



To: Executive Councillor for Planning Policy and Transport: Councillor Kevin Blencowe  
Report by: Sean Cleary, Commercial Operations Manager  
Relevant scrutiny committee: Environment 12/01/2016 Scrutiny Committee  
Wards affected: All wards

## **CAR PARKS CARD PAYMENT PROCESSING SERVICES**

### **Key Decision**

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#### **1. Executive summary**

The Executive Councillor is asked to approve a project to procure and award two separate contracts to provide authorisation and processing services for card payments in the City's off-street car parks. The estimated value of these combined contracts is approximately £755,000 over 5 years.

Since the introduction of card payment facilities into the car parks in 2007, there has been a steady growth in demand. Almost half of parking income in the council's car parks now comes through credit and debit card payments.

The continued development of a range of new cashless payment technologies continues to reflect customer demand for easier and more convenient ways to pay for parking.

The council needs to procure new contracts for card payment processing across its car parks from June 2016. Legislation covering 'unattended' payments, such as those that take place at car park machines, requires service contracts with both a payment services provider and an acquirer.

Different options are available to procure a suitable acquirer. The council could choose a simple route to procure the services it needs using an acquiring bank from an existing framework agreement, or decide to pursue a more complex procurement arrangement that would secure significantly higher savings on current processing costs across the life of the contract, but carries risks of delay and additional development costs.

In preparing for this procurement officers are mitigating these risks by canvassing the market through a request for information for best advice on the preferred options.

## **2. Recommendations**

The Executive Councillor is recommended:

- 2.1 To approve the carrying out and completion of the procurement of a payment service provider to accept card payments for all Cambridge City Council multi-storey car parks. The contract will be for 3 years with a 2 year optional extension period.

The value of this new contract will be approximately £150,000 over five years based on the charges made by our current contractor. Charges may vary dependant on the number and value of card transactions

and

- 2.2 To approve the carrying out and completion of the procurement of an acquiring bank to arrange the acceptance and approval for all card payments across all Cambridge City Council multi-storey car parks. The contract will be for 3 years with a 2 year optional extension period.

The value of this new contract will be approximately £605,000 over five years based on the charges made by our current contractor. Charges may vary dependant on the number and value of card transactions

Note:

There are no Capital costs arising from this scheme. The revenue costs associated with this contract will be paid from existing revenue budgets subject to:

If the quotation or tender sum exceeds the estimated contract value by more than 15% then the permission of the Executive Councilor and Director of Business Transformation will be sought prior to proceeding.

## **3. Background**

- 3.1 The City Council's car parks have been accepting credit and debit card payments since 2007. In that time card payments, as a proportion of all payments, have grown steadily. In the first six months of 2015 they accounted for 37% of all payments. As the

average card payment is £6.20 (compared to the average cash payment of £4.61), 47% of total revenue is received through card payments.

3.2 The level of transactions and the value of payments made by credit and debit cards in Cambridge's car parks has grown consistently since the facility was introduced, reflecting both customers' increasing propensity to use cashless means of payment, and the rising costs of parking fees. If current trends continue in the car parks then 1.5 million payments (66% of all transactions) will be made by card by 2020.

3.3 Payment technologies are now available that can offer a range of ways to pay without using cash, including on-line payment, payment by phone and contactless such as Apple Pay, PayPal and 'Wave and Pay' technology.

With the added speed and convenience of these new methods of payment but especially contactless wave and pay, it is expected that card payments will continue to grow still further as a proportion of overall payments. Card payments are therefore central to the Council's strategy for managing car parks.

3.4 In order to continue to be able to process card payments, the Council must have contracts in place with both a payment service provider and an acquirer. The first new contract will be with a payment service provider who is required to act as an intermediary offering technical services to connect merchants to acquirers. A payment service provider contract is required because acquirers will not accept payments direct from 'unattended' pay machines such as those in the car parks.

