


<p>London Borough of Hammersmith & Fulham</p> <p>CABINET</p> <p>11 JANUARY 2016</p>	
<p>CONTRACT FOR ELECTRONIC PAYMENT SERVICES</p>	
<p>Report of the Cabinet Member for Finance: Councillor Max Schmid</p>	
<p>Open Report</p> <p>A separate report on the Exempt Cabinet agenda provides information relating to any commercially sensitive financial details.</p>	
<p>Classification - For Decision</p> <p>Key Decision: Yes</p>	
<p>Wards Affected: All</p>	
<p>Accountable Director: Hitesh Jolapara, Strategic Director for Financial Corporate Services</p>	
<p>Report Author: Sue Evans, Head of Pay and Park</p>	<p>Contact Details: Tel: 020 8753 1852 E-mail: sue.evans@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1 This report seeks approval to award the Contract for Electronic Payments and Card Supply and Dispatch Services to Allpay Limited as the most economically advantageous tender in terms of price and quality, for a maximum term of six years, inclusive of an option to break after the third anniversary of the contract commencement date. The contract includes provision for the Council to engage with the supplier at any time during the contract period to undertake a fundamental review of the service and to fully assess the effectiveness and value for money achieved; an option that may be beneficial during the second year in order to offer Members the opportunity to make an informed decision to either continue the service until the end of the six year period or to revisit the procurement process.

- 1.2 An option to novate the contract has been included in the event that any part of the service needs to be provided externally to the Council at any point during the term of the contract.
- 1.3 The contract will facilitate the option for residents to make payments for participating Council services both locally and via a UK network of Post Office branches.
- 1.4 The Council currently receives around 223,000 face to face payments per annum equating to approximately £21million, for a variety of services, including housing rents and council tax, via a UK network of Post Office branches. The service exists in order to accommodate residents who are unable to utilise more automated methods of payment and is a way for the Council to maximise income which may otherwise prove difficult to collect. The payments are initiated by a mixture of bar coded stationery and magnetic payment cards.
- 1.5 The Councils current contractual arrangements are divided between two suppliers with Post Office Limited operating the electronic payments service and Allpay Limited managing the supply and dispatch of magnetic payment cards. Both contracts expire within one month of each other in April and May 2016, and available extensions have been exhausted.
- 1.6 In August 2015, the Council issued an OJEU notice and undertook an open procurement process, divided into two lots, in respect of face to face electronic payment services and the supply and dispatch of payment cards, for a contract period of six years. A six year term was chosen in order to seek out maximum current market rates whilst, at the same time, allow for an interim review period by building in a termination clause after three years.

2. RECOMMENDATIONS

- 2.1. That approval be given to award the Contract for Electronic Payment Services and the Contract for the Supply and Dispatch of Payment Cards for Council Services to Allpay Limited with the most economically advantageous tender submission in terms of price and quality, for a period of six years with an option to break after the third anniversary of the commencement of the contract, for a contract value as set out in the exempt report.
- 2.2 To note that provision has been made within the contract terms and conditions to offer the Council an opportunity to undertake a fundamental service review at any time during the contract in order to fully assess the effectiveness and value for money and to allow Members to make an informed decision to either continue the service until the end of the six year period or to revisit the procurement process.
- 2.3 To note that further details are contained within the exempt report.

3. REASONS FOR DECISION

- 3.1. To allow the Council to maintain existing arrangements for vital face to face transactional services via the Post Office network of branches for residents who are currently unable to utilise more automated payment channels.
- 3.2. Whilst the Council is committed to the provision of services via online methods in order to meet customer demand and to generate further savings, it also recognises that provision needs to be made to enable more vulnerable residents of the borough to make payments at more accessible locations.
- 3.3. To ensure that the Council maximises income which may otherwise be difficult or impossible to collect.
- 3.4. The contract period of six years was chosen in order to avoid repetitive procurement and IT costs but also to gain maximum current market rates.

