

PAYMENT MECHANISM

This is a four-part payment mechanism with Core Cost, Performance Risk, KQPI and Value for Money elements.

A broad outline of the intended remuneration methodology is produced below.

	ELEMENT	DESCRIPTION	MAKE-UP	FREQUENCY
1	<u>CORE CONTRACT COST</u>	Submissions, Charges , less; Savings made against original predictive contract costs Recharges	Resource provision, contract overhead, company return on investment, expected surplus	Reconciled and invoiced Monthly in arrears.
		Contractor 'Bond' to be Offset against the Compliance KQPI	Parking Compliance, Service improvement and percentage of correctly issued PCN quantifiable by benchmarked indicators'	Reconciled and invoiced Quarterly in arrears.
2	<u>PERFORMANCE RISK BOND ELEMENT</u>	Submissions against remaining KQPI on quality performance standards	Benchmarked quality KPI to establish standard for qualification	Reconciled and invoiced Bi-Annually in arrears.
		Contingency amount for contract development, hardware or training etc	Contract development scheme, a rolling 12-month program for contract maintenance	Reconciled Quarterly Re-charged Annually in arrears.
3	<u>KQPI ELEMENT</u>			
4	<u>VFM ELEMENT</u>			

CORE COST

The contractor must provide within their Bill of Quantities a complete breakdown of contract charges as an attachment to their Method Statement tender return.

Core cost charges shall include but not be limited to; Head office overhead, investment return, administrative costs, human resource funding, sundries and consumables, licenses and fees, IT software and hardware, vehicles and other physical equipment, development funding and contract surplus.

Failure to provide any part of the core service(s) will be subject to commensurate contract recharge via credit note.

Within seven days of month end, the contractor will provide the CAO with a statement of charges for each calendar month, for reconciliation and shall include recharge application as a separate item where appropriate.

Upon agreement of the statement by the CAO, the contractor may submit a formal invoice of services' for that calendar month and a relevant credit note as applicable.

The contractor is tasked to carry out a continual review of core cost charges with the aim of reducing the councils' liability.

The CAO will work closely with the contractor's representative(s) to identify and agree these savings.

PERFORMANCE RISK BOND

The contractor must 'risk' a percentage of their expected contract surplus, against achievement of selected Key Quality Performance Indicators, which in the first instance, are defined as:

For Lot 1 Headline KQPI;

1. **Percentage of correctly issued penalty charge notice**
2. **Level of parking compliance.**

For Lot 2 Supplementary KQPI;

4. **Immobilisation and Removal and Abandoned Vehicle operation**

The 'risk' percentage to be offered is at the discretion of the contractor as a competitive element of their tender bid and must be provided for in the Bill of Quantities summary as a financial value.

The exact subsequent apportionment and success or failure measurement to be applied will be agreed by the Partnership Panel prior to contract commencement, but for the avoidance of doubt may be assumed to be.

1. **99% achievement qualifies for a pass**
2. **85% or greater, on-street parking compliance and ticket issue combined**
4. **99% accuracy of enforcement actions taken**

The contractors' performance on compliance/enforcement will be reconciled and invoiced quarterly in arrears, however should the contractor fail to achieve the agreed compliance percentages, their quarterly 'risk bond' shall be deemed forfeit.

KQPI ELEMENT

Headline KQPI Menu

Initial KQPI will be confirmed by the Partnership Panel prior to commencement of contract but can be assumed to include the following items.

1. Percentage of correctly issued penalty charge notice
2. Level of parking compliance
3. Percentage of upheld complaint
4. Quality and retention of staff
5. Resource, supply and deployment
6. Sustainability objectives

Headline KQPI Outline

1. **Percentage of correctly issued penalty charge notice**

Incorrectly issued penalty notices cause inconvenience and distress and damage the reputation of the Council. By monitoring incorrectly issued penalty notices, cancelled due to avoidable contractor error, a measure can be applied to identify the cause and reduce any likely hood of continued incorrect issue.

There is also a quantifiable cost to the Council inherent in the process for administering these errors, further, in any unrecoverable element, where a ticket could have been legitimately issued.

In order to monitor compliance with this KQPI a benchmark percentile of 99% accuracy will be set, allowing 1% for natural human error. The contractor will receive an evidence pack for each individual PCN cancelled for CEO error, allowing an opportunity for challenge. The contractor will be deemed to have satisfied the KQPI with an accuracy ratio of 99% or above in any 3-month quarter.

Further, in order to promote user good will and to alleviate the negative 'time and trouble' value experienced by the appellant in making a **representation against the penalty**, a punitive compensation amount of £25 will be paid by the contractor in each case where it is demonstrated, on an evidence or balance of probability basis, that the penalty notice was unnecessarily issued.

Qualification for appealant compensation, due to contractor error, will be determined where it may be shown that the contractor issued a penalty notice in circumstances where the contractor may reasonably have been aware, that a penalty charge notice should not have been issued; IE: Contrary to a client instruction or in a non-enforceable location or due to insufficient training or supervision.

