



**Executive**  
19 October 2009

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

Wards Affected:  
ALL

**Authority to tender contracts for banking services, card acquiring  
and bill payment services**

Forward Plan Ref: F&CR-09/10-11

**1.0 Summary**

1.1.1 This report concerns the future provision of the Council's Banking Services, Card Acquiring, and Bill Payment Service contracts. This report requests approval to invite tenders in respect of the proposed Card Acquiring contract to start 2 January 2011 and the Banking Service and Bill Payment Services contracts to start 1 April 2011, as required by Contract Standing Orders 88 and 89.

**2.0 Recommendations**

2.1 The Executive to give approval to the pre - tender considerations and the criteria to be used to evaluate tenders for the Council's Banking Services, Card Acquiring, and Bill Payment Services as set out in paragraph 3.13 of the report.

2.2 The Executive to give approval to officers to invite tenders in respect of the Council's Banking Services, Card Acquiring, and Bill Payment Service contracts and evaluate them in accordance with the approved evaluation criteria referred to in paragraph 2.1 above.

**3.0 Detail**

3.1 The Banking Service contract provides for a comprehensive banking service to the Council (see Appendix A for full details). The contract was tendered in 2003 and in 2004, National Westminster Bank was awarded the contract for a 5 year term with an option to extend for two

further years. This option to extend has been exercised to extend the contract to 31 March 2011. Transaction fees were fixed for the period of the contract with a revised fee in line with APR for the 2 year extension option period.

- 3.2 The Card Acquiring contract enables the Council to accept payment by credit and debit card (see Appendix A for full details). The contract was awarded to Streamline Card Services in January 2006 for 3 years with an option to extend for a further 2 years. Commission charges are reviewed annually based on the volumes and value of the Council wide transactions. The annual turnover has increased year on year and currently stands at approximately £20M. The option to extend was exercised and this contract ends in January 2011. The end date of the new contract will be aligned to the other contracts and therefore the proposed term of the new contract is 5 years and 3 months, with an option to extend for a further 2 years.
- 3.3 The Bill Payment Services contract enables the Council to use bar codes on its invoices so customers can pay at retail outlets and Post Offices (see Appendix A for full details). The contract was awarded to the Co-Operative Bank in January 2007 for 3 years with an option to extend for a further 2 years. The option to extend has been exercised to extend the contract to 31 March 2011 to align it with the main Banking Services contract. Charges under the contract are based on the volume of transaction on a tiered basis.
- 3.4 To improve the range of payment methods available to customers, the Council will offer Bill Payment facilities (bar codes) on all invoices raised from the Oracle financial system. This is expected to increase the volume of transactions for the Bill Payment service and may reduce the volume of Card Acquiring and/or Banking Services transactions.
- 3.5 The introduction of a charge to customers paying by credit card, as agreed by the Executive in March 2007, is expected to change the behaviour of customer payment from credit card to debit card. The tariff applied by the new contractor is expected to be affected by such change in volumes to card types.
- 3.6 By 2011 all service units will use Oracle Financials as the accounting system which brings with it the ability to increase the use of BACS to pay the Council's suppliers etc, to use more electronic data transfer facilities and the ability to offer more customers Direct Debit as a method of payment. While these are included in the current contract for Banking Services the operation of the bank accounts and facilities required have changed. The knowledge that major change to the way financial operations and accounting systems were to occur led the Council to extend all 3 contracts.
- 3.7 Annual Council Tax and Business Rates billing preparations begin in October each year. It is critical that these contracts be in place to

ensure any change of provider of the Banking Services, Card Acquiring and or Bill Payment Service is included in the 2011/2012 annual billing project plan. A long lead in time of six months is considered appropriate to ensure any new service providers are able to commence delivering the service in a seamless manner on expiry of the existing contracts.

