

**Report to Director of Resources & Housing**

**Date: 10 January 2019**

**Subject: Request to Waiver of Contract Procedure Rules to award a contract to MAG:NET Solutions Ltd to facilitate the credit checking function of the Taxi loan scheme.**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number: 10.4.3 Appendix 1 to this report has been marked as exempt under Access to Information Procedure Rules 10.4 (3) on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) which, if disclosed to the public, would, or would be likely to prejudice the commercial interests of that person or of the Council. The information is exempt if and for so long as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. In this case the report author considers that it is in the public interest to maintain the exemption.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

**Summary of main issues**

1. Leeds was identified in 2015 by Department for the Environment, Food & Rural Affairs (DEFRA) as one of six locations in England that is not expected to meet air quality standards by 2020 and to require the introduction of a Clean Air Zone (CAZ).
2. On 17 January 2019, Leeds City Council was awarded c£23m funding from central government's Joint Air Quality Unit (JAQU) to implement a variety of support packages to mitigate the economic impact of the Leeds Clean Air Charging Zone.
3. One of these support packages is the introduction of an interest free loan scheme for the taxi and private hire trade.
4. The provision of loans to drivers will be subject to credit and affordability checks. There is a requirement to engage with a credit reference agency to access a credit checking database.
5. The Council has an existing agreement with Magnet Solutions to access their LoCTA portal and database, which is used for debt recovery and fraud checking primarily in respect of Council Tax. Magnet are a credit referencing broker – this means they

possess the necessary expertise and network of contacts to facilitate access to the most appropriate credit database (TransUnion) at a discounted rate.

6. The mobilisation of the loan scheme must happen at pace following the funding decision from JAQU to ensure the trade is provided with adequate time to source and purchase vehicles, and to spread demand on the second hand market over time which will facilitate its ability to cope with the demand.

**Recommendations** The Director of Resources and Housing is requested to approve:

- 1 The waiver of Contract Procedure Rules in order to enter into a contract with Magnet Solutions with a potential value up to £64,310:

3.1.13 - Parts 1 to 3 of the Council's tender documents must be used.

8.2 - Requirement to request three quotations for an Intermediate value procurement.

- 2 Entering into a data sharing agreement with MAG:NET Solutions Ltd and TransUnion to facilitate access to the database to perform credit searches.

## **1 Purpose of this report**

- 1.1 The purpose of this report is to waive CPRs 3.1.13 and 8.2 using the process outlined at CPR 27 to award a contract to Magnet Solutions to enable Magnet to support with setting up the credit checking function and training of staff for the loan scheme.
- 1.2 The rationale for this decision is set out in the 'Main Issues' section of this report.

## **2 Background information**

- 2.1 The taxi and private hire sector is financially impacted in a number of different ways as a result of the CAZ being introduced. These impacts are summarised below:
  - Vehicle replacement 'forced' prematurely, access to capital required
  - Drivers have not been able to extract the full value from their existing vehicle
  - Compliant vehicles are more expensive.
- 2.2 The loan scheme has come about as a direct consequence of the Leeds Clean Air Charging Zone (CAZ) consultation. Overwhelmingly, feedback from the consultation said that the Council must assist vehicle users that stand to be affected.
- 2.3 One of the main risks associated with the loan scheme is the level of risk the Council is exposed to – the funding pot is to be provided using Council capital

(financed via Prudential Borrowing). A crucial mitigation is the prevention and management of bad debt / fraud.

- 2.4 To help ensure loans are not provided on a fraudulent basis, or to drivers that are likely to experience difficulty in making repayments, it is a requirement of the scheme that loans are underwritten. The underwriting of loans is informed by background information contained within credit reports and affordability checks. This drives the requirement to have an arrangement in place with a credit reference agency.

### **3 Main issues**

#### **Reason for Contracts Procedure Rules Waiver**

- 3.1 Provisional market research into the cost of credit checking was performed with providers of credit searches - we were quoted £50 per search.
- 3.2 Investigation into existing supplier contracts was also carried out. The contract with Magnet was identified as being potentially suitable for accessing a credit reference agency database. Magnet were contacted on this basis for a discussion.
- 3.3 Magnet are the providers of a piece of software called LoCTA. LoCTA acts as a portal to search credit reference agency databases. There is also a LoCTA branded database that is for specialist use in the public sector for the trace and recovery of council tax debt. As such, the LoCTA database isn't suitable for credit searching for the taxi loan scheme and as a result, the existing contract isn't wide enough in scope to deliver the functions required for the loan scheme.
- 3.4 Magnet have provided information in support of our business case development about the main credit reference agencies in regards to their suitability for performing credit searches for different geodemographics. They recommend that the credit agency to best suits our needs is 'TransUnion' (formerly known as Call-Credit) as they specialise in searches for the 'sub-prime' lending market. Our research into the geodemographics of taxi drivers as part of our evidence gathering for the CAZ business case informs us that the large majority of drivers will be sub-prime lenders.
- 3.5 Magnet are a credit reference agency broker, this enables them to provide access to credit databases via the LoCTA software, in addition to giving professional advice on all areas of credit searching and staff training in regards to interpreting credit reports and making credit decisions. While the existing contract with Magnet isn't wide enough in scope to use for this scheme, it is appropriate to appoint Magnet under a separate, intermediate value services contract to support the scheme delivery.
- 3.6 Other suppliers of finance wrap up the cost of credit searches and loan administration in APR rates – typical rates for subprime lenders range from 12% to 29%.
- 3.7 Access to credit reference agencies is facilitated via way of entering into a data sharing agreement. Files must be uploaded at pre-determined frequencies and

must contain certain data fields. The LoCTA portal is already set up to facilitate this and has been penetration tested as such, meets our cyber security requirements. This means that by contracting directly with Magnet we avoid lengthy and potentially costly set up costs.

