



**Executive**  
12<sup>th</sup> December 2005

**Report from the Director of  
Finance & Corporate Resources**

For Action

Wards Affected:  
ALL

**Authority to Award Contract for Credit Card Acquiring  
Services**

Forward Plan Ref F&CR-05/06-22

**Appendix C** of this report is Not for Publication

**1.0 Summary**

- 1.1 This report requests authority to award a contract, as required by Contract Standing Order No 89. This report summaries the process undertaken in tendering this contract and, following the completion of the evaluation of the tenders, recommends to whom the contract should be awarded.
- 1.2 The contract enables the council to accept payments by credit and debit card face to face, by telephone and on-line.

**2.0 Recommendations**

- 2.1 That Members award the contract for Credit and Debit Card Acquiring Services to the National Westminster Bank Plc carrying on business as Streamline Merchant Services ("Streamline") to take effect from 3<sup>rd</sup> January 2006.

**3.0 Detail**

***Background***

- 3.1 The credit card acquiring contract was originally awarded to Streamline in 1993. No tender process was required in 1993 when the contract was awarded as the value was below the relevant threshold.

3.2 The current turnover exceeds £15 million per annum and now includes on-line facilities, telephone payments as well as face to face transactions. Therefore the existing arrangements differ from those originally entered into with Streamline in 1993.

### ***The Tender Process***

3.3 The Executive approved the invitation of tenders for the provision of credit and debit card acquiring services at the meeting of the Executive of 17 January 2005.

3.4 The council's service units were consulted with regards to future requirements. Their comments were included in the service specification that was issued with the invitation to submit initial proposals for the contract.

3.5 The tender process has been supported by an external consultant who advised on potential areas for savings and assisted with the pricing comparison.

3.6 The new contract will be let for 3 years with an option for the council to extend the term a further 2 years. A term of the contract is that it may be terminated earlier by the council giving Streamline not less than 30 days' notice or by Streamline giving the council 6 months' notice.

3.7 The contract was procured in accordance with the negotiated procedure pursuant to the EU Regulations (as noted below at paragraph 5.2). Advertisements were placed in the Official Journal of the European Union (OJEU) on 8<sup>th</sup> February 2005 to seek initial expressions of interest from which elicited 5 initial enquiries. Shortlisting questionnaires and an outline specification were sent out 17 February 2005 for completion and two contractors returned questionnaires.

3.8 An assessment of each contractor's business probity, financial viability and ability and technical capacity was carried out on 10 March 2005 by an officer from Finance & Corporate Resources and the evaluation panel, which was made up of other officers from Finance & Corporate Resources.

3.9 On 24 March 2005 invitations to submit initial proposals for the contract were issued to both contractors that submitted completed questionnaires. The invitation included instructions to bidders, the service specification, the form of tender, the pricing schedule and other supporting documents, and two tenderers submitted an initial bid – one from Streamline the other from Lloyds TSB Cardnet Merchant Services Limited ("Cardnet").

3.10 The instructions to bidders stated that the contract would be awarded on the basis of the most economically advantageous offer to the Council and that in evaluating tenders, the Council would have regard to the following criteria (as approved in outline by the Executive on 17 January 2005):

- Price (including proposals in terms of settlement timescales, managing variances in volumes, tariff reviews following movement in interchange rates and reducing tariffs when fraud screening services are used);
- The bidders and third party suppliers' proposed terms and conditions for providing the services to the council (including the proposed allocation of risk);
- Implementation of arrangements;
- Technical capacity to deliver the services and approach to service delivery;
- Proposals for handling day to day queries and enquiries;
- Ability to meet the council's standards in relation to service quality, as demonstrated in the tenderer's response to the service quality questionnaire within the service specification;
- Contingency arrangements in place; and
- Quality/delivery of transaction information.

3.11 The instructions to bidders also noted that after the council's evaluation of initial proposals received, the council may select, on the basis of the criteria listed above, a preferred bidder and a reserve bidder with whom the council would enter contract negotiations. Once such negotiations had been conducted, the council would then invite the Preferred and/or Reserve Bidder to submit their best and final offer ("BAFO").

