

CABINET

30 NOVEMBER 2010

GATEWAY 3 CONTRACT AWARD: BAILIFF SERVICES

Portfolio Holder: Councillor Alan Jarrett, Finance and Deputy Leader

Report from: Mick Hayward, Chief Finance Officer

Author: Jon Poulson, Revenues and Benefits Contract Manager

Summary

This report paper is being submitted to secure two year contracts for bailiff services with an option for a two year extension.

1. BUDGET AND POLICY FRAMEWORK

1.1 The decision is within the policy and budget framework. Although there are few costs directly associated with the use of external bailiffs the value of the contract to the bailiff companies in total for Revenues & Benefits and Parking Services is approximately £800,000 per annum. This is therefore a matter for Cabinet.

2. RELATED DECISIONS

2.1 A gateway one report authorising officers to go out to tender was passed at the Officer Scrutiny Panel on 11 March 2009.

2.2 The lengthy delay in progressing to Gateway 3 is as a result of an aborted procurement process in 2009.

2.3 An advertisement was placed in the Official Journal of the European Union (OJEU) of 2 June 2009 requesting Expressions of Interest but due to technical reasons the procurement was cancelled after the Pre Qualification Questionnaire (PQQ) stage.

2.4 The Council's Monitoring Officer granted a year's exemption from contract rules to enable a new OJEU procurement to take place and an advertisement was placed in the OJEU of 15 April 2010 requesting Expressions of Interest.

3. BACKGROUND

- 3.1 Medway Council currently collects Council Tax from nearly 110,000 households and National Non Domestic Rate (NNDR) from just over 6,000 business properties.
- 3.2 The total amount to be collected in 2010/11 after the deduction of benefits, discounts and exemptions is £189m.
- 3.3 In addition, approximately £500,000 of recoverable benefit overpayments are passed to debt agencies each financial year.
- 3.4 Whilst the majority of people liable for these charges pay in a timely fashion, there are a significant number who fail to do so. The Council currently contracts two firms of bailiffs (Rundle & Co and Whyte & Co) to encourage payment from those who continue to fail to meet their obligations.
- 3.5 Medway Council currently issue approximately 50,000 Penalty Charge Notices per year and last financial year 5,108 of these were issued to the bailiff for collection.
- 3.6 While a majority of motorists accept the penalty charge notice and pay the charge there is a minority who choose to ignore correspondence sent by the Council and fail to pay the outstanding charge and last financial year the bailiffs (JBW and Whyte & Co) collected £108,425 for the authority.
- 3.7 Historically the Council has always employed two companies to collect monies on behalf of each service as it enables performance to be benchmarked. The Revenues & Benefits service allocates work for the Rochester & Chatham areas to one company, with the rest of the Council area being allocated to another. Parking Services allocate work between two companies on a rota basis.
- 3.8 The 2 preferred options for Revenues & Benefits suggested by this report obtained the first and third highest technical scores and second and first financial scores respectively but were a clear equal first according to the evaluation criteria.
- 3.9 The 2 preferred options for Parking Services suggested by this report obtained the first and second highest technical and financial scores.

4. PERMISSIONS / CONSENTS

4.1 None required

5. PRE-QUALIFICATION QUESTIONNAIRE (PQQ) AND TENDER PREPARATION

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| 5.1 | Which Stakeholders were consulted in preparation of the tender? | This tender was undertaken jointly by Medway Revenues & Benefits Service (MRBS) and Parking Services (PS). There was no need for further consultation as the contract relates only to the work of MRBS and PS. |
| 5.2 | Does TUPE apply? | No |
| 5.3 | How was the tender list compiled? (<i>Where was the contract advertised? – say when and where</i>) | OJEU |
| 5.4 | What tender process was used – open, restricted or negotiated? Say why. | Restricted. There are numerous bailiff companies as shown in the level of interest at PQQ stage. It would not have been possible to evaluate tenders for all of them. |
| 5.5 | How many PQQs were issued? How many were returned? | 26 issued, 23 returned |
| 5.6 | Which Officers were members of the Evaluation Team? | Jon Poulson, Revenues & Benefits Manager Patrick Knight, Revenues Manager Karen Powell, Senior Recovery & Business Rates Officer Rubena Hafizi, Parking Manager Katie Godden, Parking Administration Manager |
| 5.7 | Were applicants shortlisted from PQQs using clear, relevant criteria? List the criteria used and enclose a copy of the results in an appendix to the report. | Yes. The criteria were:- Basic Information (Pass or Fail) Financial Information (Pass or Fail) Insurance (Pass or Fail) Technical Resource & Reference (30 points) Equal Opportunity Information Requirements (20 points) Health & Safety (10 points) |

