

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Cabinet Member for Finance and Reform

Date: 08/09/2022

Subject: Payment Services

Report author: Karen Sharkey Finance Systems Manager

Responsible Director: Sukvinder Kalsi, Director of Finance

SUMMARY

Merchant Acquiring services are the means by which credit and debit card and electronic payments from customers are processed. It is a critical part of income collection. It enables card payments to be processed securely and ensures customers are offered a choice of payment channels to allow payments to be made for a wide range of council services. Council income collected via credit and debit cards equates to approximately £90m per annum across approximately 3 million transactions. As we look to encourage self-service and streamline manual processes this is likely to increase. It is one of the most efficient and cost-effective means of collecting income.

RECOMMENDATIONS

1. Approves that appendix 1 is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).
2. For the procurement of merchant services, it is recommended that the Council runs a mini competition within the Crown Framework RM6118 Lot 1. The contract would be for 3 years from 2022 with the option to extend for a further 1 years. The estimated value of the contract would be Circa £500k per annum (This being what the Council pays today, however the total amount will be dependent on volume and transactions travelling through this merchant service).

Wards Affected: All users of council services

Our Values	Summary of how this report aligns to the H&F Values
Being ruthlessly financially efficient	Merchant Services enables the efficient collection of Council Income

Financial Impact

Merchant services are a key pillar of the Council's income collection, with approximately £90m collected via credit and debit cards per annum. The approximate cost of Merchant services to the Council in 2021/22 was £500k.

A more detailed analysis of volumes and associated merchant costs is set out in Appendix 1.

Karen Sharkey, Finance Systems Manager 10/08/2022

Verified by Craig Tucker – Head of Finance – 26/08/2022

Legal Implications

1. The value of the services is above EU thresholds, so the Public Contracts Regulations 2015 apply.
2. It would also be classified as a high value contract under the Contract Standing Orders (CSOs).
3. Procuring the services by running a mini competition within the Crown Framework RM6118 Lot 1 would be in compliance with the Public Contracts Regulations 2015 and the CSOs.
4. This procurement strategy needs to be approved by the relevant Cabinet Member.

Joginder Bola, Senior Solicitor, 11.08.2022

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Background

1. Merchant Acquiring services are the means by which credit and debit card and electronic payments are processed. It is a critical part of the income collection process. Given the nature of the business, there are only a limited number of operators serving the Local Authority market.
2. In July 2016 Cabinet approved a contract up to five years with Barclaycard for the provision of Merchant Acquiring services via a Crown Commercial Services framework. The contract commenced in March 2017. The existing contract has now expired, and re-procurement has been delayed due to a number of unforeseen circumstances. The present contract is rolling, and this report seeks to swiftly secure a new compliantly procured service to ensure we get best value
3. The new contract will need to:
 - Provide stability to the processing of secure card transactions across the council's various income payment channels.
 - Ensure customers continue to have the ability to have choice in how they make payments to the council.
 - Provide customers with assurances that their card data is processed securely through our payment channels in line with GDPR and PCI (Payment Card Industry) rules and regulations.
 - Complement the Council's ambition to offer more self-service options to customers online.
4. The Council's aim is to ensure a robust, efficient, and secure payment method that allows service to collect income in advance.

Reasons for Decision

5. Merchant Acquiring Services are a critical part of income collection and existing contract arrangements have now come to an end such that re-procurement is required.

Contract Specifications Summary

6. The supplier will provide the council with a Merchant service allowing the council to continue processing card payments through various payment channels. The processing must be secure, providing assurances that all regulations and requirements of GDPR and PCI are met. The service must be robust and provide regular contact and updates relating to the contract and service. The supplier must provide settlement of transactions in a timely manner and communication directly to the council any processing delays. The provider will provide a merchant service that supports changes to the Council's

approach to income collection (including customer access) and adapts to any relevant changes in banking regulations and processes. Provide equipment to support the processing of card transactions in face-to-face environments. Reporting of transactions and statements to be provide via online reporting system.

7. The contract would be for 3 years from 2022 with a potential extension of 1 year.

Procurement Route Analysis of Options

8. Given the nature of the business, there are only a limited number of operators serving the Local Authority market. There are broadly two available options as set out below:

9. **Procurement via an existing framework – Recommended**

There are only a small number of large-scale providers in this market. A framework approach allows the Council to take advantage of increased purchasing power while offering an efficient and compliant route to procurement in a complex area. Initial work has identified that Crown Framework RM6118 Lot 1 provides an appropriate and robust framework in terms of the Council's specification in this area. As such **this option is recommended**. The framework has three established providers, and it is further recommended that a mini competition be undertaken within this framework.

