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|  | <p style="text-align: center;">Executive 13th November 2006</p> <p style="text-align: center;">Report from the Director of Finance and Corporate Resources</p> |
| <p>For Action Wards Affected: ALL</p> | |
| <p style="text-align: center;">Authority to award contract for Bill Payment Collection Service</p> | |

Forward Plan Ref: F&CR-06/07-19

Appendices 2 and 3 of this report are Not for Publication

Appendix 2 and Appendix 3 are not for publication as they contain the following category of exempt information as specified in Schedule 12A to the Local Government Act 1972, namely:

“Information relating to the financial or business affairs of any particular person (including the authority holding that information)”.

1.0 Summary

- 1.1 This report requests authority to award a contract as required by Contract Standing Order No 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.
- 1.2 The Bill Payment Collection Service enables the Council to offer a method of payment using barcodes printed on bills which customers can use to pay their Council bills at shop type outlets (many open 24 hours, 7 days a week) and at Post Offices.

2.0 Recommendations

- 2.1 That Members award the contract for Bill Payment Collection Services to the Co-Operative Bank plc to take effect from 3rd January 2007.

3.0 Detail

Background

- 3.1 The service was first used by the Council in 2002 to accept Housing Rent and Council Tax transactions using the PayPoint network of outlets to reduce Girobank costs and to provide additional payment facilities when Brent House Cash office closed in October 2002. At that time the Co-Operative Bank plc was the only provider offering barcodes as well as plastic cards, plastic cards were considered unsuitable because if lost they needed replacing (with associated costs) whereas barcodes could be printed on any document sent to a customer. Due to the low value of the new service and the lack of competition at the time, the contract was not tendered.
- 3.2 In 2004 the Girobank contract which excluded other users of the Post Office Network expired. Co-Operative Bank plc entered into an agreement with Post Office Counters Ltd which extended the use of bar-coded bills to Post Office counters at a lower cost than the previous tariff charged by Girobank for use of Post Office counters. The Council entered into a new contract with Co-Operative Bank plc for a period of up to 2 years. The service was extended to include Social Services bills.
- 3.3 The contract with Co-Operative Bank plc was due to end 31 August 2006 but was extended to cover the period 1 September 2006 to the start date of the new contract, 3rd January 2007. The Director of Finance & Corporate Resources extended the contract using his delegated authority under and in accordance with Part 4 of the Constitution and Contract Standing Order 112.
- 3.4 Housing Benefit Overpayment and Leasehold Service Charges will shortly be able to issue bar codes on their invoices. Also, the ability to use the service for one off billing is being investigated and may be possible once the Client Index contract is available, which is due to be in place in 2007.
- 3.5 The Client Index contract will enable the Council to produce a central database of clients, used by all departments, recording what services a client uses and record details such as account reference numbers etc. Each client/user will be identified by a unique reference number which, for bill payment purposes, can be used instead of the separate account reference numbers for the service they pay for, i.e. Rent account and Council Tax account numbers are very different yet relate to the same property.
- 3.6 The Bill Payment Collection Service has not only reduced bank charges by approximately £60k per year but has also reduced the

number of queries, missing credits and the amount of paper used, as the issue of Rent Installment books has almost completely stopped.

- 3.7 The Council's current turnover for the bill payment collection service exceeds £17m per annum and the service now includes access to more than one bill payment network.

The tender process

- 3.8 The Chief Executive approved the invitation of tenders for this contract on 28 June 2006 pursuant to his delegated powers in cases of extreme urgency under Part IV, paragraph 2.3 of the Constitution. The report to request authority to invite tenders for this contract was due before the 19 June 2006 Executive meeting, having been deferred from the May 2006 meeting as an Executive had not been appointed following the local elections. As the June Executive meeting did not take place, the Chief Executive was asked to exercise his delegated powers to approve the invitation to tender this contract in June 2006 in order for the new contract to commence by 3rd January 2007 – this would ensure, among other things, compliance with the EU Procurement Regulations and the avoidance of potentially serious financial consequences.
- 3.9 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 tenders for the contract.
- 3.10 The tender process has been supported by an external consultant who advised on potential areas for savings and assisted with the pricing comparison.
- 3.11 The new contract will be let for an initial period of 3 years with an option for the Council to extend the term for a further 2 years. A term of the contract is that it may be terminated by either party giving 6 months' notice in writing after the initial contract period.
- 3.12 The contract was procured in accordance with the open procedure pursuant to the EU Procurement Regulations. Advertisements were placed in the Official Journal of the European Union (OJEU) on 30 June 2006 to seek initial expressions of interest from which elicited 8 initial enquiries. The invitation to tender documentation was subsequently issued to three of the interested parties.
- 3.13 The instructions to tenderers required tenderers to raise any concerns regarding the Conditions of Contract that the Council intended to contract on by a certain date prior to tender submission. A revised set of Conditions of Contract was issued by the Council to all three tenderers prior to the tender submission deadline – the revisions took into account concerns raised by the tenderers.

