

Report for: Cabinet 10 September 2019

Item number: To be added by the Committee Section

Title: Extension of Civica Parking System Contract and award of contract for the provision of a replacement system

Report authorised by: Stephen McDonnell - Director of Environment and Neighbourhoods

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Ward(s) affected: All

Report for: Key Decision

1. Describe the issue under consideration

1.1. This report seeks Cabinet approval for an extension to the Parking IT managed service contract with the incumbent provider, Civica UK Ltd, for two years (pursuant to Contract Standing Order (CSO) 10.02.1 (b)) and for the award of a contract for provision of a replacement system to the preferred contractor, Supplier D, for a contract period of 10 years pursuant to CSO 9.07.1(d), with an option to extend for a further 5 years.

2. Cabinet Member Introduction

2.1. With the substantial changes being planned, residents renewing their permits online from April 2020 will be presented with a simplified application process that includes automated checks to confirm residency and vehicle emissions data. Most permits will be issued instantly at the time of application and there will be no need for residents to print or display anything. Those not able to do so, will still be able to submit paper applications and also benefit from improvements to how their applications are processed. Visitor parking arrangements will also be simplified.

2.2. Safeguards will be built into the system to make sure only residents entitled to do so will benefit from a permit. The improvements made to visitor parking will see existing visitor permits phased out and replaced with virtual parking sessions.

2.3. The transition to virtual permits will prevent the use of fake permits and address the issue of the sale and transfer of visitor parking permits.

2.4. Officers are recommending to concurrently operate the existing Civica system with the new provider's system for a period of 2 years. This will have a number of

benefits which includes; protecting the customer service offer, maximising the PCN recovery process and managing the financial risk by not migrating data from one system to another.

2.5. As well as protecting income and maximising the opportunity of recovery, given the complexities of the project and timelines, concurrent working provides the resilience required to move to the replacement system later (after the proposed go live date of April 2020) if required; in other words, it's a guaranteed "fail safe" if implementation of the new system becomes delayed.

3. Recommendations

3.1. It is recommended that Cabinet approves:

- 1) Pursuant to Contract Standing Order 10.02.1 (b), the extension of the Civica CE parking IT managed service contract for two years at a cost of £1m in year one, which includes a one off £0.25m licence cost, and £0.8m in year 2 for a total cost of £1.8m; and
- 2) Pursuant to CSO 9.07.1d), the award of a contract to preferred supplier D for ten (10) years at a cost of £2.91m with an option to extend for an additional five (5) years, exercisable at the sole discretion of the Council, at a further cost of £1.44m for a total cost of £4.35m.

4. Reasons for decisions

Introduction of PMIS

4.1. Parking Services require a new Parking Management IT System (PMIS) to underpin and be at the centre of a transformed service, which will deliver a much improved and enhanced customer experience. Additionally, the new PMIS will streamline back office processes, improving customer response times. These improvements cannot be achieved through the continued use of the Civica system.

4.2. Based on the offer received from the preferred supplier, the new IT system will offer the service in the region of £0.3m per annum savings or £3m over the initial 10-year term of the contract. There are also a further £0.348m per annum of Customer Service savings identified with the introduction of new PMIS due to the enhanced digital offer.

4.3. Whilst the option for making a paper-based permit application will remain, residents able and willing to make applications on-line will benefit significantly through the use of automated checks and the ability of the Council to issue the permit instantaneously.

4.4. The system automatically verifies residency online. Applicants only have to upload proof of vehicle ownership (it is not possible to check this against the DVLA record automatically) for audit and fraud prevention purposes. Permits are still issued 'virtually' immediately. This means that resident vehicle details

are loaded onto the Council's approved database at the point the permit is issued. Automatic Number Plate Recognition (ANPR) technology is used to ascertain whether a vehicle is legally parked or not. There is no need for paper permits nor all the associated resources which create delays and have high associated costs.