10. **Direct/Full procurement – Not recommended**

In contrast to the option above, it is unlikely that the Council will be able to maximise its purchasing power in this market with a stand-alone procurement. This is also a complex area, and the process would be resource intensive. As such this option is not recommended.

11. The Head of Procurement David Von Ackerman, has been involved and is wholly supportive of this procurement route and its strategy 22/08/2022

Market Analysis, Local Economy and Social Value

12. This is a large-scale financial service with only a limited number of operators serving the Local Authority market. The proposed framework is silent on social value and therefore is exempt under the councils' standing orders. We need to service all customers of the borough including those who maybe economically isolated in the borough.

Risk Assessment and Proposed Mitigations

13. The risks and mitigations are set out in the table below:

Risk	Mitigation
Complexity of procurement in an area where in-house knowledge may be limited.	Procurement via a framework will allow the Council to take advantage of external expertise.
A complex and extended migration in the event that a new provider is selected.	Digital Services to provide a full analysis of likely technical migration issues.

Timetable

14. Please include an estimated timetable of the competition process through to contact commencing.

Key Decision Entry (Strategy)	13/01/2022
Contracts Assurance Board (Strategy)	31/08/2022
Cabinet Member Sign off (Strategy)	05/09/2022
Find a Tender Service Notice	N/A
Commence framework procurement	26/09/2022
Tenders Received	29/09/2022
Evaluation of Tenders and Award recommendation	13/10/2022
Key Decision Entry (Award)	14/09/2022
CAB (Award)	26/09/2022
Cabinet Member in consultation with SLT member (Award)	26/10/2022
Find a Tender Service Contract Award Notice	31/10/2022
Contract Award (post stand still)	09/11/2022
Contract Commencement date	To be advised

(Current contract is with Barclay Merchant Services, it is being extended rolling fortnightly basis until the new 3 years +1 contract can be put in place. Compliance is being investigated with procurement and it if needed a short term wavier will be secured. It should be noted that Barclays Merchant Services is one of the three prospective bidders and shows no sign of withdrawing either their support or services during this procurement and therefore the business continuity risk is considered by the Head of Procurement as very low)

Selection and Award Criteria

15. Pricing – 60%

Quality, including - 40%

- The service is to be inclusive of those that are economically and technically excluded – for example being able to take telephone payments
- Online management tool
- Fraud and risk management
- Payment gateway services, web-based interfaces, and browser support
- Merchant acquiring set-up and implementation
- Account management

Contract Management

16. The provider will maintain access to systems to allow transactions to be processed successfully all year round. Transactions will be securely processed in line with GDPR and PCI supporting the integrity of the council doing so. Prompt and effective communications between the council and supplier. Maintain and update systems as required to ensure continued services. Provide daily accessibility to support services. Settlement of all funds to be executed in a timely manner, Quarterly review meetings with relationship team and the council.
17. The responsible Director for this contact will be the Director of Finance and the contract will be managed day-to-day by the Finance Systems Manager. Performance will be assessed quarterly and there will be regular liaison meetings with the provider.

Equality Implications

18. Card payment options will be accessible, whilst self service will be encouraged, we will provide support when required to support our customers. The various options available to customers allows for many characteristics to be supported. This sits behind the different routes people can pay and as such enables inclusion.

Risk Management Implications

19. The recommends procuring a contract for merchant acquiring services by undertaking a mini competition under a competitively procured framework. Given the specialist nature of this service, this approach is in line with the Council objective of being ruthlessly financially efficient.
20. The Council is reliant on the income collected through card payments on a variety of channels, which offer residents a range of accessible methods to

make payments to the Council. Appointing a suitably experienced and accredited provider through the framework will ensure that resident data is processed securely in line with GDPR and Payment Card Industry requirements.

David Hughes, Director of Audit, Fraud, Risk and Insurance, 10 August 2022

Climate and Ecological Emergency Implications

21. The framework being used is run by Crown Commercial Services – Cabinet Office who organise and operate to the highest standards and levels of legalisation in this area.

Digital Services and Information Management Implications

22. Digital Services have been involved in the analysis and decision for procurement of merchant services. The procurement is essential for income collection across H&F.
23. IM implications: The service will need to complete a Data Privacy Impact Assessment and a Supplier Security Questionnaire.
24. Any resulting contract will need to include H&F's data protection and processing schedule. This is compliant with the UK Data Protection law.

Implications completed by: Cinar Altun, Strategy Lead (Digital Services), 10 August 2022

LIST OF APPENDICES

Appendix 1