- 3.14 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 (as approved in outline by the Chief Executive in June 2006):
- Price;
 - Proven ability to meet the service requirements as per the service specification;
 - Ability to meet the Council's standards in relation to the management of the working relationship with the Council, the quality of the Service (including any relevant quality management certification) and keeping the Council informed of any new developments in the bill payment collection service sector that affect the Service;
 - Approach to Service Delivery; and
 - Approach to meeting the future needs of the Council.
- 3.15 The weightings of the criteria are noted in Appendix 1 to this report – the weightings were stated in the instructions to tenderers.
- 3.16 All tenders had to be submitted no later than 12 noon on 25th August 2006. Three tenders were received which were opened on 29th August 2006 – these were from Alliance & Leicester Commercial Bank plc, AllPay.net Ltd and the Co-Operative Bank plc.

Evaluation process

- 3.17 The three tenders were subsequently photocopied and given to each member of the evaluation panel and the external consultant, as at this time it was believed that all three tenders received were compliant.
- 3.18 An assessment of each tenderer's business probity, financial viability and ability and technical capacity was first carried out during October by an officer from Finance & Corporate Resources and an evaluation panel, which was made up of other officers from Exchequer & Investment Services, Procurement and Risk Management and sections of Finance & Corporate Resources. All three tenderers met the Council's pre-qualification requirements.
- 3.19 Following this initial assessment, each member of the tender evaluation panel (being officers from Exchequer & Investment Services and Procurement & Risk Management and the external consultant) read the tenders using evaluation sheets (please see the tender evaluation grid at Appendix 1) to note down their comments on how well each of the award criteria was addressed. An officer from Legal & Democratic Services provided input as appropriate.
- 3.20 After this first evaluation of the tender submissions, a list of questions was prepared by the external tender consultant and incorporated in letters sent to each tenderer on 5th October 2006 seeking clarification on

certain points in each tenderer's proposal. On receipt of tenderers' responses it was confirmed by Legal & Democratic Services that one tenderer, Alliance & Leicester Bank plc, had submitted a non-compliant bid and was therefore removed from the evaluation process.

- 3.21 The evaluation panel met on 13th October 2006 and each tender submission was marked by the panel against the award criteria.

Tender Evaluation Conclusions

- 3.22 The scores received by AllPay.net and Co-Operative Bank are included in Appendix 1 to this report. The contract prices, including a breakdown of the tendered pricing, are contained in Appendices 2 and 3.
- 3.23 Co-op's tender is considered the most economically advantageous as its tender scored the highest.
- 3.24 The Executive is asked to award the contract for the provision of Bill Payment Collection Services to Co-operative Bank plc, being the Council's current provider of these services. As noted above, this contract will commence on 3rd January 2007 subject to the Council's observation of the requirements of the mandatory standstill period noted in paragraph 5.4 below.

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 Bill Payment Collection Service contract over the life of the contract, including the optional two year extension, is above the contracts for services threshold. The estimated value of the contract over a five-year period quoted by AllPay.net is £574,369. The Co-Operative Bank, whilst only asked to provide fixed prices, supplied a fixed price of £593,320 as well as a variable rate price of £596,800.
- 4.3 Although the difference between the fixed and variable prices quoted by Co-Operative Bank is minimal, it is anticipated that the fixed price will be a benefit in the later years of the contract period as volumes are expected to increase once the Client Index contract is in place and is made available to more units within the Council.
- 4.4 The Council service units that issue bills with bar codes have a budget provision to cover charges in relation to the Bill Payment Collection Service. A service unit is charged for card transactions relating to customer payments made to that unit. Continued use of this service enables unit budgets to maintain savings of £60k per year.

- 4.5 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.

