

Executive Decision Report

Decision maker(s) at each authority and date of Cabinet meeting, Cabinet Member meeting or (in the case of individual Cabinet Member decisions) the earliest date the decision will be taken	Full Cabinet Date of decision: 7 April 2014	 h&f hammersmith & fulham
	Cabinet Member for Planning Policy, Transport and Arts Date of decision (i.e. not before): 14 th February 2014 Forward Plan reference: 04176/14/PIA	 THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
Report title (decision subject)	PERMISSION TO TENDER FOR A BI-BOROUGH PARKING MANAGEMENT INFORMATION SYSTEM	
Reporting officer	David Taylor, Bi-Borough Head of Parking Services	
Key decision	Yes	
Access to information classification	Open report A separate report on the exempt Cabinet agenda provides exempt information regarding the costs of this project.	

1. EXECUTIVE SUMMARY

- 1.1. The Royal Borough of Kensington and Chelsea (RBKC) and the London Borough of Hammersmith and Fulham (H&F) have established a Bi-borough Parking Office and are proposing to deliver further integration and efficiency savings from 2014/15. Linked to this is the need for both boroughs to replace their separate Parking IT systems which run to the end of their extended terms in 2016.
- 1.2. Initial soft market testing has indicated that both boroughs can make significant savings by jointly tendering for a shared system. The core requirement in the specification will be for a fully hosted PCN processing system with options to include suspensions processing and permit processing. The objective is to award a contract by the end of 2014 and begin implementation in 2015.
- 1.3. An additional flexible option to include on-street handheld hardware will also be specified. The technology is rapidly changing and therefore difficult to price.

2. RECOMMENDATIONS

- 2.1. That permission be given to carry out a Bi-borough regulated procurement process (in accordance with the Public Contracts Regulations 2006 (as amended)) for a hosted Parking Management Information System (PMIS) for Penalty Charge Notice (PCN) processing with options to include handheld devices, parking bay suspensions, permit processing, and printing and scanning services.
- 2.2. That the procurement exercise contains provision that would allow other London borough Councils the facilities to call off from a framework agreement (within the first 4 years after it has been awarded).
- 2.3. **Hammersmith & Fulham (only)**
In accordance with the paragraph 12.5 of the Council's Contract Standing Orders that the decision to award the contract following the tender evaluation process be delegated to the appropriate Cabinet Member(s) providing that the actual contract value is within the estimated values set out below in paragraphs 10.2 and 10.3.

3. REASONS FOR DECISION

- 3.1. Both boroughs are required to replace their PMIS by November 2016 at the latest. It is therefore recommended that the boroughs carry out a single procurement for a shared system to minimise procurement costs, reduce

annual maintenance charges and enable further operational integration through the use of a single system for both boroughs.

- 3.2. Allowing for the establishment of a London-wide framework agreement would permit other councils to link into the system with the potential for additional cost savings.

4. BACKGROUND

- 4.1. In June 2013, H&F and RBKC lead Cabinet Members approved the establishment of a merged Bi-Borough Parking Office. The report estimated savings could be achieved by:

- Creating a fully integrated in-house Parking Office. The restructure will conclude shortly and deliver savings to both boroughs from April 2014.
- Procuring a shared Parking IT platform (PMIS) to deliver savings on the current contracts and enable further opportunities for operational integration and efficiencies by using a single system.

- 4.2. Both boroughs currently have separate contracts with Mouchel Traffic Support (MTS) for their PMIS called Integrated Civic Processing System (ICPS). The system is responsible for the issuance and processing of PCN's in both boroughs and also for resident permit issuance and parking bay suspensions in RBKC. H&F have developed in-house bespoke systems maintained by HFBP for permit processing and suspensions. These can no longer be upgraded or modified without significant risk and cost and therefore need replacing as soon as possible.

- 4.3. These systems are critical to processing Parking transactions totalling over £40 million per annum across the two boroughs.

