


<p align="center"><b>London Borough of Hammersmith &amp; Fulham</b></p> <p align="center"><b>CABINET</b></p> <p align="center"><b>4 JULY 2016</b></p>	
<p align="center"><b>CONTRACT FOR CREDIT AND DEBIT CARD MERCHANT SERVICES</b></p>	
<p align="center"><b>Report of the Cabinet Member for Finance – Councillor Max Schmid</b></p>	
<p><b>Open Report</b></p> <p>A separate report on the exempt part of the Cabinet agenda provides exempt financial information.</p>	
<p><b>Classification - For Decision</b></p> <p><b>Key Decision: Yes</b></p>	
<p><b>Wards Affected: All</b></p>	
<p><b>Accountable Director:</b> Hitesh Jolapara, Strategic Finance Director</p>	
<p><b>Report Author:</b> Sue Evans, Head of Pay and Park</p>	<p><b>Contact Details:</b>  Tel: 020 8753 1852  E-mail:  sue.evans@lbhf.gov.uk</p>

**1. EXECUTIVE SUMMARY**

- 1.1. There is currently a contract in place with Barclays Bank PLC t/a Barclaycard (Barclaycard), accessed via a framework agreement tendered by the Driver and Vehicle Licensing Agency (DVLA), and managed by the Government Procurement Service. The contract commenced on 1<sup>st</sup> April 2014, and officially ended on 8<sup>th</sup> March 2016. Members of the framework include Bank of England, Driving Standards Agency, Birmingham City Council and London Borough of Barnet. A full list of existing framework members is included in Appendix A.
  
- 1.2. Crown Commercial Service (CCS), an executive agency sponsored by the Cabinet Office to manage centralised Public Sector buying, issued an indicative plan to procure a new Government framework agreement in April 2015 with an estimated contract award date of Mid October 2015. The new framework was designed to replace two expiring agreements that served around 800 Central Government and Public Sector organisations. Verbal agreement for the Council to join the CCS framework was obtained from Councillor Schmid and Councillor Fennimore on 17 July 2015.

- 1.3. CCS encountered a number of difficulties during the procurement exercise including changes in procurement rules which triggered delays of around five months. The publication of the contract notice in the Official Journal of the European Union (OJEU) finally took place on 15<sup>th</sup> October 2015.
- 1.4. As a consequence, the DVLA issued a Voluntary Ex Ante Transparency notice (VEAT) – negotiated without a call for competition, on behalf of contracting authorities on 19 December 2015, automatically extending all call off contracts. Hammersmith and Fulham subsequently secured Cabinet Member approval for an emergency extension to the contract with Barclaycard until 8<sup>th</sup> December 2016.
- 1.5. Following the publication of the framework award notice by CCS in March 2016, the Council identified Barclaycard as the preferred supplier. Transaction rates are anticipated to meet existing charges and the award of the contract is in accordance with guidance provided by CCS regarding 'best fit' direct award criteria.

## **2. RECOMMENDATIONS**

- 2.1. That approval be given for the Council to access the Crown Commercial Service framework agreement and to award a new call off contract for the provision of credit and debit card services including authorisation, chip and pin equipment hire and optional facilities for payment processing.
- 2.2. That approval be given to award the contract to Barclays Bank PLC t/a Barclaycard, as the most suitable supplier in terms of overall service provision. The proposed contract will be for an initial term of three years commencing on 9<sup>th</sup> December 2016, with an option to extend for two further one year periods, and a maximum contract term of five years.
- 2.3. To note that transaction volumes will accumulate across contracts awarded to Barclaycard during the life of the framework and should generate additional savings as the number of call off contracts increase.
- 2.4. To note that a monitoring system will be put in place when the contract commences to assess ongoing transactional activity and value for money.

## **3. REASONS FOR DECISION**

- 3.1. The current contract ends on 8<sup>th</sup> December 2016 and there is no capacity to extend beyond this date using the existing arrangements.
- 3.2. Participation in the framework agreement is judged to be the most proficient option and negates the need for a complex and costly procurement exercise. CCS is offering a comprehensive, fully procured framework for credit and debit card services which is considered to be the most cost effective option and meets the current and future demands of the Councils services.

- 3.3. The Council benefits from an existing relationship with Barclaycard who has provided a reliable, good quality and cost effective service to date. The continuation of this arrangement will meet our main objectives in terms of providing a safe and uninterrupted payment service, acceptable framework pricing models that reflect our specific business activities, and a strong assurance that vital interrelated projects such as the Managed Services Program can continue without further risk of major disruption or possible reputational damage that a change of supplier may generate.
- 3.4. The proposed award to Barclaycard eliminates any potential additional cost which may have been incurred as a result of the integration of card authorisation services and existing payment processing systems with a new supplier.
- 3.5. The existing contract only makes provision for card authorisation services and the hire of chip and pin equipment. The new arrangement will include an optional payment processing facility should the need arise in the future

#### **4. PROPOSAL AND ISSUES**

- 4.1. The delays incurred by CCS have reduced the time available to seek formal Cabinet approval and to put a new contract in place. However, any potential gaps in service provision or a possible loss of service following the expiry of the current contract have been mitigated by the recommendations seeking to award a new call off contract to Barclaycard, the current supplier.

##### **Other considerations**

- 4.2. CCS has confirmed that there is no cost involved in joining the framework agreement.

