



To: Executive Councillor for Strategy: Councillor Julie Smith
Report by: Julia Minns
Relevant scrutiny committee: Strategy & Resources Scrutiny Committee 09/04/2013
Wards affected: All Wards

Options for the Council's Debit & Credit Card (Merchant Acquirer) Contract Not a Key Decision

This report contains exempt annexes which are recommended to be NOT for publication and that press and public are excluded by virtue of paragraph 4.3 of Part 1 of Schedule 12A of the Local Government Act 1972.

1. Executive summary

The Council's contract for the provision of Chip and PIN terminals and authorisation of debit & credit card transactions is due to expire on 30th June 2013.

The options for this contract can be summarised as follows :

- (a) Extend the current contract, under existing terms.
- (b) Re-tender the contract under the existing ESPO framework contract.
- (c) Assess the options available in the new ESPO banking contract.

2. Recommendations

The Executive Councillor is recommended:

To approve an extension of the current contract for a period of six months, within existing terms to enable the Council to review and evaluate the tariffs, terms and conditions under a new Eastern Shires Purchasing Organisation (ESPO) framework contract for Banking Services, to be available from April 2013.

3. Background

- 3.1 Historically the Council's contract for the provision of Chip and PIN terminals and authorisation of debit & credit card transactions has been kept separate from the Council's main banking contract (the Money Transmission Contract) to enable it to be let for shorter periods of time in order to take advantage of any changes in commission rates.
- 3.2 The current contract is due to expire in July 2013. The contract is currently let, via the ESPO framework contract 977, to Worldpay (UK) Ltd, part of the Streamline group. The contract had an initial duration of two years, plus an option to extend for up to a further two years if required. The contract was originally let in 2011 and has not previously been extended.
- 3.3 It should be noted that the Council has a second contract, with Capita, for validating electronic payments received via telephone and Internet. Additionally Capita provide an intranet based payments solution called Payee.Net that allows users to process payments via a PC as opposed to a Chip and PIN machine. This contract is managed by Customer Services and is separate from the Merchant Acquirer contract which is the subject of this report.
- 3.4 The costs associated with the Worldpay contract consist of the commission charges payable on transactions along with the monthly rental charges for the Chip and PIN terminals. Normally the rental charges are fixed whereas the commission charges will vary from contract to contract depending on the volume and value of the expected transactions.
- 3.5 Transaction volumes under this contract could potentially decrease in the near future as some services may wish to swap from using Chip and PIN machines to using Payee.Net.
- 3.6 ESPO have confirmed that at present there is only one supplier on the current framework contract 977, and this is Worldpay (UK), with whom the Council is already contracted. However, ESPO will be introducing a new framework contract from April 2013 which will cover the full range of banking services including the processing of Debit and Credit card transactions. Councils using this new framework contract will be able to pick and choose elements of the contract to use and it may be

that, given the negotiating power of ESPO, the rates available could be more favourable than our current tariffs.

- 3.7 A further matter for consideration is that the Council's Box Office service is in the process of procuring a new booking system to go live in summer 2013. This system will include the facility to process card payments. Given the potential issues with introducing a system of such complexity a period of stability while the system is being implemented would be helpful. Additionally the decisions made by the Box Office could materially affect the volume and value of the transactions covered by this contract and thus the tariffs obtained. Currently Box Office transactions account for around 30% of volume and 20% of value under the existing contract.
- 3.8 Initial, informal, discussions with our account manager at Worldpay have indicated that they would be willing to extend our contract with the existing pricing framework even if the expected volumes were to decrease.

4. Options

- 4.1 Option 1 - Extend the Current Contract, under existing terms

The current contract allows for an extension of up to two years. As the current tariffs would appear to be favourable when compared to other contracts (based on the Focus on Banking Report), the contract could be extended to take advantage of this. The Supplier has stated that they would be willing to continue with existing terms.

- 4.2 Option 2 - Re-tender the Contract under the existing ESPO framework Contract.

ESPO contract 977 is still available as a framework contract. The only supplier on this framework is currently Worldpay. Re-tendering would provide for an opportunity to re-negotiate tariffs although this could potentially lead to less favourable rates if the Council's transaction volumes significantly decrease.

- 4.3 Option 3 - Assess the options available in the new ESPO Banking Contract.

The new ESPO framework contract will be available in April 2013. If procurement is delayed until this time then the council will be able to obtain indicative rates from more suppliers. In order to do this the end date of the current contract would need to be extended for the

resulting tender process to be undertaken. If the new contract is not favourable then the option to extend would still be available.

5. Implications

(a) Financial Implications

1. Extension of Current Contract

Comparison of the current tariffs shows the current contract to be competitive in the marketplace (see Annex 1). Whilst extending the contract will not realise any savings it will allow the Council to continue at the current (known) tariffs.

2. Re-Tendering of Contract

Re-tendering the existing contract may lead to an increase or reduction in tariffs. Suppliers will not provide indicative rates outside of a contracting exercise so estimating potential costs / savings is difficult. Previous comparison of current market rates seem to show our tariffs are competitive and so it will be difficult to realise any savings (potentially costs may increase depending on volume changes).

(b) Staffing Implications (if not covered in Consultations Section)

No staffing implications have been identified.

(c) Equal Opportunities Implications

No Equal Opportunities implications have been identified.

(d) Environmental Implications

- Nil

(e) Procurement

If the contract is re-tendered this will be carried out via the appropriate ESPO framework contract. Any extension to the current contract will be in line with the current terms and conditions.

(f) **Consultation and communication**

None Taken.

(g) **Community Safety**

None.

6. Background papers

No background papers were used in the preparation of this report:

7. Appendices

(confidential) Annex 1 – Comparison of current tariffs.

8. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

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