Retaining Civica – 2 Years

- 4.5. Because the "lifetime" of unpaid PCNs is up to 2 years and because of the very high risks of data migration, running 2 systems alongside each other is ideal. PCNs will be issued with a new prefix from the new system from April 2020. New permit applications will also be processed from then onwards. All legacy permit and PCN data will remain on the Civica system until it is turned off in 2021. Data protection and GDPR matters can be planned and managed appropriately.
- 4.6. Switchover to a new system alone upon expiry of the Civica contract would not be possible without a significant loss of income and a further risk of reputational damage. There would not be sufficient time to tender for some 3rd party services e.g. Pay by Phone that are provided under the PMIS contract.
- 4.7. In order to cut off Civica, prior to 2 years elapsing, and move to a new system, both PCN and permit data would have to be migrated. After investigating, Officers noted the Council's permit data contains records that would make migrating the data a challenging prospect; the migration of PCN data may be more straightforward, but risky and undesirable none the less.
- 4.8. Whilst there are additional costs associated with some parallel running, an analysis of costs of unpaid PCNs within the current system now and the fact that substantial numbers of PCNs that would need to be written off without parallel running, supports the recommendation to run both systems concurrently for 2 years:

The total current value of **unpaid PCNs** within the Civica system is:

2016/17 £1.8m
2017/18 £7.8m
2018/19 £8.4m
2019/20 £4.6m

Total £22.6m (as of report date)

If the decision were not to run 2 systems in parallel, and the recommendation not to migrate data is accepted, the Council would have to write off any unpaid PCNs upon expiry of the Civica contract. Even allowing for recovery that would take place prior to the expiry date, the Council would lose far in excess of the costs of running Civica for 2 years (Civica costs are shown in section 4.9 below). Other benefits include:

- A 2-year extension of the Civica contract and parallel running would ensure we maximise recovery and allows us to carry appropriate archiving or deletion of old data.
- The parking industry acknowledges that a change of IT system will inevitably result in loss of income due to various reasons, including losing challenge/representation and formal appeal information and having no other option other than to cancel cases. This risk is eliminated, and income protected and allows for a well-planned and orderly shutdown of the Civica PMIS.
- There would be no requirement to migrate permit data: migrating permit data would carry a very high risk due to duplicate data currently existing for the same permit holders. Running a new system with “clean data” from “go live” is highly desirable. A 2-year Civica extension would allow existing permits to run their course; after 1 April 2020 first time applicants and residents renewing their permits would apply for a new permit on the new system. This would be very likely to attract very positive feedback from residents and other stakeholders alike.

4.9. The table below illustrates the cost of running Civica and the new PMIS over 3 years. Whilst the Civica costs will only be incurred if the recommendation to parallel run is accepted, this report highlights the risks of not parallel running and the likely loss of income (estimated at £13m pa in section 5,14); it can be seen that this likely loss of income is over £11m higher than the cost of running Civica for 2 years.

	Year 1	Year 2	Year 3	Total
Civica CE Licence Fixed and variable	£624,064	£624,064	0	£1,248,128
Civica Re-licence cost one off	£250,000	0	0	£250,000
Camera licence**	£142,047	£146,309	0	£288,356
Total Civica	£1,016,111	£770,373	0	£1,786,484
New PMIS	£403,110*	£278,410	£278,410	£959,930
Camera Licence New PMIS **	0	0	£146,309	£146,309
Total new PMIS	£403,110	£278,410	£424,719	£1,106,239
Total Civica and new PMIS	£1,419,221	£1,048,783	£424,719	£2,892,723

*Includes implementation and bespoke development costs

** The unattended traffic enforcement camera licensing costs are applicable to both systems. Currently these are paid through Civica. However, these arrangements are being reviewed as part of a wider CCTV maintenance contract.

The expectation is that the annual contract costs will remain at £278,410 for years 4 through to year 10.

5. Alternative options considered

5.1. Extend the existing Civica CE Contract and do not tender

5.2. The move to a virtual permit system is considered to be one of the most, if not the most important part of the parking transformation programme. Whilst Civica could provide a paperless permit solution, the Civica enforcement solution and in particular the software application to allow the Council's Civil Enforcement Officers (CEOs) to issue Penalty Charge Notices (PCNs) has already failed separate User Acceptance Tests (UATs) and is not deemed suitable in its current form to provide the robust enforcement solution required to support a transition to virtual permits.