- 3.8 In view of the limited market for Banking Services, Card Acquiring and and Bill Payment Services, Officers consider that the most appropriate procurement procedure is the Open (Single Stage tender) procedure. Adopting this procedure will also reduce the tender timetable.
- 3.9 Banks and other financial service providers are required to operate within highly regulated parameters and would be unlikely to depart significantly from their usual terms of business given the relatively low value of the 3 contracts. This means that it may be necessary for there to be discussion/clarification with potential tenderers regarding some of the terms and conditions of the contract. To enable this to occur, it is proposed to build into the procurement process an extended period following the advertising of the tender. This will enable the Council to issue to potential tenderers its usual terms in relation to the 3 contracts. Potential tenderers may then suggest amendment to the Council's usual terms and following full consideration, the Council may decide to adopt or reject the suggested amendments. Prior to the deadline for receipt of tenders, but allowing sufficient time for detailed consideration, the Council will issue revised terms reflecting accepted amendments. Tenderers will then tender on the basis of the revised terms and hopefully past problems of receiving only non-complaint bids because all tenderers wanted to contract on their own terms and conditions, will be avoided.
- 3.10 Officers consider that the Council may achieve economies by letting all three contracts (the Banking Services contract, Card Acquiring contract and the Bill Payment Services contract) to the same service provider. Therefore, they will be tendered together (as separate lots) but may go to two or three different providers if this proves to be the better option for the Council upon evaluation of the tenders. Those tenderers tendering for more than 1 lot will be asked to indicate any discounts that apply if being appointed for more than 1 lot, or all 3 lots.
- 3.11 Procurement and Legal Services will assist with the tender process and identify any other associated areas where further savings and improvements can be made. Consultation will take place with Finance & Corporate Resources senior management, Revenue & Benefits, departmental finance officers across the Council and external contractors who use the service on Brent's behalf to identify additional services or changes required
- 3.12 Following evaluation of tenders in respect of all 3 contracts, it is proposed that a further report will be brought before members in August 2010 to seek approval for the award of the contracts thereby

enabling a long lead in time for the contracts as for the reason identified in paragraph 3.7.

- 3.13 In accordance with Contract Standing Orders 88 and 89, pre-tender considerations have been set out below for the approval of the Executive.

Ref.	Requirement	Response
(i)	The nature of the service.	See Appendix 1
(ii)	The estimated value.	Banking Services contract - £525K over the life of the contract (including the optional 2 year extension).  Card Acquiring contract - £1.1M over the life of the contract (including the optional 2 year extension).  Bill Payment Services contract - £980K over the life of the contract (including the optional 2 year extension).
(iii)	The contract term.	Banking Services contract - 5 years with an option to extend for 2 years.  Card Acquiring contract - 5 years 3 months with an option to extend for 2 years.  Bill Payment Services contract - 5 years with an option to extend for 2 years
(iv)	The tender procedure to be adopted including whether any part of the procedure will be conducted by electronic means and whether there will be an e-auction.	European Public Procurement Open (Single Stage Tender) Procedure for Service Contracts. This means that there will be no separate pre-qualification stage but that the information that is seen at pre-qualification stage with a two-stage tender will be submitted with the tender. This information can then be considered before tenders are evaluated.
v)	The procurement timetable.	<b>Indicative dates are:</b>
		Adverts placed seeking expressions of interest and tenders
		November 2009

		Deadline for return of tender submissions	March 2010
		Panel evaluation and interviews	April 2010
		Panel decision	April/May 2010
		Report recommending Contract award circulated internally for comment	June 2010
		Executive approval	August 2010
		Mandatory minimum 10 calendar day standstill period – notification issued to all tenderers and additional debriefing of unsuccessful tenderers	August/Sept 2010
		Contract start dates	
		• Banking Services	1 April 2011
		• Card Acquiring	2 January 2011
		• Bill Payment Service	1 April 2011
(vi)	The evaluation criteria and process.	Tenderers will be asked to complete the Council's pre qualification questionnaire to ensure they meet the Council's financial standing requirements, technical capacity and technical expertise. The panel will then evaluate the tenders against the following criteria: Banking Services (1) Price 40% (2) Quality 60%, consisting of	