##### **Transfer of housing stock**

- 4.3. Any transfer of housing stock will decrease the overall volume of transactions during the contract period; however, based on cumulative activity between contracting authorities for services called off through Barclaycard, the Council will still benefit from favourable transaction rates.
- 4.4. The framework agreement was procured by CCS for use by all Central Government departments and organisations across the Public Sector including Local Government, health, education, not for profit and devolved administrations. The OJEU contract notice published in October 2015 incorporated detailed information regarding eligibility. In view of this, there may be an opportunity for any operators managing transferred housing stock to call off a contract through the framework. However, this should be discussed with CCS and legal advice should be sought independently by the operator in order to ensure compliance.

## **5. OPTIONS AND ANALYSIS OF OPTIONS**

### **Undertake a full procurement exercise**

- 5.1. Consideration was given for the Council to undertake a full procurement exercise however, it would have been necessary to develop a comprehensive technical specification incorporating payment processing and authorisation services. It was estimated that preparation time of at least twelve months would have been necessary to complete this process, with extensive input required from Hammersmith and Fulham Bridge Partnership, BT, Capita, and information security specialists, some of whom would have needed to be retained for the evaluation process. The time taken to fully complete the process would have substantially exceeded the time available.

### **Undertake a mini competition**

- 5.2. Consideration was given for the procurement of a contract via a competitive process with the suppliers identified by CCS. However, this approach would have been unnecessary as there are no complex service requirements and a suitable supplier was identified via the direct award option.

### **Negotiate an extension**

- 5.3. Negotiation of a contract extension with the current supplier, Barclaycard, was also considered. This may have been possible however; it would not have been cost effective or likely that Barclaycard would have been amenable to this proposal, as a preferred supplier of the CCS framework.

## **6. CONSULTATION**

- 6.1. Not applicable.

## **7. EQUALITY IMPLICATIONS**

- 7.1. There are no implications with regards to equalities as the credit and debit card service is a background process relating to the processing and authorisation of card payments and therefore does not impact on any groups either internally or externally to the Council.

## **8. LEGAL IMPLICATIONS**

- 8.1. The recommended procurement route to access the CCS Framework and call-off directly from it to award work to Barclaycard would be in compliance with the Council's obligations under the Public Contracts Regulations 2015. The recommendation is accordingly endorsed.
- 8.2. Implications verified/completed by: Babul Mukherjee, Senior Solicitor, Shared Legal Services, 020 7361 3410.

## **9. FINANCIAL AND RESOURCES IMPLICATIONS**

9.1 As set out in the exempt report on the exempt Cabinet agenda.

## **10. IMPLICATIONS FOR BUSINESS**

10.1 Previous papers on the credit and debit card merchant services procurement strategy and approach have dealt with the social value aspects of this type of procurement.

10.2 Verified by Antonia Hollingsworth, Principle Business Investment Officer, Economic Development Learning & Skills, Planning and Growth. Telephone 020 8753 1698.

## **11. RISK MANAGEMENT**

11.1 Market testing is a key risk, risk 4, on the council's Shared Services Risk Register, delivering the best possible services at least cost to the local taxpayer. The recommendations contribute positively to the management of this risk by seeking to access the Crown Commercial Services contract. A significant factor throughout has been to mitigate the risk of service interruption to as low as reasonably practicable in accordance with risk 6, Business Resilience. Financial Corporate Services Management of risk is in accordance with the councils corporate approach, where risks may escalate they are discussed at management team level and mitigations applied.

11.2 Implications verified by: Michael Sloniowski, Shared Services Risk Manager, telephone 020 8753 2587.

## **12. PROCUREMENT IMPLICATIONS**

12.1 The use of framework agreements awarded by Crown Commercial Services provides the Council with assurance that the process is in compliance with the Public Contracts Regulations 2015 (as amended). This is a specialist contract and it is extremely unlikely that the Council would have achieved more favourable rates if it had carried out its own procurement exercise or with other neighbouring councils.

12.2 Implications verified/completed by: Alan Parry, Interim Head of Procurement (Job-share).

## **13. STRATEGIC ICT IMPLICATIONS**

13.1 There are no ICT implications in relation to this contract as the new contract is being awarded to the incumbent, Barclaycard. Therefore, no reconfiguration is required and the service will continue as now.

13.2. Implications verified/completed by: Veronica Barella, Head of Business Partnering, ext. 2927

**LOCAL GOVERNMENT ACT 2000; LIST OF BACKGROUND PAPERS  
USED IN PREPARING THIS REPORT: None**

**LIST OF APPENDICES:**

Appendix A – Existing Members of the Driver and Vehicle Licensing Agency (DVLA) Framework Agreement

## Appendix A – Existing Members of the Driver and Vehicle Licensing Agency Framework Agreement

Existing Members of the DVLA Framework Agreement
Driving Standards Agency
Vehicle and Operator Services Agency
Ministry Of Justice
Transport for Greater Manchester
Companies House
Information Commissioners Office
Foreign and Commonwealth Office
London Borough of Hammersmith and Fulham
Bank of England
Chorley Borough Council
UK Commission for Employment and Skills
Cornwall College
London Borough of Barnet
Cambridge City Council
Stafford College
Imperial College
Birmingham City Council
Plymouth City College
Cardiff University
NEST – Welsh Government Warm Homes Scheme
South Downs College
Allerdale Borough Council
The Intellectual Property Office
Chelmsford City Council
Eden District Council