5.3. Civica charges for or does not have modules that other systems (including the one proposed) include as standard.

5.4. The Civica system includes a removal module; this works inefficiently, and one part does not work properly. The proposed system includes a far more detailed and effective module which will maximise opportunities and improve income through a more effective work flow process, especially allowing the Council to deal with those vehicles that accumulate high numbers of PCNs and fail to pay, as well as those without registered keepers, making recovery very difficult.

5.5. Civica's current delivery schedule does not include enhancements to some of the modules the Council considers key e.g. PCN and permit workflow.

5.6. Had this option been recommended then the Council would have to choose between transitioning to virtual permits, without the necessary enforcement solution - this would present an exceptionally high risk of catastrophic loss of PCNs and associated income - or delay the implementation of virtual permits and the Council would have to continue to bear the cost of resourcing the existing customer service models and associated pressures. Neither option is considered acceptable.

5.7. Extend the existing Civica CE Contract for 2 years and do not implement the new PMIS

5.8. Whilst the Council would not incur the costs of parallel running the transformation programme would be delayed.

5.9. The equipment that the Council's Civil Enforcement Officers (CEOs) use is considered "end of life" and needs replacing urgently. New equipment would have to be procured via a contract with Civica. This would cost more than

buying through the new provider and the Civica software that sits on it has failed the Council's user acceptance tests twice.

5.10. Prior to the expiry of an extended contract the Council would need to retender with all the associated costs.

5.11. All of the points listed from 5.2 to 5.6 would also apply to this option and thus this option is not recommended.

5.12. Implement and go live with the new PMIS at the point the Civica contract expires (December 2019)

5.13. This would require both PCN and permit data migration. This was deemed to have too much risk for the reasons outlined above. The Council's soft market testing research and existing intelligence about each of Civica's competitors and systems revealed that more development would be required for go live. The time available between contract award and go live includes this important development time and also sufficient time for training, summarised as follows:

April 2019 – Commence tender process

September 2019 – Cabinet decision on new IT supplier

October 2019/March 2020 – Mobilisation, testing, training

April 2020 – Operational go live of new IT system

5.14. Having a replacement permit regime, new policies and work processes carries the highest risk, given the shift from paper to virtual which would be an entirely new operating model for enforcement, front office and back office. The worst-case scenario would be not having workable enforcement and/or the ability to issue a permit from the expiry of the Civica contract, resulting in reputational damage and risk of the Council not being able to issue parking permits or manage parking through being able to issue PCN's; this would have associated road safety implications. In the absence of a new IT system, the financial risk would be in excess of £13m per annum.

6. Background information

6.1. Parking services support the delivery of Borough Plan (Place) objectives, delivering safer streets, active travel and a reduction in transport related air pollution. The new PMIS will also support the Council's Transport Strategy, Ultra Low Emission Vehicle Plan and Parking Action Plan. The PMIS is a key component of a wider Parking Transformation Programme.

6.2. Based on the offer received, the new IT system, as well as offering significant developments, will also offer the service in the region of £0.3m per annum

savings or £3m over the initial 10-year term of the contract compared to the Civica CE system. This will include a comprehensive blue badge case management system as part of the core system and a fleet management module that will save significant time processing PCN challenges from lease companies.

6.3. It must also be noted that the new IT system is an 'enabler' which will allow efficiencies in other areas such as Customer Services who deliver frontline parking services, who have projected £0.348m (Front Back Office Review) savings directly associated with the new IT System.