Exclusions will include, parking charge notice cancellation on grounds of council discretion, such as compassion, subsequent council policy change or de minimis failure; IE incorrect vehicle registration, make, colour or location etc.

2. Level of on street parking compliance

This KQPI is intended to monitor the overall effectiveness of the service key aim for the 'expeditious movement of 'traffic' including pedestrians'.

Compliance will be partially benchmarked against the Council's position using external body (TfL) performance tables when available, supported by a 'compliance improvement plan', measuring with the application of monitoring tools such as, mystery vehicle identification and street compliance and parking place occupancy surveys'.

Compliance measurement will be arranged by the CAO, whereby sample surveys will be undertaken at various locations throughout the borough, an assessment made of the number of vehicles in contravention and an account taken for the number of vehicles contravening, which, have received enforcement.

The CAO will survey a minimum twenty locations in a calendar month, noting parking bay occupancy by type, valid permit, blue badge etc.

Such surveys may consist of, but may not be limited to, any combination of measures to include, finding a mystery car, logging of persistent evaders, persistent offenders and blue badge fraud cases using automatic number plate recognition, by covert CCTV monitoring or by physical beat sampling by parking officers.

Then by assessing a percentage compliance figure; for example, if one hundred vehicles surveyed and 80% with valid permissions to park, then 20% in contravention, of which a contractor performance measure would be applied for 5% to be issued with a valid, robust and enforceable penalty charge notice.

Thereby a combined percentage of 'compliance' and 'enforcement' of 85%, or over equates to a performance standard pass mark.

A similar study and measure would be applied to yellow line, waiting and loading restrictions etc.

The contractor will receive any benefit attributable to this particular KQPI from their annual performance risk reserve. This will be a monthly reconciled performance measure with an annual settlement date.

In order to establish this benchmark, the partnership panel will set an activity level commensurate with historical pcn data.

3. Percentage of upheld complaint

When complaints are received, either through the Central Complaint system or directly at Parking Services or via the contractor, they will be fully investigated and an outcome defined.

When it is the case that culpability can be apportioned to the contractor, then this KQPI will track the event. A benchmark rejection rate will be set by the partnership panel, taking account of current statistics available for 2007.

Further, in order to promote user good will and to alleviate the negative 'time and trouble' value experienced by the appellant in making a **formal complaint against the contractor**, a punitive compensation amount of £25 will be paid by the contractor in each case where it is demonstrated, on an evidence or balance of probability basis, that the contractor employee was at fault.

4. Quality and retention of staff

Staff retention is an indicative proxy for the service supplier's ability to provide continuity and to maintain high staff performance standards.

Retraining new recruits is not only expensive but carries additional negative weight whilst the recruit adapts to the local anomalies and nuances of parking within Islington. This KQPI is intended to encourage the service supplier to invest in the long-term development of the Islington staff base.

The contractor is reminded of Islington requirement to actively recruit from within our local community where possible.

Historically, staff retention on comparable contracts is around 30% annually and this figure will be taken as the watermark above which goals for improvement will be set.

5. Resource, supply and deployment

The supply and deployment of correctly trained supervised and motivated staff and the supply of relevant support resources have a significant impact on service performance.

This KQPI is designed as a focal point for 'good-housekeeping' measures, employed to maintain agreed service levels.

The contractor will provide a monthly report documenting resource provision, as an accompaniment to their certified invoice.

Measurement of suspensions service

An ICPS generated report showing the amount of days taken from date of suspension order to date of suspension commencement, listing the number of days where the suspension has been entered onto the "On work warning list".

An ICPS generated report showing the amount of days taken from date of suspension order to date to "Modified" to "On work warning list".

An ICPS generated report showing the amount of days taken from date of "Notices Out" to "In Place"

A management report which monitors the PA's movements during operational hours of duty.

Photographic evidence of all actions taken regarding any suspension, IE photo's of advanced warning notices, bags, modified suspension notices and for suspension decommissions.

Successful achievement of this KQPI is deemed to be 97% or above, on current statistic this equates to one error per operational day for the period measured, errors will be graded, serious, such as non-commissioning of an ordered suspension and de-minimis, such as a missing photograph, aligned to a service continual improvement plan with aspiration toward 100% compliance within 3 years.

Measurement of parking and CCTV enforcement service(s)

The Partnership Panel are tasked to define the contract drivers that will underpin the key quality performance indicators within the headline and supplementary KQPI menus'.

Agreed service levels and benchmarks must be drawn up prior to contract commencement, monitored continuously and reviewed quarterly.

6. Sustainability objectives

This KQPI must demonstrate continued improvement on benchmarks for agreed sustainable projects and initiatives. Each project or initiative will be given a performance improvement aim or percentile, against which the contractors' compliance will be measured. This KQPI is designed to embed the sustainability ethos into the contract term.

Initial sustainability KQPI objectives will be designed by the Partnership Panel based on the 'start-up' position of the contractor, following which a year on year improvement plan will be instigated.

Supplementary KQPI Menu Outline

This further menu of KQPI, to be developed by the partnership panel, may be substituted with initial KQPI as individual elements shift in priority or are substantially achieved.