Co-Operative Bank Plc's Tender

- 4.6 The preferred tenderer's charges for the provision of Bill Payment Collection Services are made up of per item transaction charges (with volumetric discounts for Post Office transactions), plus monthly charges for the electronic banking facility, which provides the data files and ability to view and transfer money.
- 4.7 With the introduction of the Client Index contract currently being tendered by the Council (please refer to paragraph 3.5 above), it is anticipated that volumes will increase to maximise the volumetric discounts available as bar coding can be extended to all invoices not just the main revenue accounts.
- 4.8 Once the Client Index contract is in place the Council will be able to take advantage of the Multi-fund scheme offered by the Co-Operative Bank. The Multi-fund scheme will use the unique account number from the Client Index database and enable the client to pay up to five funds (i.e. Rent account, Council Tax, Library membership) linked to their unique account number by making a choice at the point of payment. The data file transmitted from the electronic terminal at the outlet will indicate to the council which bill is being paid so that the money can be allocated correctly. The cost of introducing the Multi-fund scheme once the Client Index contract is in place will be in the region of £28k.
- 4.9 The electronic banking system offered by Co-Operative Bank plc is expected to migrate from the existing dial up service to a web based facility during the contract period. It is expected to be cost neutral for the Council as and when this occurs.
- 4.10 The preferred tenderer's maximum transaction values are £999.99 for Post Office transactions and £250 (reducing to £200 with effect from 1 April 2008) for Paypoint transactions. Payments above these values will incur additional transaction charges – the price comparison has taken this into consideration.
- 4.11 Customers will be able to continue to pay their Council bills in cash, or by cheque or debit card at the Post Office or in cash at PayPoint outlets. The payment data is available the next working day and uploaded to the customer accounts within 3 working days from the payment date. There is a charge for any unpaid cheque relating to cheque payments at a Post Office but the volumes are low and have been included in the pricing schedule at Appendix 3.

- 4.12 The Co-operative Bank guarantees payment of any transactions on production of a receipt from the outlet or Post Office if, for any reason, the transaction does not appear on the data file.

5.0 Legal Implications

- 5.1 The estimated value of this contract over its lifetime is higher than the EU threshold for Services contracts and the nature of these services means that they fall within Part A of the Public Contracts Regulations 2006 (“the EU Regulations”). The procurement of this contract is therefore governed in full by the EU Regulations.
- 5.2 On the basis that the estimated value of this 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.
- 5.3 In accordance with the instructions to tenderers, the Council issued a revised set of conditions of contract to tenderers prior to the tender submission deadline following receipt and consideration of concerns tenderers had with the Council’s contractual terms and conditions. After undertaking an initial evaluation of the tenders, each tenderer was asked to confirm in writing whether they agreed to contract on the Council’s terms and conditions. One tenderer (Alliance & Leicester Commercial Bank Plc) confirmed that it would only contract with Brent Council on the bank’s own standard terms and conditions.

The instructions to tenderers expressly stated that any tenders that sought to vary the Council’s conditions of contract could be regarded by the Council as non-compliant. On the basis that the contract was being procured using the open procedure, the conditions of contract could not be negotiated after tenders were submitted. Therefore, Alliance & Leicester’s tender was not considered by the Council.

- 5.4 As advised in the June 2006 Executive Report requesting authority to tender this contract, the Council must observe the EU Regulations relating to the observation of a mandatory minimum 10 calendar day standstill period **before** the contract can be awarded.

Therefore once the Executive has determined which tenderer should be awarded the contract, all tenderers will be issued with written notification of the contract award decision. A minimum 10 calendar day standstill period will then be observed before the contract is concluded – this period will begin the day after all Tenderers are sent notification of the award decision – and additional debrief information will be provided to unsuccessful tenderers in accordance with the regulations.

As soon as possible after the standstill period ends, the successful tenderer will be issued with a letter of acceptance and the contract can commence.

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 Bill payment Collection Services contract tender files