4. INTRODUCTION AND BACKGROUND

- 4.1. Hammersmith and Fulham have traditionally offered residents a number of different ways to pay for council services across a variety of access channels. Rapid advances in technology both globally and across the UK have subsequently increased service user's ability and willingness to move to more digitally enabled services. These changes are driving the Council's Customer Access Programmes and more services can now be undertaken online in response to growing customer demand. This has resulted in a gradual decline of traditional face to face transactional services as cash and cheque transactions are replaced by credit and debit cards. In turn, the number of contractors available to operate this type of activity has also reduced in number making the options in this area of the market reasonably limited.
- 4.2. However whilst much emphasis has been placed on the implementation of more automated and self-service options, the Council also recognises that these facilities do not meet the needs of all residents of the borough and, therefore, it is necessary to offer a face to face transactional service with borough wide coverage and which is fully accessible to those who wish to utilise it.
- 4.3. The Council currently receives around 223,000 face to face payments per annum equating to approximately £21million for a variety of services via a UK network of Post Office branches. The payments are initiated by a mixture of bar coded stationery and magnetic payment cards.

- 4.4. Of the 223,000 annual transactions received via this service, 73% (163,000) relate to housing rent payments, 26% (59,000) to council tax with the remaining 1% (1,000) relevant to Leaseholder Services.
- 4.5. The majority of payments are made by residents who find it difficult to use online or self-service options for a variety of reasons.
- 4.6. The contract for Electronic Payments is currently operated by Post Office Limited until expiry on 31st May 2016. Contractual arrangements for the supply and dispatch of payment card services are managed independently by Allpay Limited and are due to expire in April 2016.

Current Tender Process

- 4.7. The Council has undertaken an open procurement process, divided into two lots, for the provision of Electronic Payment Services (Lot 1) and for the Supply and Dispatch of Payment Cards for Council Services (Lot 2). This approach was taken in order to capture suppliers who were potentially interested in either one or both of the contracts in a limited area of the market thus reducing additional time and unnecessary cost for the Council and also prospective tenderers. Details of service requirements relating to both contracts can be found in Appendices A and B towards the end of the report.
- 4.8. Allpay Limited provided an economically advantageous bid in terms of price and quality for both services. In addition, the procurement exercise successfully reached out to potential suppliers thus gaining a fair assessment of the current market and securing reasonable up to date rates.
- 4.9. For Lot 1, Contract for Electronic Payment Services, Allpay Limited offered service provision exclusively via the UK Post Office network of branches, with thirty eight outlets located across Hammersmith and Fulham and the peripheries.
- 4.10. Tenderers were asked to confirm that customer service standards would meet the needs of service users and, in particular, that services were fully accessible throughout the borough to customers with specific needs and preferences, including provision for vulnerable, disabled and minority groups. In addition, that services and facilities were fully compliant with Part 3 of the Equalities Act 2010.
- 4.11. Allpay Limited demonstrated full compliance with these requirements by the inclusion of an accessibility matrix and comprehensive information regarding customer service.
- 4.12. In addition, Allpay Limited also submitted a tender for Lot 2, Contract for the Supply and Dispatch of Payment Cards which is a critical supporting component of the Electronic Payment Service as the production of

magnetic payment cards is necessary for the launch of each transaction. Tendered rates were very competitive and an overall saving of approximately 6% (£2,500), on current rates was achieved based on a six year contract term.

- 4.13. Allpay Limited meets the Council's specifications for both electronic payments and the supply and dispatch of payment cards. Details relating to Evaluation scores for both contracts can be found in the exempt report.

Existing Contractual Issues

- 4.14. Prior to 2011, electronic payment services were managed via multiple contracts through third party intermediaries. The contracts were service specific and restrictive in terms of minimum transaction volume requirements and individual maximum transaction value limits. This resulted in supplementary transaction volumes and additional transactional costs to the Council as single payments were split into multiple transactions in order to meet contractual constraints.
- 4.15. The fragmented management of transactional services led to a duplication of processes, inconsistent charging between services for identical functionality and service provision and confusion amongst residents due to contractual arrangements with more than one supplier.
- 4.16. As part of the Customer Services and Transformation Portfolio Programme, the Council undertook a tendering exercise in December 2011, inviting suppliers to provide a full Face to Face Customer Transaction offering which expanded on standard inbound payment facilities by the inclusion of eight additional face to face categories, increasing service accessibility and choice for residents.
- 4.17. The main purpose of the exercise was to:
- Eliminate discrete variable charges to multiple intermediaries, allow the termination of existing contractual arrangements and streamline the services by combining them into one contract.
 - Provide an opportunity to move to a more flexible per transaction cost to replace fixed fees and to continue to reduce expenditure as self-service options increased.
 - Offer a flexible contract based on a variety of face to face customer transaction types (inbound payments, eligibility checking, issuing of vouchers / licences etc..) which allowed more services to opt in as and when there was a supporting business case to do so with no guarantee required as to the volume or type of transactions.
 - engage a supplier who could work with the Council to offer continuous improvements to service delivery
 - apply some consistency for residents by offering a wider choice of service outlets, with improved accessibility and the capacity to accept payments for all services regardless of their type.