		<ul style="list-style-type: none"> <li>• Service delivery approach as set out in the service specification requirement</li> <li>• Risk Management</li> <li>• Continuous Improvement</li> </ul> <p>Card Acquiring</p> <p>(1) Price 60%</p> <p>(2) Quality 40%, consisting of</p> <ul style="list-style-type: none"> <li>• Service delivery approach as set out in the service specification requirement</li> <li>• Risk Management</li> <li>• Continuous Improvement</li> </ul> <p>Bill payment</p> <p>(1) Price 45%</p> <p>(2) Quality 55%, consisting of</p> <ul style="list-style-type: none"> <li>• Service delivery approach as set out in the service specification requirement</li> <li>• Risk Management</li> <li>• Continuous Improvement</li> </ul>
(vii)	Any business risks associated with entering the contract.	No specific business risks are considered to be associated with entering into the proposed contract, apart from the risk of having no service should the procurement fail. Financial Services and Legal Services have been consulted concerning this contract.
(viii)	The Council's Best Value duties.	The Corporate Best Value Strategy is to provide best value services and to serve our community. The competitive tender for Banking Services, Card Acquiring and Bill Payment Services will ensure value for money and provide a wide variety of methods of payments to be made by and to our community.
(ix)	Any staffing implications, including TUPE and pensions.	None
(x)	The relevant financial, legal and other considerations.	See sections 4 and 5 below.

3.14 The Executive is asked to give its approval to these proposals as set out in the recommendations and in accordance with Standing Order 89.

## **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 to invite tenders and in respect of other matters identified in Standing Order 90.

4.2 The estimated value of these services contracts are

Banking Services £525K  
Card Acquiring £1.1M  
Bill Payment £890K

4.3 The estimated value of future contracts has assumed that;

- The tariff charged by the contractors will not increase significantly
- Any increase will be offset by changing the behaviour of customers to electronic income and payment facilities which may alter the volumes and types of transactions for each contract
- The future structure of financial management within the council will require less bank accounts leading to lower charges for electronic banking systems.

4.4 Efficiency savings may be achieved ;

- if the number of contractors are reduced from the existing three companies.
- by reducing manual processing and increasing automated electronic data transfer between banking and accounting systems.

4.5 It is anticipated that the cost of this contract will be funded from service unit budget provisions for banking service costs. The budget for electronic banking facilities is held by Finance & Corporate Resources.

4.6 Procurement fees, legal assistance and advertising cost are expected to be £15K for which a budget has been allowed by Finance & Corporate Resources.

## **5.0 Legal Implications**

5.1 The estimated values of each of the Banking Service, Card Acquiring and Bill Payment contracts are higher than the EU threshold for Services and the nature of these services means they all fall within Part A of Schedule 3 of the Public Contracts Regulations 2006 ("the EU Regulations"). The tendering of the services is therefore governed in full by the EU Regulations. As the estimated value of each of the contracts over its lifetime is in excess of £500k, the procurement and award of the contracts are subject to the Council's own Standing Orders in respect of High Value Contracts and Financial Regulations.