- 4.4. RBKC have entered into the final three year extension of their contract which will expire in November 2016. H&F are in their final five year extension which will expire in December 2016. Both boroughs have a rolling 12 month break clause which means they can give 12 months' notice at any point to terminate their current contracts.

- 4.5. The following table outlines what is covered by the current contracts with MTS in each borough:

Function / area	RBKC	H&F
PCN processing and handheld software	Yes	Yes
Handheld hardware	No	No
Resident permit processing	Yes	No
Parking bay suspensions	Yes	No
System hosting	No	No
Printing and scanning contract management	No	Yes

4.6. The leading suppliers in the market have not changed significantly since the boroughs last went out to their individual procurements in 2005/6, however the pricing models, technology and way of delivering the services have. Some of the changes identified as part of our soft market testing exercises which the boroughs will potentially benefit from include:

- Development of online self-service portals which act as a front end into the back office software. This provides a much more user- friendly way for residents and motorists to interact with the Councils whilst requiring less bespoke integration with our online customer account systems. Potential services include:
 - the ability to view all PCN details and evidence on a single page;
 - the ability to apply for new Permits online, including validation of proof of address documents and option for the motorist to print their permit at home;
- Software hosting. ICPS sits internally on HFBP and ISD servers and requires ongoing support and maintenance. Suppliers now all offer to host and support their systems on behalf of authorities and offer secure web-based access. This has the advantage of reducing local support and infrastructure costs, speeding up issue resolution, and allowing upgrades and enhancements to be implemented much more quickly.
- Making use of new technologies for integrated handheld units. This can take into account virtual parking permits, bay sensor data, pay by phone data. Many suppliers are now developing their handheld software on the Android platform which opens up opportunities to use ruggedised Smartphones / tablets on street. These are potentially much cheaper than traditional CEO handheld units, have good quality integrated cameras for photos, and allow information to be transmitted in real time via wi-fi and 3/4G. They also allow other applications to be loaded on to them providing opportunity for CEO's to diversify the work they carry out should the requirement arise.
- Much richer use of analytics to measure parking stress and provide a richer source of data to inform parking policy.

5. PROPOSAL AND ISSUES

The proposed procurement process

5.1. As the value of the contract will be greater than £172,514, the provisions of the Public Contracts Regulations 2006 (as amended) apply. Given that the boroughs can specify their requirements, it is proposed that the tender is carried out using the Restricted Procedure (as defined in the Regulations). It is also proposed that RBKC act as the lead Council for the purposes of the Regulations (using the Council's e-tendering system). The main reasons for RBKC to lead are that:

- Their current contract has a wider scope, covering permits and suspensions so there is greater exposure to risk for RBKC.
 - RBKC retain many of the key personnel who led on the last procurement process and also in-house project and IT support.
- 5.2. One of the lessons learnt from the recent award of the Tri-boroughs' Total Facilities Management Contract and London-wide Framework agreement was the interest generated from other councils wanting to be a part of the procurement exercise. The three councils had invested time, effort and money in developing the model and since its award this is now being marketed for commercial purposes to other London boroughs as a win-win situation. There will be revenue generation for the three councils by payments made by other councils calling off from the framework agreement and for other London councils calling off from the framework they will not need to undertake the procurement with its associated costs and time delays and they will obtain favourable rates.
- 5.3. Given that PMIS is a system for which most London borough councils have a need, officers are considering whether it would be appropriate when placing the Contract Notice to include provision for a similar framework agreement to run alongside the contract between RBKC and H&F. Rather than naming each borough on an individual basis the notice could follow the example of the Crown Commercial Services (commercial arm of the Cabinet Office) by reference to a generic website (e.g. <http://openlylocal.com/councils/all>).