6.4. The 'scope' for the PMIS will be to deliver:

- A fully hosted, scalable system.
- Transformed customer experience and journey through the system.
- PCN management to allow processing of the PCN from issue to the end of its life cycle, including dealing with correspondence, enquiries, challenges, appeals and payments.
- Reduce the time and effort required to deal with processing of parking issues.
- Reduced direct contact with Customer Services (CS).
- Reduced time and resource required relating to administration of paper parking permits.
- Improved efficiencies through the introduction of paperless permits (the virtual solution).
- End to end self-service, with automatic validation of permit applications or other similar services i.e. suspensions & dispensations, skip/scaffold licences applications and payments - digital by default.
- Back up supported services for those who cannot self-serve.
- An effective work-flow management system aiding efficiency in back office processing and in the handling of 56,000 (annual) statutory representations and appeals.
- ANPR enabled mobile enforcement applications, with real time parking information and compliance checking, which will also support the use of ANPR enabled cars / bikes reducing reliance on foot patrols. Those applications will also provide robust data supporting an intelligence lead enforcement offer.
- Improved communications with frontline enforcement staff, enabling remote briefings as well as access to Council (intranet) information that is currently available to all office-based staff. It will improve efficiency by allowing access to electronic rosters, as well as annual leave booking etc.
- Flexibility and ability to develop and automatically apply complex charging models for parking permits and short-stay parking.

6.5. The following performance measures will be identified, monitored and reviewed:

- 95% of postal permit applications to be processed within 5 working days – online applicants will receive their permits at the point the application is paid for.
- Reduction in permit application complaints by 10%
- 90% of permit applications are processed automatically without the need for back office interventions.
- Delivery of customer services MTFS savings of £0.348m
- 95% of PCN appeals to be responded to within 21 working days
- Reduction in complaints of lack of enforcement by 10%
- 95% of parking suspensions to be processed and actioned within 7 days

6.6. All the above targets are expected to be achieved within the 1st full year of the new PMIS being in place and then continually monitored and reviewed beyond that.

6.7. Customer Services Comments

6.8. The current Civica PMIS, as already outlined in this report, is onerous for both staff and residents to navigate, and does not deliver the level of customer experience our residents now expect. The experience offered by the replacement PMIS will be a huge leap forward in terms of residents accessing Parking services in a more straightforward manner.

6.9. We know from feedback gained from the majority of residents contacting us during recent changes to the current PMIS, their expectations of the parking system are that it delivers a seamless, end-to-end, self-service provision. Residents do not want to attend Customer Service Centres to purchase physical permits. Providing a virtual and instant solution will vastly help towards meeting our residents' needs.

6.10. We are aware that there are vulnerable groups for whom the virtual self-service option will not be suitable. The project team initiating the replacement PMIS have taken these groups needs into account and will ensure a paper option remains available for those residents who need it, which will continue to be delivered through Customer Services.

6.11. Customer Services supports the transformation of the Parking service, including the award of the contract for the replacement PMIS and the accompanying self-service provision, which will assist the FOBO programme to realise £348k in savings.

7. Procurement Process

7.1. In November 2018 the Council carried out soft market testing and engaged with key suppliers in the market, including the incumbent supplier, Civica. The soft market testing highlighted the fact that other systems were more advanced and included functionality that the existing system either does not provide or will take a long time to develop.

7.2. In order to ensure compliance with EU procurement legislation and to ensure value for money, Strategic Procurement led an Open Tender exercise in accordance with CSO 9.01.1. The tender was advertised in the Official Journal of the European Union (OJEU) and Contracts Finder. The Competition was based on:

Price	50%
Quality	50%

This evaluation weighting was applied to ensure the Council's requirement for high quality, sensitive, and accurate data was met by the winning supplier. In total four bids were received following the open tender process. Table 2 below is a summary of the Suppliers' price submissions.

Table: 2 Suppliers' Price Submissions

Supplier	Contract Cost (10 years)	Contract extension (5years)
Supplier A	£3,043,180	£1,463,033
Supplier B	£4,517,880	£2,152,915
Supplier C	£3,508,800	£1,670,900
Supplier D	£2,908,800	£1,440,755

7.3. Table 3 below shows the summary of the outcome of the tender evaluation and clarification process for all Suppliers that tendered:

Table 3: Evaluation Ranking

Supplier	Price Score	Quality Score	Final Score	Ranking
Supplier A	48	39	87	2nd
Supplier B	32	40	72	4th
Supplier C	41	33	74	3rd
Supplier D	50	50	100	1st

7.4. This is a fixed price contract. The winning supplier has submitted a total price for each contract year. Therefore, RPI is not applicable and the Council benefits from the contract having no inflationary costs for the lifetime of the contract (to include any extensions).