- 5.2 As detailed in paragraph 3.8, Officers have identified the Open (Single Stage tender) procedure as the most appropriate given the limited number of service providers in the market capable of providing these services. Once the tendering process is undertaken, Officers will report back to the Executive in accordance with Contract Standing Orders, explaining the process undertaken in tendering the contracts and recommending award.
- 5.3 As this procurement is subject to the full application of the EU Regulations, the Council must observe the requirements of a mandatory minimum standstill period imposed by the EU Regulations before the contract can be awarded. This standstill period may in due course be governed by regulations currently being drafted to bring in to operation in UK law the provisions of the EU Remedies Directive. The new regulations are scheduled to come into effect on 20 December 2009 by amending the main EU Regulations and therefore may impact on the award of the three contracts depending upon whether the amendments to the EU Regulations are given any retrospective effect. It is possible that they will only have prospective effect, in which case the commencement of this procurement in November before the effective date of 20<sup>th</sup> December 2009 will mean that the revised provisions do not apply. However if the revisions do apply, draft regulations confirm the existing requirements of the EU Regulations, namely to notify all tenderers in writing of the Council's decision to award, to observe a 10 calendar day standstill period and providing additional debrief information to unsuccessful tenderers on receipt of a written request. As under the existing EU Regulations the standstill period will provide unsuccessful tenderers with an opportunity to challenge the Council's award decision if such challenge is justifiable, and greater remedies are available to tenderers in some circumstances. However if no challenge or successful challenge is brought during the period, at the end of the standstill period the Council can issue a letter of acceptance to the successful tenderer and the contract may commence.
- 5.4 Due to the nature of these contracts, tenderers are unlikely to be willing to depart significantly from their own terms and conditions. As detailed in paragraph 3.9, an attempt to overcome these difficulties whilst ensuring that the tender process is compliant with EU Regulations is proposed whereby any amendments that tenderers wish to make will be considered prior to the deadline of submission of tenders. Revised terms will then be issued and it is on these revised terms that tenders will tender.

## **6.0 Diversity Implications**

- 6.1 The proposals in this report have been subject to screening and officers believe that there are no diversity implications.



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

- 7.1 This service is currently provided by an external contractor and there are no implications for Council staff arising from retendering the contract.

## **8.0 Background Papers**

- 8.1 Banking Services Procurement File excluding confidential information in breach of an obligation to confidence.

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# Appendix 1

## Nature of the Service

### Banking Services

The London Borough of Brent requires banking services to enable income to be collected and payments to be made for all Council services and to meet other Council responsibilities.

Council departments have their own bank accounts either for operational, purchasing, imprest or deposit requirements. Electronic banking systems and data transfer facilities are required to process banking data more efficiently.

The Banking Services contract will require the service provider to provide a comprehensive range of banking services to the Council, to include:

- To open and maintain bank accounts
- Issue cheque books, paying in books and bank statements
- To provide and support web based electronic systems to enable high volumes of transactions to be processed efficiently
- Provide a Service Support team to deal with queries and trace payments promptly and efficiently.
- To calculate and notify the Council of bank charges on a quarterly basis
- To make the Council aware of any new services offered
- To inform the Council of any changes in banking regulations
- To accept income through the branch network and bulk deposit facility
- To offer a treasury management facility
- To enable non standard arrangements to meet the Council's specific needs
- To meet with Council officers on a regular basis to review performance, new initiative and continue to develop the relationship
- Extend our contract terms and rates to Brent's ALMO and allow free banking for the Mayor's charity account

### Card Acquiring Service

The Council offers to customers a wide range of payment methods including credit and debit card in person, on-line and via the telephone. Under the Card Acquiring contract, the service provider's duties will include;

- To provide Service User Numbers (SUN's) for each income source
- To provide secure equipment and software to process all transactions
- To produce summaries of transactions and invoices on a monthly basis
- To provide a helpdesk to assist with queries
- To minimise the risk of fraud by continual innovation and prompt response to enquiries.

### Bill Payment Service

The Council prints bar codes on invoices for customers to pay by cash at Paypoint outlets or cash, cheque and debit card at Post Office counters. Under the Bill Payment contract, the service provider's duties will include;

- Assistance with bar code set up and technology if required
- Providing secure web based electronic data and money transfer facilities
- Providing clear charging and billing to enable balancing and costing for each service using bar coded bills
- Prompt resolution of queries and tracing payments
- Honour missing payments on production of a receipt
- Being responsive to requests for new Paypoint outlets as and when a need is identified in any area of the Council.
- Maintaining contracts with the Post Office, Paypoint and any other supplier who provides the payment network required to operate the contract

Going forward, the contract will require the service provider to:-

- Improve efficiency, accessibility and adhere to the principles of the E-Government strategy via provision of Web based systems and user access via a secure Internet link.
- Apply changes in legislation with prior consultation and adequate notice.
- Be able and willing to work with the Council when changes to the service specification requirements are needed as a result of the outcome of the One Council Review and any future re-organisation.