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| | | Environmental Management (10 points) Method Statement (20 points) |
| 5.8 | Were the tender documents approved by Procurement at Gateway 2? | YES |
| 5.9 | When were tenders invited and returned? Were any returned late or disqualified? (<i>say why</i>) | 6 companies invited to tender on 2 July 2010 and all returned by due date of 11 August 2010. |

6. TENDER EVALUATION

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| 6.1 | Name the evaluation criteria was used and the weighting applied to each? | Contract was evaluated on the basis of MEAT (Most Economically Advantageous Tender). Technical 80% Price 20% |
| 6.2 | Which Officers were Members of the Evaluation Team? | Jon Poulson, Revenues & Benefits Manager Patrick Knight, Revenues Manager Karen Powell, Senior Recovery & Business Rates Officer Rubena Hafizi, Parking Manager Katie Godden, Parking Administration Manager |

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| <p>6.3</p> | <p>How are tenderers ranked using the quality assessment alone? Show overall marks (“Contractor A, B, C” etc – show actual names in Exempt Appendix 1)</p> | <p><u>Revenues & Benefits</u></p> <ol style="list-style-type: none"> 1. Contractor A 59 2. Contractor D 58 3. Contractor C 54 4. Contractor F 51 5. Contractor B 43 <p><u>Parking Services</u></p> <ol style="list-style-type: none"> 1. Contractor E 54 1. Contractor D 53 3. Contractor A 51 4. Contractor C 48 4. Contractor F 48 6. Contractor B 40 |
| <p>6.4</p> | <p>Did the quality assessment use clear and relevant quality criteria? List the criteria and state the quality / price weighting ratio applied.</p> | <p>Yes:</p> <p><u>Quality (80%)</u></p> <ol style="list-style-type: none"> 1. Maximising Collection (weight x 3) 2. IT systems or Call Centre (weight x 3) 3. Risk and Contingencies (weight x 1) 4. Setting Up Arrangements (weight x 1) 5. Staffing & Equipment (weight x 1) 6. Quality Assurance/Accreditation (weight x 2) 7. Sustainability (weight x 1) 8. Welfare (weight x 1) 9. Added Value (weight x 1) <p><u>Financial 20%</u></p> <p>Lowest cost = 20%, others pro-rata</p> |

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| 6.5 | Does the proposed award give best value for money? Summarise the evidence | <p>Yes.</p> <p>Revenues & Benefits</p> <p>The tenders submitted showed that Contractor A was the most technically capable, whilst at the same time they were second in terms of price. The cheapest tender was submitted by Contractor C who was third in technical capabilities. Please see Appendix 1, Section 5 for the detailed scores.</p> <p>Parking Services</p> <p>The tenders submitted showed that Contractor E was the most technically capable, whilst at the same time they were second in terms of price, whilst Contractor D was the second most technically capable and first in terms of price. Please see Appendix 1, Section 5 for the detailed scores.</p> |
| 6.6 | Summarise the risks associated with the proposed award, and state the measures taken to control or avoid. | <p>1. Failure of Contractor's Business:</p> <ul style="list-style-type: none"> • Parent Guarantee / Performance Bond. • All monies collected paid into a dedicated Medway Council bank account <p>2. Inappropriate behaviour of bailiffs</p> <ul style="list-style-type: none"> • Code of practice, tender specification, regular review meetings, monitoring of complaints <p>3. Lack of incentive to collect added value 'free' debt collections</p> <ul style="list-style-type: none"> • Target setting, performance monitoring including comparing relative performance of bailiff companies to each other |
| 6.7 | Has a bond or parent company guarantee been sought? | YES |
| 6.8 | Are final costs within the identified budget estimate? (state % over or under where applicable) Where costs exceed the estimate state how balance will be funded. | YES |

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| 6.9 | What is the contract duration? Additionally, highlight any options to extend | Two years with an option to extend for a further two years |
| 6.10 | Do government or Council KPIs apply to this service? If so, are these reflected in the specification and monitoring requirements? | Council Tax & NNDR Collection rates; HB Overpayment Collection rates Parking Services - None |