3.5 The current contract covers both activities of card processing and payment authorisation, and ends on 30<sup>th</sup> September 2016 and a new contract for each must be procured. It is expected that new contracts will result in lower processing fees for the Council, due to the increased volume of credit card payments and increased competition in the market. However, as a result of replacing the parking equipment at Queen Anne Terrace, Grafton East and West multi-storey car parks we require that new payment service provider and acquirer contracts are both in place prior to these equipment installations, which are anticipated to start in June 2016.

3.6 A one contract solution is only available through our current supplier, who acts as a payment services provider, and

subcontracts with an acquiring bank. However, this supplier will be technically unable to process card payments from the new equipment. In order to obtain the best rates and maximise flexibility in relation to future suppliers, Parking Services must enter into two separate contracts for the two card processing elements.

3.7 A tender will be conducted in the first instance for a payment service provider. We are currently considering various options with advice from our legal, procurement, finance and audit teams for the appointment of the acquiring element. For example:

- The successful payment service provider could work with an acquiring bank that has been drawn off the Crown Commercial Service framework which Cambridge City Council will be using for card transactions across multiple departments and which goes live in April 2016).

This is a relatively quick and easy process with minimal risk but will give the least potential for savings against card transactional fees. With this option savings are currently estimated to be approximately £12,000 per annum. Over the life of the contract this could equate to approx. £60,000 depending on the acquiring fees within the new framework which, are as yet unknown.

Or

- The successful payment service provider could sub-contract the acquiring element of the card handling process. This involves a more complex tender process with the emphasis on the payment service provider taking responsibility for sub-contracting the acquiring element of the contract. The savings against card transaction fees could be much higher giving as much as £40,000 per annum. Over the life of the contract this could equate to approx. £200,000.

3.8 We also carrying out a request for information with input from the procurement and audit teams so as to mitigate the risks of additional delays and development costs when we tender for the acquiring element of the contract

3.9 The option to 'do nothing' was considered, but discounted, because:

- from 1 October 2016 it would no longer be possible to accept payment by credit or debit cards at the Council's car parks, which would result in loss of revenue

- It would risk bad publicity leading to the loss of reputation of the Council.
- It would increase the costs of cash collection
- The council would be unable to meet customers' demands for payments made by card resulting from an increasing propensity to use cashless means of payment, and the rising costs of parking fees

3.10 Parking services intend to manage the tender process for this contract with the assistance of the procurement, legal, finance and audit teams. If the Crown Commercial Services framework is used then further assistance will be required from the Council's financial department to join this framework.

## 4. Implications

### (a) **Financial Implications**

The following estimates are based on current charges and therefore may be different under the new contracts

- (i) Payment Service Provider - £150,000 over 5 years
- (ii) Acquiring bank - £605,000 over 5 years.

The alternative is to remove the facility to pay for car parking with cards; this will incur increased costs of cash collections and reduce overall customer service.

As described above it may be possible to negotiate lower card transactional fees across these two contracts. However, it is likely that these savings will be offset by increased card handling fees due to the expected uplift in contactless payments. Therefore, caution is recommended when reviewing budgets associated to these processes.

### (b) **Staffing Implications**

Parking services will manage the tender process for these contracts with support from procurement, legal, finance and audit teams.

### (c) **Equality and Poverty Implications**

An equality impact assessment has been conducted; no adverse implications have been identified.

### (d) **Environmental Implications**

- Nil: the proposal has no climate change impact.

(e) **Procurement**

An open tendering procedure will be carried out for the payment service provider element in compliance with the Council's procurement guidelines and the EU regulations.

There is also the possibility that the contract for acquiring services may be pulled off Crown Commercial Service framework if this is deemed as the most appropriate and cost effective option.

(f) **Consultation and communication**

No consultation or separate communication needs to be carried out in relation to these contracts.

(g) **Community Safety**

Reducing cash volumes in pay machines around Cambridge city centre increases the security of the City Council's parking income, and reduces the risk of city centre parking equipment being a target for theft and vandalism.

**5. Background papers**

No background papers.

**6. Appendices**

Equality Impact Assessment is available separately

**7. Inspection of papers**

If you have a query on the report please contact:

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