3.12 Both tenderers submitted initial proposals which were initially evaluated by the evaluation panel on 12 May 2005 in order to identify areas (if any) requiring clarification. Both tenderers were subsequently invited to attend a meeting with the evaluation panel and an officer from Legal & Democratic services who provided legal input as appropriate. The purpose of the meeting was to discuss the contents of their proposals and to obtain clarification on certain points of their proposals, and to submit further relevant documentation – any agreed amendments that resulted from the negotiations would be submitted with tenderers' BAFOs and form part of the contract documents. On 14 July 2005 the evaluation panel assessed the tenderers' responses to the panel's clarification points, which were submitted after the meetings were held, to ensure that the council's requirements were met. The consultant also undertook a financial analysis of the initial proposals.

3.13 After the negotiation and clarification process was completed, an invitation to submit BAFOs was issued to both tenderers on 3rd October 2005.

### ***BAFO Evaluation Process***

3.14 BAFOs had to be submitted no later than midday on Wednesday 19<sup>th</sup> October 2005. Cardnet advised prior to the BAFO submission date that it would not be submitting a BAFO for reasons relating to its available resources at the time. Therefore, only one BAFO was received. The BAFO was opened on 19 October, photocopied and given to each member of the evaluation panel. Each member of the evaluation panel read the BAFO using evaluation sheets

(see Appendix A) to note down how well each of the award criteria was addressed.

- 3.15 The BAFO evaluation was carried out by the evaluation panel with an officer from Legal & Democratic Services providing legal input as appropriate. The panel met on 27 October 2005 and the submission was marked against the award criteria.
- 3.16 The scores received by the tenderer are provided at Appendix A.
- 3.17 Further details on the BAFO evaluation are outlined in Appendix B.
- 3.18 As noted above, the contract will commence 3 January 2006.

#### **4.0 Financial Implications**

- 4.1 The Council's Contract Standing Orders state that contracts for supplies and services exceeding £500k or works contracts exceeding £1million shall be referred to the Executive for approval of the award of the contract.
- 4.2 The estimated value of the Credit and Debit Card Acquiring Services Contract over the life of the contract, including the optional two year extension, is above the contracts for services threshold. Please refer to Appendix B for the estimated value of the contract over a five-year period.
- 4.3 All council service units have a budget provision to cover the card acquirer's charges in relation to customer card payments. The card acquirer's charges in relation to card transactions will be covered by the relevant service unit the customer was making the payment to.
- 4.4 The Finance & Corporate Resources unit has a budget for the consultant's fees, and the costs of legal assistance and advertising relating to this contract procurement exercise.
- 4.5 Credit card transactions charges are calculated as a percentage of the value of the transaction. Debit card transactions are charged as a per item tariff regardless of value. The annual turnover and average transaction value also influences the rates negotiated each year.
- 4.6 The current charging method is based on a 'blended rate' tariff across the different types of credit and debit cards accepted. Transactions taken by telephone and face to face are charged at the same rate but e-commerce transactions have a separate tariff. Appendix B shows the direct comparison between the current tariff and the new tariff offered by Streamline Merchant Services using the 'blended rate'.
- 4.7 Also included in Streamline's BAFO was an option to change the charging method to a 'base transaction rate' tariff. This method applies a different premium to each type of card depending on the method of taking the

transaction (i.e. e-commerce has a high premium, the telephone premium is not as high as the e-commerce premium and face to face have no premium). Appendix B shows the estimated cost of this 'base transaction rate' tariff based on the current e-commerce usage and on a split of 80% telephone transactions to 20% face to face transactions.