Proposals for the development of the contract documentation

- 5.4. The contract is being drawn up by the Bi-Borough Legal Services team in collaboration with Parking Services, who have established a project team to lead on creating the tender specification and evaluation criteria. The team have used the current contracts and previous tender specifications as a starting point from which to develop the new specification. Changes to the specification and contract are being made to take into account officer experience since the contracts were previously tendered, feedback received through the soft market testing exercise, and recent examples from other boroughs.
- 5.5. The proposal is for a joint contract for 12 years with the option to extend for a further three years. The will include a year six break clause and review points every three years. This allows both parties to take stock and end the relationship at year six if required. The review points enable both sides to assess could the quality of service and identify changes to enable further efficiencies and operational enhancements.
- 5.6. The contract will be signed by both RBKC and H&F. Formal arrangements regarding contract management will be subject to agreement following the outcome of the Corporate Services review. It is intended, however, for the day to day operational management of the system and support services to be delivered by the Parking Services' Business Development Team. ISD and

HFBP will continue to provide corporate IT services to the Parking Office including hardware, telephony, desktop support, business analysis etc.

5.7. Having explored the options with suppliers and reflected on our previous procurement terms, we feel the Councils can achieve best value for money by entering into a longer term relationship as this:

- Gives the bidders greater certainty and confidence to invest in new products and technologies;
- Allows bidders to spread their costs over a longer period;
- Reduces officer time involved in extending or retendering (including testing, training and implementation) assuming performance meets the required standards.

5.8. In areas where technology use is rapidly changing, such as with handheld units used by Civil Enforcement Officers, we will propose an open book accounting method. This will mean that prices will not be fixed at the start of the contract but will move to reflect the market price plus the supplier's margin.

5.9. Please see Appendix B for a proposed timetable and details of the letting process and tender.

Supplier Relationship Management and Monitoring

5.10. The contract will be monitored by the Parking Services Business Development Team which will be responsible for monitoring performance and carrying out reviews on a quarterly basis. Reviews will look at overall performance against the service level agreement (SLA) and look at future development / efficiency opportunities. Service credits will be obtained as a penalty if performance fails to meet agreed standards. For example, if the system is unavailable for a period longer than the SLA specifies, costs would be recovered. This falls broadly in line with how the current RBKC contract is managed.

Risk Analysis

5.11. The following table outlines the high level risks and mitigating actions:

Risk	Mitigation
Suppliers are unable to meet our requirements and either inflate their prices or decide not to bid.	Ensure specification is in keeping with what the market can offer.
Specification and contract terms place too much risk on suppliers leading to inflated prices in the tender submissions	Share contract terms after PQQ to give suppliers the option to feedback comments. These can be taken into account in a revised set of terms.

High level of interest from suppliers who do not have the requisite experience or financial standing to be acceptable to the two Councils.	Ensure PQQ is robust and has suitable thresholds in terms of supplier experience and financial requirements.
The contract term make it difficult to price for future developments in technology at the contract outset.	Use open book accounting to protect suppliers and ensure Councils get value for money.
Internal IT implementation and annual support costs may be greater than currently forecast.	Engagement with HFBP throughout the tender process and early drafting of Solution Proposal for implementation options and decommissioning costs. This will also cover potential TUPE liability once the hosting moves to the winning bidder.

6. OPTIONS AND ANALYSIS

- 6.1. The two boroughs recently completed a service review of the Parking Office which considered in-house and outsourcing options. Following review by senior officers and lead members, it was agreed to pursue a local, in-house service with a shared IT platform.
- 6.2. Alternative IT options considered were to either delay procurement until 2016, carry out separate procurements in each borough or join an existing framework. These were rejected as they would not provide best value for the two boroughs.
- 6.3. Joining with Westminster City Council in their procurement was considered; however, given their significantly different operating model and requirements, it was not felt that this would provide the best solution for RBKC and H&F.

Recommended option – procure new systems for 2015

- 6.4. The main benefits of the recommended option are:
- H&F and RBKC should make direct savings on their PMIS contracts plus benefit from significant enhancements to the service.
 - Moving to a hosted service will enable H&F to make savings from 2016 in HFBP IT infrastructure and support costs. This can only be confirmed through a Solution Proposal once a supplier's solution is chosen and support processes agreed.