5. PROPOSAL AND ISSUES

- 5.1. The proposal to award both contracts follows a recent open procurement process in an industry subject to gradual decline. The tender process provided an opportunity to seek out the best market rates in an area of business being replaced by technological advances.
- 5.2. The bid submitted by Allpay Limited offers the best value for money in respect of all contractual requirements and is therefore the most economically advantageous in terms of price and quality.
- 5.3. The contract for the Supply and Dispatch of Payment Cards is proposed to commence on 10 April 2016 closely followed by the contract for Electronic Payment Services on 1 June 2016.
- 5.4. On advice from the procurement team, the contracts will be merged together and managed as one single supplier service, to remain in place for a minimum three year term however, there is built in flexibility to allow for a fluctuation in service requirements should there be an opportunity for further channel transfer or a need to increase capacity, and services can be modified accordingly.

6. OPTIONS AND ANALYSIS OF OPTIONS

- 6.1. Face to face transactional services are in decline and the move towards digital services either within the Council or across the wider spectrum has meant that cash and cheque methods of payment are likely to reduce significantly in the longer term.
- 6.2. The Council tendered for a bespoke service in order to cater for residents who are unable or do not wish to transact by more automated methods.
- 6.3. The procurement process was carried out as an open procedure therefore reaching out to the limited number of contractors who operate in this field. This identified the most economically advantageous prices.
- 6.4. The three year option to break allows the Council time in which to carry out a fundamental review of the service in order to assess performance and value for money, if necessary.
- 6.5. A shared service approach was considered however, in view of the current contractual issues, it was felt that the service should be tendered solely as a Hammersmith and Fulham contract.

7. CONSULTATION

- 7.1. Not applicable

8. EQUALITY IMPLICATIONS

- 8.1. An Equalities Impact Assessment has been carried out and concluded that as there is no change in service provision and the contracts were retendered as part of an ongoing process the equality impacts remain unchanged. There are no new impacts on the protected groups arising from the recommendations of this report.
- 8.2. Implications verified by: David Bennett, Head of Change Delivery (Acting) - 020 7361 1628.

9. LEGAL IMPLICATIONS

- 9.1 The open tender procurement procedure followed for award of contracts for both Lots is in compliance with the Council's obligations under the Public Contracts Regulations 2015. The recommendation is accordingly endorsed.
- 9.2 Implications verified/completed by: Babul Mukherjee, Senior Solicitor (Contracts) 2073613410.

10. FINANCIAL AND RESOURCES IMPLICATIONS

- 10.1 As set out in the exempt report on the exempt Cabinet agenda.

11. IMPLICATIONS FOR BUSINESS

- 11.1 There will be no direct impact on businesses in Hammersmith and Fulham associated with the implementation of the new service and, therefore, it will be business as usual. Social value was considered as part of the tender process and with regards to the award of the contract to Allpay Limited. Social value locally will be minimal as the company are based in Herefordshire.
- 11.2 Implications verified by: Sue Evans, Head of Pay and Park, telephone 020 8753 1852

12. RISK MANAGEMENT

- 12.1 Financial Services are responsible for the management of risk associated with the procurement and implementation of the new service. This has not been identified on a Service Level risk register as the recommendation is at the award stage, a risk register should be developed to ensure all risks are mitigated throughout implementation. Market Testing is a key strategic risk, risk number 4 on the Shared Services Risk Register, achieving best value at lowest possible cost to the taxpayer.
- 12.2 Implications verified by: Michael Sloniowski, telephone 020 8753 2587

13. PROCUREMENT IMPLICATIONS

- 13.1 As set out in the exempt report on the exempt Cabinet agenda.
- 13.2 Implications verified/completed by: Alan Parry, Interim Head of Procurement,(job Share 020 8753 2581)

14 IT STRATEGY IMPLICATIONS

- 14.1 As set out in the exempt report on the exempt Cabinet agenda.