- 3.8 Magnet have been a provider of services to Leeds City Council for a number of years and have recently (in the last three months) won a tender exercise to continue being the provider of the LoCTA database. Therefore we are satisfied that as an organisation, Magnet meet all of the Council's selection requirements and has evidenced its capabilities.

### **Consequences if the proposed action is not approved**

- 3.9 If this waiver is not approved the Council will have to tender for a provider of these essential services. The main risk is adding time into an already very challenging programme for services that are not of significant value.
- 3.10 There is also a risk that Magnet wouldn't tender – they have been clear this work is low value to them however has been of interest to maintain a good relationship with us as a client.
- 3.11 A tender exercise could lead to an increase in costs. This is an externally funded scheme; as such our ask has been based on the prices obtained during our business case development. If a tender exercise returned increased costs then the council would have to fund the gap itself. There is no provision in the 2018/19 budget for this work.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 This is a Significant Operational Decision that is primarily related to the timely implementation of the Clean Air Zone support packages, therefore the Executive Board Member for Resources and Sustainability has been consulted on this waiver.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 There was an Equality Impact Assessment undertaken for the whole Clean Air Zone project – this can be found as an Appendix to the 17 October 2018 Executive Board report.

### **4.3 Council policies and City Priorities**

- 4.3.1 The importance of air quality as an issue is reflected in the Council's vision under our Best Council Plan. Our vision is for Leeds to be a healthy city in which to live, work and visit and we are working with partners to reduce emissions which will bring about health and wellbeing benefits including reducing premature deaths, improving health, promoting physical activity and reducing obesity levels. We are raising general health and environmental standards across the city through the promotion of walking and cycling.

### **4.4 Resources and value for money**

- 4.4.1 The cost of £64,310 is considered to represent good value for money in comparison to the higher quote received during the market reseeach. Further set up costs are also avoided by way of this direct award.
- 4.4.2 The contract value has been estimated on a 'worst case scenario' basis. Actual expenditure is anticipated to be in the region of £35,000. This is due to how credit searches are performed. When a credit file is accessed, each 'click' on an address equates to a 'search'. Credit searches will be performed over a six year history. If a person has moved house six times in that period, this would equate to six clicks On average, homeowners move house every five to eight years and renters move house every two to three years. On this basis, it likely the number of 'clicks' per credit search are likely to be far lower than what we have assumed, closer to half the amount. Operator credit searches are a fixed price per file.
- 4.4.3 A direct award to Magnet provides further efficiencies by way of not going through a procurement process.
- 4.4.4 The staff resources associated with delivering this loan scheme are provided by the funding from Central Government, in addition to the funding for the credit search activity.
- 4.4.5 The contractual payment schedule will allow for credit searches to be batch purchased in denominations of 500 with no guarantee of the maximum value being reached. This ensures the Council is only spending what it needs to in respect of the scheme.
- 4.4.6 MAG:NET Solutions will also be obligated to support the council in sharing its lessons learned with other Local Authorities as part of this contract.
- 4.5 **Legal Implications, Access to Information and Call In**
- 4.5.1 This decision is not subject to call in.
- 4.6 **Risk Management**
- 4.6.1 The impact of not procuring credit search services at this juncture will result in the project being delayed. If the Council fails to deliver the loan scheme on time, it puts at risk the ability of the Clean Air Zone to deliver compliance. Therefore it is essential that the Council procures the specialist input required to progress and deliver the scheme.
- 4.6.2 The timescales the Council faces to deliver the scheme are extremely challenging with little to no contingency for slippage. The key milestones are set out below:

<b>Taxi Loan / Grant Scheme</b>	
Recruitment	
Governance	31 January 2019
Process	28 February 2019
' Staff start	28 March 2019

Loan Agreement finalisation	28 February 2019
<i>Procurement – Magnet contract award</i>	<i>31 January 2019</i>
Policy development (debt recovery / credit risk)	28 February 2019
IT systems	28 February 2019
Hardware / IT set up / seating	20 March 2019
Training	30 March 2019
Go live	31 March 2019

4.6.3 This direct award offers a quick route to market that fully meets the Council's needs.

4.6.4 This direct award is requested in line with CPRs and is not high value, therefore the risk of procurement challenge is deemed low.

## 5 Conclusions

5.1 There is a likelihood that the taxi loan scheme project will be delayed if we do not contract with Magnet in line with the deadline set out above. The risks likely to materialise if the Council fails to introduce the loan will have a high impact. Therefore the decision to appoint a Magnet is business critical.

## 6 Recommendations

6.1 The Director of Resources and Housing is requested to approve:

6.2 The waiver of Contract Procedure Rules in order to enter into a contract with Magnet Solutions a cost of up to £64,310:

- 3.1.13 - Parts 1 to 3 of the Council's tender documents must be used. This rule is being waived as a result of direct award arising from this waiver report. Part 1 (Tender Instructions) is not required.
- 8.2 - requirement to request three quotations for an Intermediate value procurement. This rule is being waived for a number of commercially valid reasons and as a risk mitigation action; significant costs arise by entering into a direct award, set up costs are avoided, resource efficiencies are achieved, and this award increases the likelihood of the council meeting its deadlines in respect of the Clean Air Zone Implementation.

6.3 Entering into a data sharing agreement with MAG:NET Solutions Ltd and TransUnion to facilitate access to the database to perform credit searches.

## 7 Background documents<sup>1</sup>

<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

7.1 Clean Air Zone Executive Board report – 18 October 2018.