- It is assumed that RBKC will share some of the cost for their Business Development team in relation to IT support with H&F once a new contract with a supplier is agreed. This will provide a single unit to manage application incidents and contract management for the two boroughs.
- The two boroughs will include Suspensions and Permits as part of the tender with a view to making additional savings and removing the need for running further procurements at additional cost.
- It gets both boroughs on to the same platform allowing for further streamlining of business processes and resulting efficiencies.

7. CONSULTATION

7.1. This report has been developed in consultation with the following groups:

- H&F Cabinet Member for Transport and Technical Services
- RBKC Cabinet Member for Planning, Transport and Arts
- H&F Business Board
- Transport and Technical Services Departmental Management Team
- Bi-Borough Parking Services
- RBKC Customer Services Centre
- H&F Direct Accessible Transport
- H&F Contract Monitoring Office / Hammersmith and Fulham Bridge Partnership
- RBKC Information Systems Division
- RBKC Information Governance / H&F Information Management

8. EQUALITY IMPLICATIONS

8.1. There are no equality implications as a result of the recommendations in this report.

9. LEGAL IMPLICATIONS

9.1. The legal power to buy the software and associated services is found in the “incidental powers” of the Local Government Act 1972. Section 111(1) gives

local authorities power to do anything which is “calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions”.

- 9.2. The proposal for a single contract in which the two authorities are jointly treated as the buyer poses particular issues such as liability, cost sharing and contract management which will require collateral agreement between the authorities.
- 9.3. Bi-Borough Legal Services will draft contract terms and conditions and advise as necessary.
- 9.4. Comments provided by Andre Jaskowiak, Senior Solicitor, Bi-Borough Contract Law Team, 22 January 2014.

10. FINANCIAL AND RESOURCES IMPLICATIONS

- 10.1. In June 2013, lead Cabinet Members approved funding of £60K to cover Legal costs for drafting the contract and for H&F to engage HFBP for support in developing the tender specification.
- 10.2. There is sufficient budget provision in both boroughs to cover annual support and maintenance costs. However, both H&F and RBKC would need to fund initial costs including handheld hardware. The current proposal is for these costs to be funded in RBKC from the anticipated Parking under spend in 2013/14 and in H&F from the Invest to Save budget.
- 10.3. Comments provided/verified by Mark Jones, Bi-borough Director of Finance and Resources, TTS and ELRS, 27 January 2014.

11. PROCUREMENT IMPLICATIONS

- 11.1. The procurement will be undertaken by RBKC as lead Council on behalf of both boroughs using the recently installed CapitalESourcing e-tendering system.
- 11.2. The service review project team has concluded that as since the procurement can be fairly well defined that it will be carried out using the Restricted Procedure as set out in the 2006 Regulations.
- 11.3. Given the nature of the contract (IT related), consideration is being given to inviting comments from all those that respond to the Contract Notice on the proposed terms and conditions. Whilst this is an unconventional approach both councils are anxious to ensure that any barriers that would mitigate against a reasonable competitive tendering exercise are removed.

11.4. Comments provided/verified by Alan Parry, Bi-borough Procurement Consultant (TTS), 22nd January 2014.

12. ICT IMPLICATIONS

12.1. This move to a shared hosted arrangement is in line with the current ICT strategy.

12.2. Comments provided/verified by Jackie Hudson, Director of Procurement and IT strategy, 24th January 2014

Mahmood Siddiqi
Bi-Borough Director of Transportation and Highways

Local Government Act 1972 (as amended) – Background papers used in the preparation of this report

- Cabinet Member Decision - Recommendations for the future of the Bi-Borough Parking Office, June 2013

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Cleared by Finance (officer's initials)	<i>MJ</i>
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APPENDICES:

