



**Cabinet**  
15 January 2018

**Report from the Strategic Director  
of Resources**

**Merchant Acquiring Services and Equipment**

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Key
<b>Open or Part/Fully Exempt:</b>	Open
<b>No. of Appendices:</b>	None
<b>Background Papers:</b>	None
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**1.0 Purpose of the Report**

- 1.1 The current Merchant Acquiring Services and Equipment contract is due to expire on 31 March 2018 and a new contract needs to be established.
- 1.2 In simple terms, this contract provides chip and PIN terminals to take credit and debit card payments, and provides the service that transfers payments from the companies who issue credit and debit cards to the Council's bank account.
- 1.3 This report is being brought forward for Members to note the use of the Crown Commercial Services (CCS) Framework for Merchant Acquiring Service ref RM 3702 Lot 1 to procure a new contract and to delegate authority to the Strategic Director of Resources in consultation with the Deputy Leader to award the contract to the preferred bidder, following the mini-competition, which will include rigorous evaluation of quality, price, financial standing and terms and conditions.

## **2.0 Recommendation(s)**

- 2.1 Cabinet to note the procurement of Merchant Acquiring Services through mini-competition under the Crown Commercial Services (CCS) Framework for Merchant Acquiring Service on the basis of the pre - tender considerations set out in paragraph 3.5 of the report.
- 2.2 Cabinet to delegate authority to the Strategic Director of Resources to award and enter into the call off contract under the CCS Framework for Merchant Acquiring Services.

## **3.0 Detail**

- 3.1 The Crown Commercial Services (CCS) Framework for Merchant Acquiring Service ref RM 3702 Lot 1 is a multi-supplier lot across all UK public sector bodies to provide services including:
- Merchant Acquiring Services – provides the service that transfers payments from the companies who issue credit and debit cards to the Council's bank account.
  - Merchant Acquiring Equipment – the provision of chip and PIN terminal to take credit and debit card payments.

NOTE: the majority of the requirement for Brent is for the Merchant Acquiring Services.

- 3.2 The Cabinet is requested to delegate award of Contract due to severe time constraints. The new contract must be operational by 1<sup>st</sup> April 2018. If the incumbent supplier does not win the new contract there will need to be a transition programme to a new supplier. All potential suppliers have indicated that a minimum of 8 weeks will be required to transfer and implement the service. There is insufficient time to seek approval to award a contract at the February Cabinet meeting.
- 3.3 The benefits of using the CCS Framework are:
- Faster Procurement – Brent do not need to run a full OJEU procurement; Officers simply need to identify our specific requirements and run a mini – competition.
  - Improved pricing – advantageous pricing across each of the Lots have been secured through the bulk buying power of bringing all public sector business under one agreement. CCS anticipate that the agreement will account for more than 203 million payment transactions, with a value transacted in excess of £23 billion per annum.
  - Ease of use – the framework agreement is simple to use, the approach is intended to substantially reduce the cost and timescales involved in procuring the services.
  - Compliance – the agreement is fully EU compliant in line with EU regulations and recognised as a legitimate route to market. This reduces procurement risk for Brent and reduces bureaucracy in the procurement process.

- 3.4 The CCS Framework came into effect on 1 March 2016 and will expire on 28 February 2020. Any contract awarded under the contract must not last more than 2 years beyond the expiry of the Framework. Officers are proposing to award a contract for 2 + 1 year 11 months. This will allow Brent to take advantage of a new Framework agreement in 2020 if it provides an improved commercial solution, if not the Council can continue with the new contract until 28 February 2022.
- 3.5 A further competition will be run with all three suppliers invited to participate. Running a further competition enables Brent to:
- Specify our exact needs for the supply of services required
  - Specify the type of management information, including KPIs, which will be required to track activity, cost, and performance. These will be incorporated into the call off agreement.
  - Specify the evaluation criteria based on what is important to Brent. The percentage weightings that can be applied to a further competition are 70% Quality/30% Price with a variance of +/- 10%. For the further competition a 60% Quality/40% Price weighting will be used.
- 3.6 In accordance with Contract Standing Orders 88 and 89, pre-tender considerations have been set out below.

Ref.	Requirement	Response	
(i)	The nature of the Services.	Merchant Acquiring Services and Equipment	
(ii)	The estimated value.	£1,370,000 based on current pricing and volumes	
(iii)	The contract term.	2 years + extension of 1 year 11 months.	
(iv)	The tender procedure to be adopted.	Use of CCS framework for Merchant Acquiring Services	
v)	The procurement timetable.	<b>Indicative dates are:</b>	
		Invitation to mini-competition	Thursday 21 <sup>st</sup> December 2017
		Deadline for bid submissions	Friday 12 <sup>th</sup> January 2018
		Panel evaluation	Complete Tuesday 16 <sup>th</sup> January 2018
		Report recommending Contract award circulated internally for comment	Wednesday 17 <sup>th</sup> January 2018

