

Report for: Cabinet – 16th July 2024

Title: Modification of the Parking Management IT System (PMIS) Contract
Report

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Ward(s) affected: All

Report for Key/

Non-Key Decision: Key Decision

1. Describe the issue under consideration

- 1.1. Since the commencement of operational services under the Parking Management IT System (PMIS) contract in April 2021, there has been a significant increase of approximately 76% in the issue of penalty charge notices (PCNs) due to the implementation of new parking schemes, including low-traffic neighbourhood schemes (LTNs) and School Streets (since July 2021 and August 2022 respectively). The increase in enforcement activity has resulted in a significant increase in notice processing costs.
- 1.2. Given the significant increase in the costs of administering PCNs, it is imperative to take action to ensure the borough's future parking and transportation needs are met efficiently. This necessitates an increase in the contract value, a decision that will not only maintain the contract's viability but also align with the Council's budgetary limitations.
- 1.3. This report is presented under Contract Standing Order (CSO) 10.02 1.(b) and in compliance with Regulation 72 (1)(e) of the Public Contract Regulations (PCR) 2015. Its purpose is to seek approval for the increase in the total contract value to cover the remaining 6½ years of the initial 10-year contract term (i.e., from August 2024/25 to March 2031), thereby ensuring the continued efficient management of parking and enforcement activities.
- 1.4. The additional contract spend is directly related to the increased notice processing volumes due to expanded traffic schemes, all of which generate additional income for the Council that adequately covers the additional spend. This adjustment ensures the Council's ability to manage the movement of traffic in the borough efficiently and safely. The contract value increase accommodates the expanded operations by authorising the required increase in spend under the contract and is not an indication of overspending.

2. Cabinet Member Introduction

- 2.1. Parking is an essential public service, and residents need safe and fair access to their homes, whether they are drivers or users of other forms of transport. So, it is essential that we have an appropriate IT system that will support our management of parking across the borough.
- 2.2. Whilst the IT system supports the parking function, it is also an important component in the management of our wider enforcement activity to ensure Haringey's roads are being legitimately used. The existing contract therefore needs to fully reflect the management of the measures that we have introduced to support the movement of residents, businesses and visitors as they go about their everyday lives.

3. Recommendations

Cabinet is asked to:

- 3.1. Approve, in accordance with Contract Standing Order (CSO) 10.02.1(b), an increase in the total value of the existing Parking Management IT System (PMIS) Contract with Taranto Systems Limited from £4.35m to £19.1m to cover the initial 10-year contract term. Therefore, an additional expenditure of £14.75m is proposed to the remaining 6½ years of the initial 10-year contract term (i.e., from August 2024/25 to March 2031) including an estimated £2.51m for RingGo cashless parking transactions processing costs (see section 3.2).
- 3.2. Approve the payment to Taranto Systems Limited for managing RingGo cashless parking transaction processing costs, totalling an estimated £2.51m for the remaining 6½ years of the initial 10-year contract term (i.e., from August 2024/25 to March 2031).
- 3.3. Note that the financial adjustments referred to in sub-sections 3.1 and 3.2 above result in additional expenditure of £14.75m to accommodate increased enforcement activity and associated processing costs. This additional spend is adequately offset by corresponding increases in enforcement activity income, ensuring the contract supports the borough's expanded traffic schemes, including LTNs and School streets. Future decisions on the retention of existing traffic schemes or the introduction of new schemes may change, which may require further updates / variations to the value of the contract.

4. Reasons for decision

- 4.1. On December 12, 2023, the Cabinet Member for Resident Services and Tackling Inequality approved an increase in the contract value for the initial 10-year term by 50%, in compliance with Regulation 72(1)(c) of the Public Contract Regulations (PCR) 2015. This increase amounted to an additional £1.44m (which is equivalent to the amount approved in the original contract award for the optional 5-year extension period), bringing the total contract value for the initial 10-year contract term to £4.35m.