Appendix A – in exempt report

Appendix B – Proposed Letting Process

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1.1. The high level procurement timetable is as follows:

Activity	Start	Finish
Establish project team, set up tender appraisal panel and confirm procurement approach and plan*	September 2013	October 2013
Soft market testing / market analysis	October 2013	November 2013
Prepare selection criteria, tender evaluation criteria and contract documents	November 2013	January 2014
Review documents and sign off evaluation criteria (Gate 1)	January 2014	March 2014
Cabinet approval process to launch tender	February 2014	April 2014
Complete preparation of contract and tender documents	February 2014	April 2014
PQQ and Invitation to tender	May 2014	July 2014
Clarification of details with suppliers	August 2014	August 2014
Tender evaluation	September 2014	October 2014
Sign off recommendation (Gate 2)	October 2014	November 2014
Contract Award (delegated approval)	November 2014	December 2014
Implementation	January 2015	July 2015

Proposed tender evaluation and information

Expressions of Interest

- 1.2. An initial assessment of potential providers will take place at the expression of interest stage, using the Tri-Borough procurement portal. Tenderers will be asked to complete a pre-qualification questionnaire which will be used to assess financial standing, experience, technical capacity and organisation capability.

Tenders

- 1.3. The contract will be awarded on the basis of the most economically advantageous tender. It is proposed to weight price at 40% and quality as 60% each. This is in line with the standard RBKC approach to IT tenders which seeks a higher quality ratio to minimise as the risk of disruption to the services and to try to ensure, as far as possible, continuity of service delivery. The system will be responsible for processing transactions amounting to over £40 million per annum. The potential additional savings that may be achieved therefore by a higher price and lower quality ratio would be dwarfed by the financial loss if a poorer quality system was implemented that resulted in more frequent errors and loss of service. These factors lead officers to recommend a 40/60 split as the most suitable approach for this Bi-Borough procurement.

Price – 40%

- 1.4. Marks will be awarded across the following:
 - Back office software, including implementation, user training licences and support
 - On street handheld software and training
 - System hosting
 - Data migration
 - Supplier margin for handhelds and printers
 - One off costs (Future consultancy and training support)
- 1.5. If all the systems fail to meet quality criteria for suspensions and permits, prices excluding these modules can be assessed.

Quality – 60%

- 1.6. Marks will be awarded based on the responses to the tender, reference site visits and scenario testing, where suppliers are asked to demonstrate the functionality of their software. The marks will fall across the following categories:
 - Functionality - how the system processes PCNs (including on-street issuance), permits and suspensions. This will also cover correspondence,

representations and appeals management, workflow and online self-service functionality.

- Supplier hosting – This is a new requirement for Parking Services which currently has its systems locally hosted by HFBP and ISD. It is therefore extremely important to ensure the hosted solution is fit for purpose and that site security, data security, business continuity processes etc are up to required standards. It also covers a multitude of interfaces including the DVLA and bulk printing and scanning contractors.
- Service provision – covers application support and account management, response times to incidents, ensuring system availability, and delivering system upgrades.
- Hardware – Vital to on-street effectiveness as this covers devices used by Civil Enforcement Officers and Suspension officers.
- Implementation – Covers areas including the timetable and approach to implementation, migration of data, software testing etc. Evidence of previous implementations will be assessed.

1.7. The provisional Tender Appraisal Panel (TAP) will be as follows:

David Taylor – Head of Parking Services

Prakash Patel – TTS / ELRS Finance Projects Manager

Ray Brown – Head of Customer Services

Natalie Luck – Head of Accessible Transport

Roger Hindin – ISD System Development Manager

Jackie Hudson – Director of Procurement and IT Strategy

Alan Parry – Bi-Borough Procurement Officer

Marya Lee – Head of Appeals, Investigations and Special Events

Dominic Hurley – Parking Programme and Development Manager

Vanessa Junkere – Head of PCN correspondence