Ref.	Requirement	Response																					
		Exercise of delegated approval to award	Friday 19 <sup>th</sup> January 2018																				
		Call in period of 5 days	Wednesday 24 <sup>th</sup> January 2018																				
		Contract Transition Programme	Commence Thursday 25 <sup>th</sup> January 2018																				
		Contract start date	Sunday 1 <sup>st</sup> April 2018																				
(vi)	The evaluation criteria and process.	1. At evaluation stage, the panel will evaluate the bids using a 60% Quality / 40% price weighting. The Quality criteria used will be: <table><tr><th>Item</th><th>Percentage</th></tr><tr><td>Terminal Rental</td><td>5%</td></tr><tr><td>Authorisation Of Changes</td><td>5%</td></tr><tr><td>Fraud Prevention</td><td>10%</td></tr><tr><td>Chargebacks</td><td>10%</td></tr><tr><td>Transition Plan</td><td>10%</td></tr><tr><td>Day – To – Day Queries</td><td>10%</td></tr><tr><td>Management And Electronic Information</td><td>5%</td></tr><tr><td>Value Added</td><td>5%</td></tr><tr><td><b>Total</b></td><td><b>60%</b></td></tr></table>		Item	Percentage	Terminal Rental	5%	Authorisation Of Changes	5%	Fraud Prevention	10%	Chargebacks	10%	Transition Plan	10%	Day – To – Day Queries	10%	Management And Electronic Information	5%	Value Added	5%	<b>Total</b>	<b>60%</b>
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(vii)	Any business risks associated with entering the contract.	There are no business risks associated with entering into the proposed contract. However, there is a significant risk of not entering the contract by 1 <sup>st</sup> April 2018 – approx. £55m of annual Council revenue is collected through the Merchant Acquiring Service. If the new contract is not operational by 1 <sup>st</sup> April 2018 the revenue collection will be disrupted.																					
(viii)	The Council's Best Value duties.	The procurement of Merchant Acquiring Services through the CCS Framework will help the Council to meet its Best Value duties.																					
(ix)	Consideration of Public Services (Social Value) Act 2012	Officers had regard to the Public Services (Social Value) Act 2012 in considering how they can also secure wider social, economic and environmental benefits in procuring the service but concluded that in view of the nature of the service, this would not be possible.																					
(x)	Any staffing implications, including TUPE and pensions.	See section 9 below.																					
(xi)	The relevant financial, legal	See sections 5 and 6 below.																					

Ref.	Requirement	Response
	and other considerations.	

#### **4.0 Opportunity, Savings and Efficiencies**

- 4.1 Initial indications from the supplier market indicate there is an opportunity to make some cost savings, although it is not possible to quantify before the further competition is completed.

#### **5.0 Financial Implications**

- 5.1 The current annual value of the contract is £0.35m per annum and is funded within the budget for Central Items.
- 5.2. The cost of the new contract is dependent on the volume of transactions, and the price per transaction. Retendering this contract is expected to reduce the cost of the contract by reducing the price per transaction. Any savings from this will be allocated to the council's corporate procurement savings.
- 5.3 That being said, there is a risk that the total cost over the life of the contract will rise as volumes of card payments grow. This is because the Council is undertaking a digital transformation which will encourage the use of efficient, digital payment methods, whilst reducing usage of inefficient, manual forms of payment such as cheques. Business cases for digital transformation projects will need to consider these costs if the card volumes are expected to increase significantly. However, it is expected that any increase in transaction costs would be offset by savings from reductions in manual processing and reduction of risk associated with these types of transaction.

#### **6.0 Legal Implications**

- 6.1 The estimated value of the Merchant Acquiring Services and Equipment is in excess of the threshold for services under the Public Contracts Regulations 2015 (the EU Regulations) and thus the EU Regulations apply in full to the procurement. The intention is to procure the services under the CCS Merchant Acquiring Services Framework Agreement RM3702. This is a framework that has been established in accordance with the EU Regulations and pursuant to Contract Standing Order 86(e)(ii), the Chief Legal Officer has confirmed that participation in the framework is legally permissible for a call off contract in respect of merchant acquiring services.
- 6.2 The estimated value of the contract is such that it is classified as a High Value Contract under the Council's Contract Standing Orders and Financial Regulations. The Council's Contract Standing Orders state that Cabinet approval is required for the award of High Value Contracts. For the reasons detailed in Section 3, delegated authority to the Director of Resources to award is sought.

## **7.0 Equality Implications**

7.1 There are no equality implications.

## **8.0 Consultation with Ward Members and Stakeholders**

8.1 Consultation with ward members and Stakeholders not required.

## **9.0 Human Resources/Property Implications (if appropriate)**

9.1 There are no Human Resources/Property implications.

**Report sign off:**

**ALTHEA LODERICK**

Strategic Director of Resources.