- 4.2. However, it's important to note that this was not a long-term solution, but rather an interim measure that allowed for further exploration of options. Since the procurement of the original contract, the service has expanded significantly, leading to the adoption of new parking schemes increasing processing costs to an unanticipated level. The implementation of new parking schemes, including low-traffic neighbourhoods and School Streets, has resulted in a 76% increase in the issue of PCNs and corresponding increases in notice processing and postage costs.
- 4.3. This report now thoroughly considers the current situation and provides a longer-term solution to address the increased notice processing volumes due to the expanded parking schemes. The approval sought in this report is for a contract variation, which is now required to ensure the continued efficient management of parking enforcement activities. This decision supports the implementation of the Council's strategic objectives and aligns with the Council's budgetary limitations, ensuring the contract remains viable.

5. Alternative options considered

Doing nothing

- 5.1. Meeting the Council's monthly financial obligations to Taranto Services Limited under the PMIS contract is crucial, as failure to do so would be grounds for contract termination with no suitable alternative immediately available. This would disrupt day-to-day operations, posing a risk to public safety and the discharge of the Council's statutory duties and causing significant issues with income derived from enforcement under normal operating circumstances. Inaction is, therefore, not an option.
- 5.2. See further options set out in sections 5.2 to 5.6 of the Part B exempt report.

6. Background information

- 6.1. The Council awarded a PMIS Contract to Taranto Systems Limited, formerly WSP Ltd, in 2019. The contract value is £2.91m for an initial ten years, with an option to extend for a further five years for an additional £1.44m.
- 6.2. Due to the expansion of traffic schemes and growth in enforcement and the associated notice processing costs, the original contract value was being reached far more quickly than anticipated. The situation was compounded by notable increases in postage costs and the inclusion of payment processing costs of pay-to-park bays (delivered through RingGo). Consequently, a Cabinet Member decision was sought on 12th December 2023, seeking approval for an increase in the contract value to cover the increasing costs (see section 4.1). This was an interim increase while further options were explored.
- 6.3. The interim increase allowed the Council to maintain the service and perform a thorough analysis of this existing contract scope and financial requirements. It became evident that a more substantial and permanent adjustment of the contract value was necessary to sustain the expanded operations and manage the increased cost effectively.

- 6.4. The inclusion of the RingGo costs in the revised contract value need particular attention. While RingGo was part of the original contract, the actual usage of pay- to-park bays and related transactional processing costs were not initially accounted for. This necessitated a formal inclusion of these costs in the updated contract value. For a detailed breakdown of the financial analysis of these costs, please refer to the Part B report, section 7.8, which provides a detailed breakdown of future RingGo transactional costs and the impact on the overall contract value.
- 6.5. This report now seeks to implement a longer-term solution formally increasing the contract value to cover the remaining 6½ years of the initial 10-year contract term, thereby ensuring the efficient management of parking activities.

7. Financial status

7.1. This section provides an analysis of forecast expenditure and revenue related to:

- Projected contractual obligations from the 2024/25 financial year to the end of March 2031.
- The impact of LTN and School Street enforcement, coupled with increased postage costs since contract inception.
- The treatment of RingGo processing costs for pay-to-park bays.

7.2. Table 1 below details the predicted progressive increase in contract costs, which rise to £2.66m in 2030/31 if the current circumstances continue unaltered. This yields a cumulative total of £14.75m over the period.

