



## The Future of the Parking Service

## **Recommendation**

We recommend the Council:

- 1. Delay the commencement of the formal procurement process for Parking Services.**
- 2. Redesigns the transformation process with a service review, and if necessary, an options appraisal, engaging staff/trade unions, users and community organisations in a genuine new relationship with citizens.**

## **Introduction**

A report by the Cabinet Member for Environment & Operations entitled 'Future of the Parking Service' is being presented to LB Barnet's Cabinet on Monday 29 November. It recommends identifying a strategic partner for parking delivery and embarking on a procurement process that covers the 'end to end' Parking service.

On reading through its contents and using the guidance above there are a number of substantial concerns and queries raised that are outlined in this appraisal.

Companies and corporations have been using business outsourcing for many years where performance needs to be improved and better customer service delivered. The problem is that the world is littered with outsourcing disasters and the one common theme among the horror stories is ill-prepared decision making. A disciplined approach is necessary and the following industry 'golden' rules give good guidance in assessing the appropriateness and viability of any out-sourcing undertaking:-

1. It's all about performance;
2. Do not outsource your core;
3. Know exactly what to outsource;
4. Articulate the expected benefits and returns;
5. Measure success but do not rely on service level agreements;
6. You cannot outsource leadership;
7. Own the work;
8. Ensure "expertise fit";
9. Reflect on risk; and
10. Build trust.

For guidance, these have been grouped under 'Risks' and 'Business Management'.

## **Risks**

- The first and obvious major concern is that there is no Risk Register to inform the reader and decision-makers. The issues are complex and there is no externalisation 'silver bullet' as identified in Para 9.4.2 "...regardless of whether the service is delivered in-house or externally, the issue of reduced transfer into the General Fund would remain."
- LBB need a clear vision of what it wants in the future before issuing an OJEU notice otherwise there can be substantial costs incurred eg. LB Westminster had to go through their re-tendering process twice due to mistakes made.
- Towards the end of the report in Appendix 1 (4a.), the report author writes regarding a single contract "...the market for the provision of end to end services is still not a mature market, with only a handful of boroughs using a single provider to carry the end to end process. As such, there is not yet proven innovation in this market." Actually, there is only one borough (Westminster) using a single provider, which is NSL. NSL also dominates the market in

enforcement across London albeit their performance is below average. Appendix A provides recent information on parking charge notice (parking ticket) issue over the twelve months to August 2010. The best performances were from in-house teams (+8.6%). The three main private sector providers' performances over the same period were comparatively very poor ie. Vinci Park (-3%), Mouchel (-5.7%) and NSL (-13.2%).

- There is a major risk to the Council's reputation if it gets wrong the future strategy of the Parking Service as it is a very visible, public facing service (acknowledged in Para 9.5 of the report). No information has been provided concerning likely operational costs and productivity / efficiency of an external provider. However, a study carried out in 2008 (Appendix B) showed that Barnet's in-house service was very competitive in terms of operating costs compared against neighbouring boroughs.
- What is the risk to the Council in the requirement, in Para 9.5.1, that any provider will have to provide significant levels of funding at the initial stages? How much money is required, as this potential front-loaded cost will be clawed back from the authority with interest? If it is to provide better signs and lines then the cost will be in five figures which is affordable within the SPA and this work is forming part of the current (in-house) recovery strategy. The capital outlay for pay & display machines can be repaid through the improved income they generate, generally over a period no greater than five years. More information is needed at this stage through further evidence-based cost analysis.
- How will the external provider work with the Council's CRM mechanism as they will be required to provide linkage (Para 9.5.4)? The vast majority of enquiries are specific to individual parking contraventions and all the info will be held by the provider. That also sets up another risk for effective client monitoring as all performance data will also be held by the external provider.
- Financial stability of private sector providers - there have been a number of re-financing exercises within the private sector over recent years that has raised concerns by other local authority clients. No information on this matter has been presented.
- There is a legal risk associated with the requirements set down in the Traffic Management Act 2004 around decision-making on representations & appeals. LB Westminster is the only authority that has externalised both formal and informal back office activities and their performance at adjudication is the second worse in London with only 27% adjudications won last year (see Appendix C). This is a real risk to both income and the Council's reputation.
- On Equalities and Diversity Issues, an equalities assessment is needed as required by law.

## **Business Management**

- Although not mentioned under 'Relevant Previous Decisions' within the report, there have been a number of Parking Service re-organisations over recent times, the latest was in January this year. It raises the question as to why another service-wide restructure is necessary so soon after. Continuous upheaval fuels unrest with staff resulting in further uncertainty and impacting on

efficiency. Also there seems to be a move to establish more parking support in the customer services call centre. How will this work with an external provider as all parking data will be held external to the Council?

