



**Report to the Strategic Director
Resources**
30 April 2018

**Report from the Chief Finance
Officer**

AUTHORITY TO AWARD CONTRACT FOR MERCHANT ACQUIRING SERVICES

Wards Affected:	All
Key or Non-Key Decision:	Key Decision
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Part Exempt – Appendix 1 is exempt as it contains the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: "Information relating to the financial or business affairs of any particular person (including the authority holding that information)"
No. of Appendices:	2
Background Papers:	Cabinet Report – 15 January 2018
Contact Officer(s): (Name, Title, Contact Details)	Ben Ainsworth Head of Finance 0208 937 1731

1.0 Purpose of the Report

- 1.1 This report concerns the Merchant Acquiring Service. The merchant acquiring service is critical to receiving income from credit card and debit card payments to the council. The merchant acquiring service is the service that takes the payment instructions given to Brent by its customers and taxpayers, and uses these instructions to obtain the money and transfer this to Brent. This service also provides many of the CHIP and PIN machines used by the council to collect card payments.
- 1.2 This report requests authority to award a contract as required by Contract Standing Order 88. This report summarises 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.

2.0 Recommendation(s)

That the Strategic Director Resources:

- 2.1 Approves the award the contract for Merchant Acquiring Services for a period of 2 +1 years to Barclays Bank PLC trading as Barclaycard Payment Solutions

3.0 Detail

- 3.1 The council receives over £60m a year in income via credit card and debit payments, this covers a wide range of the council's services, and business rates and council tax.
- 3.2 Over recent years volumes of transactions for credit card and debit payments have been growing as the council has sought to encourage use of lower cost payment routes such as online payments, instead of more expensive payment routes such as cheque and cash. Some growth has also come from the growth in the council's tax base and from the council's programme to increase income.
- 3.3 The current contract is with Worldpay, who are one of the major companies providing merchant acquiring services. This contract was last procured over five years ago, and initial reviews of the market indicated opportunity for substantial savings by re-procuring this contract.
- 3.4 On 15 January 2018, Cabinet made a decision to procure this contract via the Crown Commercial Services contract. This framework allows bids from three of the major merchant acquiring service providers, and offered the best option to secure a new contract in the available time.

The Tender Process

- 3.5 The proposed contract has been procured using the Crown Commercial Services (CCS) Framework for Merchant Acquiring Service ref RM 3702 Lot 1 (the "CCS Framework").
- 3.6 The CCS Framework commenced on 1st March 2016 and will expire on 28th February 2020. Any contract awarded under the CCS Framework must not last more than 2 years beyond the expiry of the CCS Framework. Officers are seeking award a contract for term of 2 + 1 years. This will allow Brent to take advantage of any replacement framework agreement in 2020 if it provides an improved commercial solution, but if not, the Council can extend the proposed contract until 31st March 2021.
- 3.7 The CCS Framework is a multi-supplier lot open all UK public sector bodies to provide services including:
 - Merchant Acquiring Services – the provision of the settlement service allowing the funds to pass from the end users (payer) card account into a Contracting Authority's bank account for payment of items and services

quickly and securely in line with UK market transaction offerings in other sectors.

- Merchant Acquiring Equipment – the provision of physical payment terminals, telephone order facilities and internet solutions to enable the card payment data to reach the merchant acquirer.

3.8 The tendering instructions 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:

- Quality assessment
- Cost for a basket for a previous year's transactions

3.9 Details of the evaluation criteria and weightings are detailed below:

Merchant Acquiring Service	Weighting
Quality of which:	
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%
Quality Total	60%
Price	40%
Total Tender Score	100%

3.10 Tenderers were required to submit additional information providing details of their proposed arrangements for performing the services including their service's compatibility with the software currently used by the council to receive payments.

Evaluation process

3.11 The tender evaluation was carried out by a panel of officers from Finance, Parking and our treasury advisors, Arlingclose.

3.12 All tenders had to be submitted electronically no later than 12th January 2018 at 12.00pm. Tenders were opened on 12 January 2018 and 3 valid tenders

were received on time. Following a clarification process, which was extensive as initially all bids were missing information necessary to compare their prices. Each member of the evaluation panel read the tenders and carried out an initial evaluation of how well they considered each of the award criteria was addressed in the tender.

- 3.13 The panel met on 24th April and each submission was marked by the whole panel against the award criteria.
- 3.14 The names of the tenderers are contained in Appendix 1. The scores received by the tenderers are included in Appendix 2. It will be noted that Tenderer A1 was the highest scoring tenderer. Officers therefore recommend the award of the contract to Tenderer A1, namely Barclaycard.
- 3.15 The contract will commence on 1st August 2018.

4.0 Financial Implications

- 4.1 The Council's Contract Standing Orders state that contracts for services below £2 million may be awarded using delegated powers by the Strategic Director.
- 4.2 The estimated value of this contract is £0.63m if the full three years of the contract are run.
- 4.3 It is anticipated that the cost of this contract will be funded from a centralised budget for banking and income collection costs. This contract is estimated to save £0.14m per annum, which will be a saving towards the council's procurement savings.
- 4.4 The council's strategy of increasing income, and making efficiency gains by using more efficient payments channels means that this cost is likely to grow over the life of the contract as the volume of transactions grows. However, these activities will generate benefits to the council, either of additional income, or of reduced costs for processing payments, therefore any increase in costs due to an increase in volume should be offset by greater financial benefit to the council.

5.0 Legal Implications

- 5.1 The value of this proposed contract over its lifetime is in excess of the EU threshold for Services and the award of the contract is therefore governed by the Public Contracts Regulations 2015 (the "EU Regulations"). In this case a Framework Agreement established pursuant to the EU Regulations is being used to procure the proposed contract.
- 5.2 According to Contract Standing Order 86(e) no formal tendering procedures apply where contracts are called off under a Framework Agreement established by another contracting authority, where call off under the Framework

Agreement is approved by the relevant Chief Officer to include confirmation that there is budgetary provision for the proposed call-off contract and provided that the Director of Legal and HR Services has advised that participation in the Framework Agreement is legally permissible. The Director of Legal and HR Services has advised that participation in the Framework Agreement is legally permissible.

- 5.3 A competitive mini-competition process was followed in accordance with the Framework Agreement rules and a preferred bidder has been identified. The value of the proposed contract is such that it is classed as a Medium Value contract under the Council's Contract Standing Orders and the Strategic Director Resources has delegated authority under the Constitution to award such contract.
- 5.4 Following approval to award the contract, such decision is required to be published on Contracts Finder within a reasonable time of the formal decision in accordance with Regulation 108 of the PCR 2015.
- 5.5 On the 15th January 2018, Cabinet approved the delegation of award of this contract to the Strategic Director of Resources.

6.0 Equality Implications

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

7.0 Human Resources/Property Implications

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

Report sign off:

ALTHEA LODERICK
Strategic Director of Resources