- 4.8 The 'base transaction' charging method will be the preferred charging method for the new contract as it is less expensive. The estimated savings over the next five years is in the region of £66K. The estimate is based on the current volumes and values of transactions with no variance to which method the card payments are received.
- 4.9 E-commerce transactions attract the highest tariffs for both charging methods. Both tariffs would be reduced if the additional fraud screening measures that Streamline recommend in its BAFO were implemented. Discussions with Universal Payment Gateway, the council's current payment service provider, will be undertaken to establish if it is possible to implement these additional security measures, what the impact of doing so would be and any costs that may arise. The main difference for customers is that they will have the option to enter their personal codes when entering their card details on-line. If the customer chooses not to, the council will still receive the reduced tariff.
- 4.10 The tariff rates and transaction volumes will be reviewed at least annually by Streamline and any significant change in activity (increase or decrease by 10% or more) may affect the tariff charged by Streamline. Council efficiency reviews and initiatives may influence such a change in activity i.e. any significant increase in Direct Debit take up for Council Tax, NNDR and Rent etc. could reduce the annual turnover processed via card payment. If this were to happen Streamline would lose income and may seek to increase the tariff. Conversely if the volumes and values of transactions paid on-line significantly increased the Council would seek to reduce the e-commerce tariff.
- 4.11 Some service units have requested a fully mobile solution (i.e. hand held terminals with General Packet Radio Service (GPRS) Communication, mobile telephone technology) to enable them to accept card transactions away from the workplace. Finance & Corporate Resources will be seeking to identify an appropriate company to set up a trial of the mobile solution. Rental and hire costs etc. for a mobile solution will be borne by the service units' budgets. Estimated costs of this solution have been included at Appendix C.

## **5.0 Legal Implications**

- 5.1 The estimated value of this contract over its lifetime is higher than the EU threshold for Services and the nature of these services means that they fall within Part A of the Public Service Contracts Regulations 1993 (“the EU Regulations”). Therefore the procurement of this contract is governed in full by the EU Regulations.
- 5.2 For various reasons, including the specialist nature of card acquiring services, the tender process followed for the procurement of this contract was the negotiated procedure, which the EU Regulations permitted.
- 5.3 On the basis that the estimated value of the contract is more than £500,000 the contract is a High Value Contract for the purposes of the Council’s Standing Orders and Financial Regulations. As a result, Executive approval is required for the award of this contract.
- 5.4 A clause will be inserted into the new contract stating that from the commencement date, all previous contracts with Streamline relating to credit and debit card acquiring services shall be terminated.

## **6.0 Diversity Implications**

- 6.1 The proposals in this report have been subject to screening and officers believe that the award of this contract has no diversity implications.

## **7.0 Staffing/Accommodation Implications (if appropriate)**

- 7.1 This service is currently provided by Streamline, an external contractor, and there is no implication for Council staff arising from the retendering of the contract.

## **8.0 Background Papers**

- 8.1 Credit and Debit Card Acquiring Services Contract Tender Files
- 8.2 Credit and Debit Card Acquiring Services Contract Tender correspondence files
- 8.3 Authority to invite tenders for the provision of credit and debit card acquiring services Executive Report BFS/95

### **Contact Officers**

Sarah Cardno, Exchequer Services Manager, Exchequer & Investment, Finance & Corporate Resource, Brent Town Hall. Tel 020 8937 1161.