8. Contribution to strategic outcomes

8.1. The PMIS is part of the wider parking transformation project and is in line with the mayor's Transport strategy: <https://www.london.gov.uk/sites/default/files/mayors-transport-strategy-2018.pdf>

8.2. The new PMIS will also support the Council's Transport Strategy, Ultra Low Emission Vehicle Plan and Parking Action Plan.

9. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities

9.1. Finance Comments

9.2. This report seeks Cabinet approval for both the extension of the existing Civica contract for a 2 year period and the award of a new contract to the preferred bidder for a 10 year period.

9.3. Supplier D was chosen following an evaluation of tender based on price/quality (50:50).

9.4. The total value of the contract is £2.9m for a 10 year period with an option for a 5 year extension costing £1.44m. Funding for this is currently part of the ICT contracts revenue budget and this is expected to continue.

9.5. Capital funding has been secured for the additional costs required for the parallel working to ensure a successful transition and to eliminate risk associated with implementing a new system.

9.6. A further justification for the parallel running of the new and old system is highlighted in paragraph 4.8 which sets out the current outstanding PCN debt amounting to £22.6m relating to PCN's issued over the last 4 years.

9.7. Whilst it is recognised the full amount of £22.6m will not all be recovered. The investment of £1.5m (including additional one-off licencing costs of £0.25m) in the existing system will ensure the maximum return for the Council and avoid the need to write-off all of this debt. Therefore, the investment is expected to more than cover the Capital outlay.

9.8. The award of this contract is expected to contribute towards MTFs pre-agreed savings in Customer Services of £0.35m. Furthermore, this will lead to a reduction of current ICT licencing costs of £0.3m per annum which have been earmarked to deliver the Councils digital transformation programme.

9.9. The implementation of the new system will be closely monitored by the service and any key variations will be reported as they arise.

10.0 Strategic Procurement comments

The procurement (Open tender) was led by Strategic Procurement (Corporate Supplies and Services) in accordance with CSO 9.01.1 and is therefore supportive of the recommendations made in this report.

11.0 Legal comments

- 11.1. The report is recommending the extension of the Council's existing parking IT system contract with Civica UK Ltd for a further two years as well as the award of a replacement contract to the preferred supplier selected through a tender process undertaken under EU procurement rules. Legal Services have been advising on this procurement from the outset and has been consulted in the preparation of this report.
- 11.2. The option for the proposed extension of the existing Civica contract is provided for in the contract itself and Cabinet has power under CSO 10.02.1b) to approve the exercise of the option.
- 11.3. Given the value of the proposed contract, under CSO 9.07.01(d), the award of the replacement contract must be approved at Cabinet level.
- 11.4. The proposed decisions to extend the existing contract and award the new one are Key Decisions and, under CSO 3.01d), must also have been published in the Forward Plan, which has been done.
- 11.5. The Assistant Director of Corporate Governance confirms that there are no legal reasons preventing approval of the recommendations in paragraph 3 of this report.

12.0 Equality

- 12.1 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.
- 12.2 The three parts of the duty applies 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.
- 12.3 The decision is to enter into a contract for the provision of the PMIS IT system. The objective of the change is to deliver an improved parking service for

Haringey residents. The change to the system will affect Haringey residents who rely on private vehicles, notably individuals with long-term health conditions and/or disabilities and parents of young children. While the system will involve a move towards online systems, it is noted that paper-based application methods will be retained. This will mitigate any risk of exclusion of individuals with protected characteristics who rely on private vehicles but do not have easy access to the internet. Implementation of the new system will be monitored for any disproportionate or adverse impact based on any of the protected characteristics.

12.4 All equalities requirements are included within the Transport for London (TfL) Framework Agreement - Reference Number: tfl_scp_001290.

13.0 Use of Appendices

13.1 None

14.0 Local Government (Access to Information) Act 1985

This report contains exempt and non-exempt information. The exempt information is contained in the Part B Exempt Report and is not for publication. The information is exempt under amended schedule 12A of the Local Government Act 1972, category 3:

Information relating to the financial or business affairs of any particular person (including the authority holding that information).