Table 1: Summary Forecast Remaining Contract Cost Projections from August 2024 to March 2031

| Summary Forecast Remaining Contract Cost Projections 2024/25 to 2030/31 | | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------------|
| August 2024-25 onwards | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | Grand Total |
| £1,302,371 | £1,875,646 | £1,998,414 | £2,137,037 | £2,293,565 | £2,470,319 | £2,669,917 | £14,747,266 |

- 7.3. Forecast Royal Mail postage costs represent approximately 51% (approximately £9.73m) of the total contract costs over the 2021/22 to 2030/31 period. This percentage highlights the significant role that postage expenses play in the overall financial structure of the contract.
- 7.4. The use of Royal Mail for sending out statutory parking notices is best practice and not just for its reliability but also ensures the process is respected and upheld in potential challenges by motorists.
- 7.5. The remaining 49% of the projected contract cost is comprised of the following fixed and variable costs:

- Printing (7%)
- RingGo processing costs (19%)
- Software maintenance (8%)
- Equipment and devices (4%)
- Development and support costs 3(%)
- Correspondence scanning (2%)
- ANPR car costs (1%)
- DVLA lookup charges (1%)
- TSL hosting (1%)
- Permit emission checks (1%)
- Service cost for diesel emissions surcharge (2%)

- 7.6. The Council has implemented the RingGo app, managed by Taranto Systems Limited, enabling users in Haringey to conduct cashless parking transactions. RingGo's transaction costs, which total an estimated £3.54m over 10 years, initially appearing as additional expenses. However, these do not represent a direct financial burden on the contract because the service is self-financing as explained below.
- 7.7. The model operates such that all revenues collected from RingGo parking sessions are initially remitted to the Council, which then pays RingGo's processing fees via Taranto Systems Limited. This contract arrangement means that RingGo's costs are effectively covered by user fees rather than by Council funds, making these costs pass-through expenses.
- 7.8. It should be noted that the RingGo processing costs were not reflected in the original contract value that was approved at the time of the initial contract award and Parking Services is now seeking to include these within the additional £14.75m (see section 3.1 and 3.2). But because the RingGo costs are pass-through costs in that they are more than offset by the associated parking fee income received from RingGo transactions, their inclusion in the total contract value is an accounting adjustment rather than an increase in these contract costs.
- 7.9. In addition, on the 9th August 2022, Cabinet approved, amongst other changes to parking fees and charges, the introduction of a 25% surcharge for diesel vehicles on top of existing charges that apply to pay by phone and contactless parking spaces on the public highway and in public car parks. The new functionality within the PMIS software for administering the surcharge was implemented for Haringey by RingGo via their emissions-based parking service for an annual flat fee payable via the PMIS contract to Taranto Systems Ltd which manages the RingGo service. Haringey Council retains 100% of the additional revenue collected from the surcharge.
- 7.10. See further comments set out in section 7.1 to 7.8 of the Part B of the report.

8. Contribution to the Corporate Delivery Plan 2022-2024 High-level Strategic outcomes

- 8.1. The Corporate Delivery Plan sets out numerous specific outcomes that relate to the way in which the Parking Management IT System contract is being used.

Under the high-level strategic outcome of 'Responding to the Climate Emergency', this includes:

- Reduced through traffic leading to safer, cleaner, and more pleasant streets for people to walk, wheel, cycle and gather.
- More accessible footways and carriageways.
- Retention of access to disabled parking.
- Improved air quality and road safety around schools.

9. Carbon and Climate Change

- 9.1. The Council's ability to enforce parking regulations contributes to the safety and accessibility and smooth operation of the borough's roads. Illegally parked vehicles may be parked unsafely, obstructing the highway and impeding traffic flow, increasing vehicle emissions.
- 9.2. Equally, the ability to enforce against moving traffic offences in School Streets and low traffic neighbourhoods helps to create increased levels of active travel, thereby positively impacting on air quality and health.

10. Statutory Officers' comments

Finance

- 10.1. The recommendation of this report is to approve an increase in the value for the initial 10-year term of the existing Parking Management IT System (PMIS) Contract with Taranto Systems Limited, from its current value of £4.35m by £14.75m to £19.1m. The increase in the contract value will be funded from the surplus generated through enforcement activity.
- 10.2. See further finance comments set out in section 8 of the Part B exempt report.