LOCAL GOVERNMENT ACT 2000 **LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Procurement paperwork (exempt)	Sue Evans ext. 1852	FCS, H&F Direct

LIST OF APPENDICES:

- Appendix A – Requirements of the contract – Lot 1, Electronic Payment Services
- Appendix B – Requirements of the contract – Lot 2, The supply and Dispatch of Payment Cards for Council services.

Requirements of the Contract - Lot 1, Electronic Payment Services

- 1.1** The Council is seeking a Service Provider to offer a service for the receipt of cash, cheque and debit card payments in respect of council tax, housing rents, temporary accommodation, leasehold and other Council services. Credit card payments are currently excluded from this service however; the Council retains the right to modify payment methods at any time during the term of the contract and will require the Service Provider to accommodate any changes, should they be required.
- 1.2** Currently, 223,000 payments equating to £21million are accepted via a UK network of third party payment outlets. The majority of payments are made locally via branches located within the borough.
- 1.3** The Service must be available at 6 or more sites within the borough boundaries, the sites to be located borough wide in order to maximise accessibility for local residents and, in particular, to ensure that service users with particular needs are accommodated. Services and facilities must be fully compliant with Part 3 of the Equalities Act 2010.
- 1.4** The Service Provider must ensure that the sites are fully operational during minimum core hours (normal business hours) Monday to Friday 9am to 5pm.
- 1.5** Payments will be processed on production of a magnetic swipe card or bar coded stationery dependent upon the requirements of the individual service. No payments should be accepted without the appropriate magnetic swipe card or bar coded document and the Service Provider will be responsible for the resolution of any enquiries relating to unidentified payments processed outside of these instructions.
- 1.6** Bar coded stationery and magnetic swipe cards are produced by the Councils suppliers through contracts independent of this service. However, all stationery specifications are based on universally accepted designs enabling processing across mainstream systems. Details of the Councils current bar code and magnetic swipe card specifications are below however, the Service Provider will be required to accommodate any additional services or the removal of any services no longer needed:

Requirements of the contract – Lot 2, The supply and Dispatch of Payment Cards for Council services

Requirements of the Contract

- 1.1** The Council requires 40,000 plastic magnetic swipe cards to be prepared and issued in respect of council tax, housing rents, temporary accommodation, private sector leasing and hostel accounts during the lifespan of the contract. Additional services may be added or services no longer required may be withdrawn as necessary however, this will be agreed with the Service Provider.
- 1.2** The cards are to be produced initially with a generic Hammersmith and Fulham card design. The specific service i.e. council tax; housing rent etc....to be printed on the card upon receipt of regular card order data files sent to the Service Provider by the Council or uploaded via the Service Providers secure web system. The frequency of the data uploads / transfers to be agreed with the Service Provider.
- 1.3** The cards will be required for use across five different services initially, though a generic card design will allow for a base stock order. The cards will be required to meet industry standards and specifications necessary for use by our residents for the purpose of making a payment across a designated network of payment points and branches.
- 1.4** The Council will also require 40,000 plastic card wallets, 40,000 card carriers and 40,000 envelopes – all stock of cards, paper, plastic wallets and envelopes will be required to be held by the Service Provider but remain the property of Hammersmith and Fulham, to be called off as and when required.
- 1.5** One bulk order of 40,000 plastic cards, wallets, card carriers and envelopes will be required initially with any further orders subject to review during the life of the contract. Payment for the initial order of 40,000 plastic cards, wallets, card carriers and envelopes, including embossing / thermal printing of the same, will be made when the order is placed. Subsequent orders will be consistent with these instructions.
- 1.6** Initial postage costs of £1,500 will be paid at the same time as the initial order for stationery and postage is placed. The Service provider shall notify the Council when the available funds fall below £500 so that arrangements can be made for a further disbursement in order to satisfactorily maintain the continuous operation of the service.