing Orders, which means that the decisions to approve the procurement strategy and contract award are ones which must be taken by the Cabinet, after taking advice from the Corporate Contract Review Board.
37. The steps which are to be taken to procure a new longer-term contract (including the anticipated programme for the same) are outlined in the indicative timetable set out below paragraph 23. The SDCLG will advise and assist officers in connection with legal issues associated with the procurement process, including the preparation and execution of tendering and formal contract documentation.
38. Contract Standing Orders provide that no contract may be awarded unless adequate expenditure has been identified and set aside for that purpose. As a key decision, the decision to approve the award of the contract will be subject to call-in in line with the requirements of the Council Constitution and the report confirms that the Forward Plan has been noted.

Finance Director (CD0511)

39. This report asks Cabinet to approve the award of three parking and traffic enforcement contracts for a period of one year from 1 July 2011, and to approve the procurement strategy for 10 year parking and traffic enforcement contracts planned to commence on 1 July 2012.
40. Changes to accounting rules under International Financial Reporting Standards (IFRS) from 2010/11 require that contracts need to be evaluated to determine if there are embedded finance leases with those contracts. I.e. does a contract involve a contractor providing specific assets for the council which will be substantially used up over the life of that contract. If this arises then those components of the contract will need to be reflected in the council's balance sheet, and the payments to the contractor split between paying for those assets and the others service provided.
43. The new one year contracts proposed in this report do not appear to contain finance lease issues, mainly for reasons of the short periods of the contracts. The new formal contracts following the short term contracts will have to be considered in more detail before they are let, for finance lease issues.

Head of Procurement (MG0511)

44. This combined Gateway 1 and 2 report seeks approval to award three parking and traffic enforcement contracts as a single arrangement for a period of one year (with a six month extension option).
45. The report describes the investigation into joint working with other authorities that was sought by Cabinet and that officers have now completed. This has resulted in a joint procurement strategy for future long-term contracts to be undertaken with Lewisham Council. The report details how this has led to a delay in procuring the longer-term arrangements and why an interim solution is now required. An indicative timescale for the longer-term contracts to commence at the conclusion of this interim arrangement is included in this report.

46. A number of value for money and service enhancements have been agreed as part of the extension negotiations. These include reduced costs for enforcement on housing estates and the closure of the parking shop. Overall contract costs will therefore reduce as a consequence of the proposed arrangement. More detailed value for money considerations will be integral to the strategic development of the longer term contract.
47. The Council's relationship with the incumbent provider is described as being good and although there have been some areas of under-performance this is generally rare is improving.
48. Contract management and monitoring arrangements are detailed in the report. These include operational and strategic meetings as well as an agreed schedule of KPIs.
49. This report has been reviewed by both the Environment Contracts Review Board and the Corporate Contracts Review Board and their recommended changes are incorporated into this draft of the report.

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Gateway 1 – Initial procurement strategy Parking and Traffic enforcement services	160 Tooley Street, London SE1 2QH	Nicky Costin 020 7525 2156
Parking and traffic enforcement contracts	160 Tooley Street	Nicky Costin 020 7525 2156
Parking and Enforcement Plan	160 Tooley Street	Nicky Costin 020 7525 2156
Contract Register update	160 Tooley Street	Nicky Costin 020 7525 2156

APPENDICES

Number	Title
Appendix 1	Correspondence from APCOA

AUDIT TRAIL

Cabinet Member	Councillor Barrie Hargrove, Cabinet Member for Transport, Environment & Recycling	
Lead Officer	Gill Davies, Strategic Director of Environment	
Report Author	Des Waters, Head of Public Realm	
Version	Final	
Dated	9 June 2011	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Head of Procurement	Yes	Yes
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		9 June 2011