8.2 Bill Payment Collection Services tender correspondence files

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APPENDIX 1

BILL PAYMENT COLLECTION SERVICES CONTRACT

TENDER EVALUATION GRID

| Criteria | Service Specification | Brief Description | CO-OP | | | | | Allpay.Net | | | | |
|-----------------|------------------------------|--|-----------------|----------|----------|----------|-----------------|-------------------|----------|----------|----------|--|
| | | | Criteria | c | d | e | Criteria | b | c | d | e | |
| | Para | | b | c | d | e | | b | c | d | e | |
| A | 4.2 | Tariff terms | | | | | | | | | | |
| A | 4.5 | Discounts and charging | | | | | | | | | | |
| A | 4.6 | Charging method | | | | | | | | | | |
| A | 4.7 | Re-routing costs | | | | | | | | | | |
| A | 4.8 | costs per IIN | | | | | | | | | | |
| A | 4.9 | Discount | | | | | | | | | | |
| A | 4.10 | Contract expiry terms | | | | | | | | | | |
| B | 2.2 | Access to what size of network | 4 | | | | | 3 | | | | |
| B | 2.2 | Number of Outlets | 4 | | | | | 3 | | | | |
| B | 2.3 | Stability of networks | 4 | | | | | 3 | | | | |
| B | 2.4 | Max trans values | 3 | | | | | 3 | | | | |
| B | 2.5 | Contracts with networks | 4 | | | | | 2 | | | | |
| B | 2.6 | Complaint/query resolution times | 3 | | | | | 2 | | | | |
| B | 3.2 | volume management | 4 | | | | | 3 | | | | |
| B | 5.2 | Transfer of funds | 3 | | | | | 3 | | | | |
| B | 5.3 | Income and Credit Interest? | 3 | | | | | 2 | | | | |
| B | 5.4 | Responsibility for funds in bank account | 4 | | | | | 2 | | | | |
| B | 5.5 | Credit missing payments | 4 | | | | | 2 | | | | |
| B | 5.6 | Debit interest | 3 | | | | | 3 | | | | |
| B | 6.3 | Data transfer | 4 | | | | | 3 | | | | |
| B | 6.4 | File formats | 3 | | | | | 3 | | | | |
| B | 6.5 | Data availability | 3 | | | | | 3 | | | | |
| B | 6.6 | Back up systems | 3 | | | | | 4 | | | | |
| B | 6.7 | Manual payments not on data file | 3 | | | | | 2 | | | | |

| | | | CO-OP | | | | | | Allpay.Net | | | | |
|----------|-----------------------|---------------------------------------|-----------|-----------|----------|-----------|-----------|--|------------|-----------|----------|-----------|-------------|
| Criteria | Service Specification | | Criteria | | | | | | Criteria | | | | |
| | Para | Brief Description | b | c | d | e | | | b | c | d | e | |
| B | 7.1 | Unpaid cheques | 3 | | | | | | 3 | | | | |
| C | 8.1 | Contract transfer/implementation plan | | 5 | | | | | | 3 | | | |
| C | 9.1 | Relationship management | | 3 | | | | | | 4 | | | |
| C | 9.2 | RM in post | | 3 | | | | | | 3 | | | |
| C | 9.3 | meetings | | 3 | | | | | | 3 | | | |
| C | 10.1 | Quality | | 5 | | | | | | 4 | | | |
| C+D | 10.3 | SLA | | 4 | 4 | | | | | 3 | 3 | | |
| E | 11.1 | Innovation - developments | | | | 2 | | | | | | | 4 |
| E | 11.2 | Multi-scheme solution | | | | 5 | | | | | | | 3 |
| E | 12.2 | EMU - compliance | | | | 4 | | | | | | | 3 |
| E | 12.3 | EMU costs | | | | 0 | | | | | | | 3 |
| | | Total | 62 | 23 | 4 | 11 | | | 49 | 20 | 3 | 13 | |
| | | % | 24.8 | 2.3 | 0.2 | 0.55 | 28 | | 19.6 | 2 | 0.15 | 0.65 | 22.4 |
| | | Price score | | | | | 24 | | | | | | 24.8 |
| | | TOTAL SCORE | | | | | 52 | | | | | | 47.2 |

| Criteria | | Weighting |
|-----------------|---|------------------|
| A | Price | 40% |
| B | Proven ability to meet service requirements as set out in the Service Specification | 40% |
| C | Ability to meet the required standards in relation to management of the working relationship with the Council | 10% |
| D | Approach to service delivery | 5% |
| E | Approach to future needs of the Council | 5% |

| Rating | Score |
|--|--------------|
| Insufficient information provided | 0 |
| Wholly unsatisfactory | 1 |
| Achieves a basic minimum standard, some concerns | 2 |
| Satisfactory, acceptable, no major concerns | 3 |
| Very good, full and robust response, give confidence | 4 |
| Outstanding, exceeds expectations, adds value, full confidence | 5 |

The tender evaluation grid above reflects the Council's service requirements outlined in the Service Specification and is linked to the evaluation criteria listed at paragraph 3.14 of the report. Responses by tenderers to the Service Specification requirements that have cost implications were taken into account in the calculation of the Pricing Schedule at Appendix 3 and therefore not scored in the same way as the other Service Specification questions. Instead the pricing scores were weighted as set out in the Form of Tender and the scores added to the overall Service Specification score giving the total score at the end of the Evaluation grid above.

