

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Cabinet Member for Finance and Reform, Councillor Rowan Ree

Date: 08/11/2022

Subject: Managed Services – Integrated management System (IM)

Report author: Karen Sharkey – Finance Systems Manager

Responsible Director: Sukvinder Kalsi – Director of Finance

SUMMARY

This report seeks approval to Direct Award a contract for an Integrated Management System (IMS) via framework Kent County Council (trading as KCS) Y20023. To procure a system to enable residents and services within the London Borough of Hammersmith and Fulham in being able to make or take payments.

Ensuring customer accounts are updated timely reflecting payments made to the council for services accurately. The system will allow all types of income streams such as telephone, internet, bank, cheques and card to be process across all council services.

The system will integrate with third party systems and internal service systems, keeping customer data secure.

The systems will support the council in being ruthlessly financially efficient, promoting self-service and supporting face to face services.

RECOMMENDATIONS

1. To note that exempt Appendix 1 is not for publication on the basis that it contains information relating to the financial or business affairs of any person (including the authority holding that information) as set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. To approve, by means of a call off from the KCS Framework Y20023, a contract for the provision of income management systems, for a period of up to 7 years from 2022.
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Wards Affected: All users of council services

Our Values	Summary of how this report aligns to the H&F Values
Being ruthlessly financially efficient	Enables the efficient collection of Council Income, whilst taking advantage of the adventitious pricing traffic reducing long term costs securing fixed

transaction fees for a longer period.

Financial Impact

The estimated total value of the contract for the period is £647,500 (comprising £94,500 per annum for the first 3 years, reducing from year 4 to £91,000 per annum), although the total amount will be dependent on volume and transactions travelling through this service.

Capita Pay360 Income Management systems are a key pillar of the Council's income collection and processing.

716,643 transactions were processed in 2021/22 equating to approximately £842m.

Capita pay360 have agreed to maintain existing transaction fees £0.11p, but also offer a better more cost-effective contract for 7 years. The council would benefit from a reduced transaction fee of £0.10p.

Funding for this is available within the existing approved base budgets.

A more detailed analysis of cost and volumes is set out in Appendix 1 and 2.

Karen Sharkey Finance systems manager 30/08/2022

Craig Tucker Head of Finance 31/08/2022

Verified by Sukvinder Kalsi, Director of Finance, 08/11/2022

Legal Implications

The contract is above EU Thresholds so the Public Contracts Regulations 2015 (PCR) apply. The KCS Framework Y20023 complies with the PCR and allows for direct orders to be made and so an award under that Framework can be made.

The contract is a High Value Contract under the Council's Contract Standing Orders (CSOs). A direct award under the KCS Framework Y20023 would comply with the advertising and competition requirements of the CSOs.

All procurement strategies must be submitted to the Contracts Assurance Board before being submitted for approval to the decision maker in accordance with CSO 18.1 (Chief Executive/SLT Member in consultation with the relevant Cabinet Member).

Where the procurement strategy concerns a contract with estimate value in excess of £300,000 in value or the expenditure is otherwise significant, then it is a Key Decision (see Article 12 of the Constitution) and the report must be submitted to Committee Services for publication on the Council's website

Joginder Bola, Senior Solicitor (Contracts & Procurement), 23/09/2022

Procurement Implications

There is no alternative provider which is available in the market or financially affordable, as a systems replacement would take a very large budget (circa £2m+ investment to change). Commercial negotiation has occurred, and the benchmark charges are fair/good value from the provider.

This procurement is compliant in the situation.

David von Ackerman – Head of Procurement – 14 October 2022

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Background

1. Hammersmith and Fulham Council use Pay360 (formerly known as Capita Axis). According to the Contract Monitoring Office records, it was procured by HFBP in 2009 and was novated to the council following the end of the HFBP service contract on 31 October 2016. Since the novation, the contract has been annually renewed on a rolling basis.
2. Pay360 have several separate applications that the council currently uses from processing income, AXIS Income management (AIM), Paye.net, Touchtone payments, Internet Payments, Portal integration via third parties (for example planning portal and Sidem Parking System, My Account, Bookings Online). The system interfaces with internal systems such as Academy, Northgate, Parking and IBC (Hampshire County Council).

Most services across the council use Paye.net provided by Capita to process card payments over the telephone and processing chip & pin payments on site at registrars, Libraries and Car Pound.

The Finance Systems team use AIM for Income Management, including processing income received into the council's bank accounts, to transfer money to and from accounts, allocations to general ledger and reporting.

Presently, there are approximately 350 users set up on the Pay360 Paye.Net application (for taking card payments) and approximately 8 staff with access to the Income Management solution.

In the year 20/21 the system processed a total of 400,000 p.a. card transactions at a total value of £50m.

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.
 - Work with the council to support social inclusion enabling the council to for fill its values
4. The Council's aim is to ensure a robust, efficient, and secure payment method that also allows service to collect income in advance.