**Duncan McLeod**  
**Director of Finance and Corporate Resources**

## APPENDIX A

### CREDIT & DEBIT CARD ACQUIRING SERVICE CONTRACT

#### BAFO EVALUATION GRID

#### Card Services Tender Evaluation Matrix

<u>Question No:</u>	<u>Evaluation Criteria as per para 6 of Info to Bid</u>	<u>Weighting</u>	<u>Bank 1 Score out of 10</u>	<u>Bank 1 total Streamline</u>	
1	3.1 Able to provide merchant numbers as required	d	2	8	16
2	Process	c & poss b	1	8	8
3	Timescale	c	1	8	8
4	4.2 Types of Terminals	b and d	2	6	12
5	Price	a	0		0
6	Hand held Y or N	b and d	2	6	12
7	4.3 3rd Party supplier Y or N	b	1	5	5
8	Separate contract Y or N	d and poss a	1	5	5
9	T & C enclosed	b	1	5	5
10	Any issues with T & C's	d and poss a	2	6	6
11	4.4 On site training	c & h	1	7	7
12	Helpdesk	e	3	8	24
13	Additional costs	a	0	0	0
14	4.5 Speed of replacement of terminals	g and d	3	9	27
15	Method	c and h	2	9	18
16	5.2 Happy/able to work with UPG as PSP	d	3	9	27
17	6.3 Invoice frequency and period	h	1	8	8
18	Sample enclosed - quality of information	f	1	8	8
19	6.4 Options for payment	c	1	7	7
20	If DD Invoice to payment times	b	1	7	7
21	6.5 Managing variances in volumes	a	3	5	15
22	Reducing tariffs re increase volumes	a	3	1	3
23	6.6 Interchange rate changes - how passed on?	a	3	3	9
24	6.7 Discount/contribution to implementation	a	1		0
25	6.8 Any additional charges not listed by Brent	a,c, g, h	1	5	5
26	8.2 Settlement to accounts 2 days	a	1	7	7
27	Options and impact on cost	a	2	5	10
28	10.2 Guidance re fraud prevention	d h	3	7	21

Meeting  
Date

Version no.  
Date

29		How tariffs would change if additional screening used	a	3	2	6
30	11.1	Any charge for chargebacks	a	2	9	18
31		Affect on pricing	a	2		0
32	11.2	How council advised and timescales	c, d e	3	7	21
33	11.3	Part of charge or individual	h b	2	8	16
34		Detail of narrative on statement	h d	3	6	18
35	12.2	Answering queries	d e	3	7	21
36		Additional cost	a	0		0
37		Effect on price	a	0		0
38	13.1	Summaries and charging info to unit	h	3	8	24
39		Copies to Exchequer	h	3	8	24
40	13.2	Management information	h	1	7	7
41		Electronic/bespoke	d	2	2	4
42		additional cost	a	0		0
43		effect on cost	a	0		0
44	14.1	Contingency arrangements	g	3	7	21
45	16.2.1	Key personnel	d	2	7	14
46		All info provided	d	1	7	7
47	16.2.2	Continuity plan	g	1	7	7
48	16.3.1	How will provide high level of support day to day	h	3	7	21
49	16.3.2	Key functions outsourced	b h	3	6	18
50		How quality is ensured and measured	h	3	6	18
51	16.3.3	Separate contracts (check para 4 reply)	b	2	6	12
52	16.4.1	Developments brought to council's attention	d h	2	6	12
53	16.4.2	Practical examples of commitment to partnership	h	2	5	10
54		Pricing schedule		0		0
55		All data completed		1	6	6
56		Lowest/ highest		0		0
57		what is additional cost to gain what?		0		0
58		Any concerns that bank may not meet needs?		3	7	21
59		Areas that need further enquiry		1	5	5
		<b>TOTAL</b>		<b>100</b>		<b>611</b>

Marking scheme for award criteria: *marked from 1 – 10, 1 being poor*

The matrix above reflects the Service Specification and is linked to the evaluation criteria stated at 3.10 of the report. Questions that have cost implications were not scored in the matrix above; instead they were taken into account in the pricing calculations.



## **APPENDIX B**

### **Estimated Value of the Future Contract with Streamline Merchant Services**

#### **Current Tariff**

The estimated cost of the current contract with Streamline at the current tariff, volumes and usage is £655K over a five year period.

#### **Blended Rate Tariff**

The estimated cost of the future contract with Streamline at the new tariff under the 'blended rate' charging method currently being used, for the same volumes and usage is £614K over a five year period.

Taking existing usage of e-commerce and the implementation of added security measures the estimated cost would be £610K over a five year period.

#### **Base Transaction Tariff**

The estimated cost of the future contract using the proposed 'base transaction' charging method, for the same volumes of e-commerce transactions and the remainder of the transactions split between 80% telephone and 20% face to face is £589K over a five year period. This would rise to £609K over a five year period if all non e-commerce transactions were by telephone.

Taking existing usage of e-commerce and the implementation of additional security measures the estimated cost would be £584K over a five year period.