7. PREPARATION FOR CONTRACT MANAGEMENT

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| 7.1 | Who is the contract (service) manager responsible for day to day supplier relationships? | Jon Poulson, Revenues & Benefits Contract Manager Rubena Hafizi, Parking Manager |
| 7.2 | Do sufficient resources exist to manage the contract through implementation and throughout its contract term? | Yes |
| 7.3 | When does the contract start? | 20 December 2010 |
| 7.4 | When is the contract due for its first formal review at Gateway 4? | April 2012 |

8. COMMENTS OF THE PORTFOLIO HOLDER FOR FINANCE

- 8.1 This paper is being submitted to secure two year contracts for bailiff services with an option for a two year extension. The contracts will include the recovery of Council Tax, National Non Domestic Rates, Housing Benefit Overpayments, Parking Fines and Sundry Debts and is to be let in four parcels, two for Revenues & Benefits services and two for Parking Services. The two parcels for Revenues & Benefits services will be allocated on a geographical basis (one parcel to include Chatham and Rochester, with the other parcel including Gillingham, Strood and the parishes). The two parcels for Parking Services will see work allocated on a 50/50 basis between the two contractors.

9. PROCUREMENT BOARD

- 9.1 The Procurement Board considered this report on 10 November 2010 and referred the matter to Cabinet for approval.

10. FINANCIAL, PROCUREMENT AND LEGAL COMMENTS

- 10.1 Given that the work is contracted at little or no cost to the Council, the key factors in the service provided must be the companies' success in obtaining monies due to the Council and the manner in which they conduct themselves as agents of the Council. Following an intensive procurement process officers have satisfied themselves with the performance of the bailiffs concerned and their ability to produce or better this at Medway. By selecting two companies for both the Revenues & Benefits element and the Parking Services element, it is possible to benchmark the bailiff companies against each other making it easier to challenge the poorer performer.
- 10.2 Comments of the Head of Procurement or designated deputy: Strategic Procurement has managed this procurement process to ensure compliance with EU Procurement Regulations and Contract Rules to ensure that the council will achieve best value. Strategic Procurement has provided quality assurance to the client department and is satisfied that the guidance provided will ensure that the procurement delivers best value. The evaluations were undertaken in accordance with the matrix issued within the ITT document and advice given by Legal Services and Strategic Procurement with a 20:80 split between Price: Technical Ability.
- 10.3 Comments of the Monitoring Officer or designated deputy: The contracts are services contracts for the purposes of the EU Regulations. The estimated value of each of the service contracts was above the current EU procurement threshold of £156,441. The procurement route selected was the Restricted procedure and it was decided that contracts award would be on the basis of the most economically advantageous tender. As soon as possible after any decisions are made to award the contracts to the most economically advantageous tender, EU Procurement rules require the Council to inform all those bidders who were involved in the procurement process of its decision in relation to the award of the contracts. The Council must allow a period of at least 10 clear days between the date on which the bidders are informed of the decision and the date on which the Council enters into the contracts.

11. RECOMMENDATIONS

- 11.1 The Cabinet is recommended to agree that:
- a) the Revenues & Benefits services will be allocated into two parcels of work on a geographical basis (one parcel to include Chatham and Rochester, with the other parcel including Gillingham, Strood and the parishes) whilst work for Parking Services will be allocated on a 50/50 basis.
 - b) for the Revenues and Benefits service the contracts be awarded to Contractor A and Contractor C as these two companies submitted the most economically advantageous tenders for this service and received the two highest scores.
 - c) for the Parking services the contracts be awarded to Contractor D and Contractor E as these two companies submitted the most economically advantageous tenders for this service and received the two highest scores.
 - d) the contract term for all contracts is to be two years with an option to extend for a further two years subject to satisfactory performance and to the current terms and conditions of contract.

12. SUGGESTED REASONS FOR DECISION(S)

- 12.1 The procurement process identified the fact that bailiff services for Revenues and Benefits requires different skills to those needed for parking services and as such different contractors are needed for these services.
- 12.2 The ability to monitor and benchmark performance is a key requirement to a service that is both critical to the Council's cash flow but also highly visible and potentially a risk to the Council's reputation.
- 12.3 In accordance with the published evaluation criteria, Contractors A,C, D and E submitted the most economically advantageous tenders for the specified services.

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| Monitoring Officer or deputy: | Julian Brown | ☎ 01634 332154 |
| Head of Procurement or deputy: | Tamsin Hicks | ☎ 01634 332029 |

Background papers

The following documents have been relied upon in the preparation of this report:

| Description of document | Location | Date |
|---|-----------------------------|------------|
| Tender documents & presentation info (contains exempt confidential information) | Revenues & Benefits Section | 12/11/2010 |