Reasons for Decision

5. The Income Management Services are a critical part of income collection and processing, the existing contract arrangements does not meet with our procurement guidelines and causes the Council to be in violation of its own contract standing orders. We need assurances from a robust contract arrangement that provides stability. The offering from our existing provider allows us to take full advantage of the reduce fixed rate transactional costs for a fixed period.

Contract Specifications Summary

6. The supplier will provide the council with an Income Management system allowing the council to continue processing income 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 in a timely manner ensure communications directly to the council of any processing delays.
- They must enable the council to receive payments via third party integration where they provide the goods or services on our behalf and the associated components of the wider financial system including acquirers, banks, and portals.
- Provide equipment to support the processing of card transactions in a face-to-face environment, ensuring the equipment is up to date for secure card transactions in-line with PCI compliancy.
- The system must provide reporting of transactions and allow for refunds to be processed timely.
- Provide a robust support service and advise of any system down time.

7. The contract would be fixed for 7 years to take advantage of the fixed lower rates starting in 2022

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. **Call Off via an existing framework – Recommended**

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 KCS Framework Y20023 provides an appropriate and robust framework in terms of the Council's specification in this area. As such **this option is recommended**

10. **Full procurement (e.g. open tender) – 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.

Market Analysis, Local Economy and Social Value

8. 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

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.

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

Key Decision Entry (Strategy)	22/08/2022
Contracts Assurance Board (Strategy)	19/10/2022
Cabinet Member Sign off (Strategy)	08/11/2022
Key Decision Entry (Award)	01/10/2022
CAB (Award)	19/10/2022
SLT/Cabinet Member (Award)	08/11/2022
Find a Tender Service Contract Award Notice	21/11/2022
Contract engrossment	TBC
Contract mobilisation and implementation	TBC
Contract Commencement date	TBC

Selection and Award Criteria

12. Pricing – 60%
Quality – 40%
- The service is to be inclusive of those that are economically and technically excluded – for example being able to offer alternative payment methods where self-service is not accessible.
 - Provide a managed Service supporting self-service payment routes
 - Interface with third party service providers and internal services
 - Provide a system with financial reporting tools
 - Provide card payment options
 - Account Management

Contract Management

13. 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 in 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. Quarterly review meetings with relationship team and the council.
14. 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

15. An Income Management system that allows us various options for excepting income from our customers. The system will be accessible, whilst self service will be encouraged, we will provide support to our customers where required. 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

16. The report recommends calling off a contract from a competitively procured framework, which is in line with the objective of being ruthlessly financially efficient. The report identifies risks associated with the procurement process and appropriate mitigations to manage these risks. The contract provides stable and secure channels that will ensure that the council can receive payments from a variety of sources and provide robust security over resident payment details.

David Hughes, Director of Audit, Fraud, Risk and Insurance, 27 September 2022

Local Economy and Social Value Implications

17. None – There are no local providers large scale financial services

Digital Services and Information Management Implications

18. Digital Services working closely with the Finance team supports the approval to Direct Award a contract to Capita pay360 for an Integrated Management System (IMS) via framework Kent County Council (trading as KCS) Y20023 for 7 years from 2022. Going forward, it is important that Digital services continue to work closely with the services to ensure that a technically feasible solution is delivered that is in alignment with the digital and information strategy.
19. IM implications: if not already in place a Data Privacy Impact Assessment (DPIA) should be carried out to ensure that all the potential data protection risks around the Capita Pay360 Income Management systems are properly assessed with mitigating actions agreed and implemented.
20. In addition, a (Cloud) Supplier Security Questionnaire(s) should be completed, to ensure that all the potential data protection and information security risks

around the Capita Pay360 Income Management systems are properly assessed with mitigating actions agreed and implemented.

21. Any contracts arising from this report will need to include H&F's data protection and processing schedule. This is compliant with UK Data Protection law.
22. Capita Pay360 will be expected to have a Data Protection policy in place and all staff will be expected to have received Data Protection training.

Implications verified/completed by: Pierre Rogier, Strategic Relationship Manager, Digital services, tel 07391 734087

LIST OF APPENDICES

Exempt Appendix 1

Appendix 2

Appendix 2

- Volume matrix for income processed via Pay360 2021/22

MOP	Description	Net Amount	Transaction Count
01	Cheque	£2,933,407.98	2,741
02	Cash	£246.00	18
07	Credit Card	£9,316,188.73	54,510
08	Debit Card	£26,682,780.73	183,603
AP	Allpay	£12,399,842.15	80,489
BP	Bank Payment	£761,041,065.40	184,124
CC	Credit Card (SCP Portal)	£6,875,912.04	52,242
DC	Debit Card (SCP Portal)	£23,207,455.85	156,569
GB	Girobank	£77,345.42	727
		£842,534,254.30	716,643