1. Percentage of supervisory support
2. Bus lane compliance
3. Percentage for CEO error cancellation
4. Immobilisation and Removal and Abandoned Vehicle operation

Prior to commencement of contract, the Partnership Panel will assess and agree the value or benefit attributable to each KQPI with the exceptions of KQPI, which are solely formulated in the performance risk element.

1. Percentage of supervisory support

This performance measurement will calculate, by a daily analysis of team leader pocket books', to determine apportionment of time allotted in support of their teams.

2. Bus lane compliance

Transport for London statistics on bus throughput times will be used by the CAO as a proxy for compliance on the Transport for London Road Network where applicable to the Islington contract.

3. Percentage for CEO error cancellation

This performance assessment will be calculated on the number of PCN cancelled due to avoidable CEO error, measured as a percentage of total PCN issued.

4. Immobilisation, Removal and Abandoned vehicle operation

The correct operation of a further enforcement service, immobilisation, removals and abandoned vehicle, will serve to underpin the frontline enforcement service and add weight to the compliance drive.

Measurements will be taken by the CAO for contractor adherence to policy and for priority enforcement, in particular in relation to dangerous parking, disabled parking space obstruction, blue badge fraud, persistent evaders, persistent offender and untaxed nuisance vehicles.

Dangerous parking

Classified by contravention code in conjunction with the Guide for Priority attached as Appendix J.

The contractor will be monitored on the percentage or number of dangerous parking contraventions enforced against as a proportion of the monthly pcn issue.

Disabled Parking Place Obstruction

Classified by contravention code in conjunction with the Guide for Priority attached as Appendix J.

The contractor will be monitored on the percentage or number of disabled parking place contraventions enforced against as a proportion of the monthly pcn issue.

Blue Badge Fraud

Identified by the CAO or by specially trained contractor operatives.

The contractor will be monitored on the percentage or number of blue badge fraud contraventions enforced against as a proportion of those reported each month.

Persistent evader

Classified as a vehicle with three or more pcn issued within the preceding six months which, have not been paid, are not subject to appeal, are not on hold and have not reached warrant.

ICPS software supplied with the hand held computers will manage the initial on-street element of persistent evader identification, the contractor will be monitored on the percentage or number of persistent evaders enforced against as a proportion of the monthly pcn issue.

Persistent offender

Classified as a vehicle with ten or more pcn issued within the preceding six months which, have been paid or remain unpaid.

Data supplied by the CAO will be utilised by the contractor to identify and prioritise the most prolific offenders. The contractor will be monitored on the percentage or number of persistent offender enforced against as a proportion of the monthly pcn issue.

Untaxed Nuisance Vehicles

Classified as vehicles in breach of Driver Vehicle Licence Agency regulation and / or certifiable as an abandoned vehicle.

The contractor will be monitored on the percentage or number of vehicles against which appropriate enforcement action has been taken.

VALUE for MONEY ELEMENT

Value for money is a key element in demonstrating the continued sound management of the contract and the contractor will take an active role in ensuring that adequate control is maintained over contract expenditure.

To this aim, on a monthly basis, the contractor will maintain and disclose its contract expenditure and shall remain liable to open book account audit at any time of the councils choosing.

The contractors' business analyst will continually liaise with the CAO to review and analyse contract expenditure, revenue streams and financial process.

A notional cost centre with nominal codes must be agreed and set up, with financial monitoring to ensure a balanced budget is achieved. See appendix F.

Notional Cost Centre

Will include but not be limited to; total employee costs, total supplies and services, total transport related expenses, total administrative costs and recharges, total agency costs (sub contractor(s) and other bodies), gross expenditure.

Nominals:

- **Employee costs –**
Gross pay, overtime, training, liability insurance and interim staffing.
- **Total supplies and services –**
Purchases general, repair/maintenance, installation services, hardware purchases, and network charges, staff uniform.
- **Total transport related expenses –**
Petrol/derv/other, maintenance, fees/licenses
- **Total administrative costs and recharges –**
Telephones', consumables, finance charges', departmental recharges.
- **Total agency costs –**
Sub contractors, specialist and consultancy.

ADDENDUM NOTES

Hardware and equipment

Hardware and equipment provided or supplied, either by the council for the contractors use or directly by the contractor for use on the contract, will be maintained or replaced by the contractor as necessary during the life of the contract.

At the end of the contract term, all hardware and equipment will be deemed to have been purchased by the Council and shall revert to Council ownership.

Development Funding

The contractor shall provide an element of contract development funding within their core bid.

Any development cost must be identified by the partnership panel and may be submitted for reconciliation as a draw down charge against the pre-agreed development fund.

Contract Surplus

The partnership panel will consider and agree arrangements for the distribution of any 'unspent' annual allocation from the Notional Cost Centre Nominals, however in the first instance any remaining sum will be recharged to the Council.

Contractor Overspend

In the event that the contractors predictive contract costs exceed the total agreed annual contract value, such over-spend will be borne by the contractor in full.