- The surplus within the Special Parking Account (SPA) was actually just under £6m per annum in 2008/09 (Para 4.6) which shows that an in-house team can provide a financially efficient and beneficial service.
- It should be noted that SPA surpluses have also been used to help fund the Freedom Pass for borough residents. This is not a discretionary spend so has to be found elsewhere from the Council's resources if not supported by the SPA. Paras 4.6, 9.2.2, 9.4.1 do not make mention of this significant borough community provision.
- A number of financial assumptions are made in Para 6.4 of the report that need clarification ie. a breakdown of the £239k saving in 2012/13, the basis of the £381k saving in 2013/14, how the predicted operational cost of £3.2m per annum during the three year period 2014/15 to 2016/17 has been assessed and why is the retained client function/area assessed at 35%.
- It is not correct to say in Para 6.5 that only the Parking Service is affected. The Highways (Traffic & Development) team receives over £700k per annum from the SPA for the provision of new waiting and loading restrictions as well as modifications to existing. This is a significant element of that team's income.
- Para 6.6 identifies External consultants' costs of £135k which need further explanation. Benchmarking of CEOs is obtainable free of charge from London Councils and Legal fees are very substantial.
- Para 9.3.1 – current enforcement performance should be compared against the 149,000 pcn.s (excludes bus lane contravention) that were issued in 2008/09 using the same team but led by different management.
- Para 9.3.2 - it is too simplistic to link reduced income directly to better compliance, other aspects are also important ie. quality of notice, type of contravention. Where is the borough's compliance survey that would support the report commentary?
- Table 1 in Para 9.3.2 shows a 24% reduction in pcn income between 08/09 and 09/10 although the number of pcn.s issued is only down 4% (para 9.3.3 Table 2). As the number of those paid at the 50% discount (within 14 days) reduced only slightly across years and the number appealed to the adjudicator remained static, the income figure doesn't add up and requires further explanation.
- Para 9.3.4 – management need to explain why the resource issues in the contact centre wasn't addressed within the January 2010 re-structure of the service?
- Para 9.3.5 - it is important to note that the comments within this paragraph relate only to enforcement. The great majority of local authorities retain in-house the back office functions. Only one (Westminster) has completely externalised this function and suffers poor performance at adjudication. The

current trend in thinking is for local authorities to bring enforcement back in-house.

- Para 9.4 details the current challenges as:-
  1. lack of available funding to ensure signs and lines are in place to an acceptable standard – this begs two questions 1) how bad are they? 2) an external provider will charge for this work – there is no way of escaping the cost so the scale of the figure needs to be known.
  2. lack of funding to renew pay and display machines – a short-term action to ensure the highest used machines are in operation has already been identified. Collaboration with other boroughs will provide spares. The cost of new machines will again be charged by an external provider, the cost of re-provision is more one of procurement strategy rather than who pays initially, the client will always pick up the bill eventually.
  3. there has always been high sickness amongst CEOs, due primarily to working in all weather conditions and being periodically subjected to verbal and physical abuse. Although there is an absolute business need to manage these absences, they are nothing new and not just affecting in-house operations.
- A little misleading to blame snowy days for loss of income as suggested in Para 9.4.1 In 2009/10 there were less than 10 days lost to enforcement through lines being covered by snow, which is 4% of the year. Therefore the maximum impact on income should be 4% which is a very small part of the 24% pcn income downturn in 2009/10. Also there have been a number of days lost to snow in past years, especially in 2008/09 when overall annual income was increased.
- Para 9.6 - further explanation is required to understand why a new supplier is necessary if there is an anticipated improvement in the Parking Service resulting from the recovery plan.
- Para 9.6.1 - Comment on income recovery initiatives 1. why hasn't management carried out this initiative to increase income from pay & display before now? 2. CEOs have to know the parking regulations by law and also through established formal training; 3. not aware this has been tried out elsewhere, key risk is that it difficult to compare performances. CEOs are not deployed to work wholly in cpz.s and also cpz.s differ from one another in scale, restrictions and operation. Detail is needed at this stage on how performances are to be measured, note that pcn issue is not permitted to be a performance indicator.

### **General comments**

- Reference is made within the 'Use of Resources Implications' section of reduced external funding. It should be noted that the Parking Service is not affected by any government grant announcements; it is a self-funding, ring fenced operation.
- Appendix 1 – reference is made under heading 1 that the service could evolve in a number of ways. Why haven't other options eg. collaboration with other

local authorities, employee partnership (John Lewis) model etc. been identified and discussed?

- How does Localism fit into this externalisation proposal?

Only recently the Parking Service in Barnet has been a very successful operation. Two years ago Barnet was number one in London for performance improvement within enforcement and at the end of 2008/09 the service realised a surplus to the Council of nearly £6m. Many boroughs have increased their pcn issue over the past year since so it is difficult to explain income loss in Barnet as resulting from the economic environment. Fundamentally, whilst there has been little change in staff within the service, the Council has released all the managers that were in post in 2008/09 - a thought to hold whilst considering this Cabinet report. Outsourcing is not a guarantee of good management but will make the parking activity more remote than it currently is from the Council.

Appendix A: PCN Benchmarking Exercise - August 2010

Appendix B: Parking Enforcement Service Delivery Costs 2007/08

Appendix C: PATAS Results 2009-2010