Strategic Procurement

- 10.3. Strategic Procurement has been consulted in the preparation of this report and supports the recommendations in Section 3 of this report.
- 10.4. CSO 10.02.1(b) permits that the Cabinet may authorise the variation of a contract where the value is £500,000 or more. The recommendation to vary the contract value in section 3 of the report is compliant with Regulation 72(1)(e) as the modification is not substantial within the meaning of Reg. 72(8) of Public Contract Regulations 2015.
- 10.5. The recommendations of the report does provide value for money as the initial award of contract was the result of a restricted tender process.
- 10.6. See further procurement comments set out in section 8 of the Part B exempt report.

Comments of Assistant Director for Legal & Governance

- 10.7. The Assistant Director for Legal and Governance has been consulted in the preparation of this report which is seeking approval for a contract variation to increase the currently approved contract value of the existing PMIS contract to cover the remaining portion of the initial 10-year contract term.
- 10.8. Under Contract Standing Order (CSO) 10.02.1(b) a contract variation valued at £500K or more may be approved by Cabinet provided that the Public Contracts Regulations 2015 ("the Regulations") as well as the Council's Finance Regulations are complied with and subject to satisfactory contract outcomes.
- 10.9. There is nothing in the report to suggest that the PMIS contract outcomes are not satisfactory. Nor do the Finance comments in this section 10 or elsewhere in the report suggest any Finance Regulations issues preventing approval of the proposed variation. As a result, in these respects the proposed variation to the currently approved PMIS contract values appears to meet the requirements of CSO 10.02.1(b) permitting the variation.
- 10.10. Under the Public Contracts Regulations 2015 ("the Regulations") a contract may be modified, ie. varied, without the need for a fresh procurement if the modification falls within certain permitted types of modification identified in Regulation 72.
- 10.11. This report is seeking approval for a variation to the PMIS contract on the basis that the proposed modification is not substantial. Such modifications, as defined by Regulation 72(8), are permissible under Regulation 72(1)(e).
- 10.12. See further legal comments set out in section 8 of the Part B exempt report.
- 10.13. Having regard to the further legal comments referred to above, the Assistant Director for Legal and Governance is not aware of any legal reasons preventing the Cabinet Member from approving the recommendations in section 3 of the report.

Equality

- 10.14. The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
 - Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act.
 - Advance equality of opportunity between people who share those protected characteristics and people who do not.
 - Foster good relations between people who share those characteristics and people who do not.
- 10.15. The three parts of the duty apply to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.
- 10.16. Although the legislation does not enforce it as a protected characteristic, Haringey Council treats socioeconomic status as a local protected characteristic.

- 10.17. The decision under consideration is to approve an increase in the value for the initial 10-year term of the existing Parking Management IT System (PMIS) with Taranto Systems Limited. The modification is required due mainly to the increases in the issuance of PCNs and the associated processing costs. The increase in the contract value will ensure continued enforcement of parking regulations and support new traffic schemes, such as School Streets and LTNs.
- 10.18. The proposal is for an uplift to the value of the current contract for the continuation of the existing service and would not directly impact any communities, disadvantaged or vulnerable residents. However, maintaining the wider enforcement activities for the purpose of LTNs or School Streets has positive impacts on residents, especially young children and women, through improvement of air quality and road safety for all users. These schemes and their enforcement also encourage active travel among communities, which further positively impacts their overall health and wellbeing.

11. Use of Appendices

- 11.1. None

12. Background papers

- 12.1. Cabinet Member signing report on 12th December 2023 for a Contract Variation of the Parking IT Contract with Taranto Systems Limited.

13. Local Government Act 1972

- 13.1. This report contains exempt and non-exempt information. The exempt information is not for publication as it consists of information classified as exempt under the following categories (identified in the amended Schedule 12A of the Local Government Act 1972):
- (3) Information relating to the financial or business affairs of any particular person (including the authority holding that information).
 - (5) Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.