

ABERDEEN CITY COUNCIL

COMMITTEE	Finance Policy and Resources
DATE	30 September 2014
DIRECTOR	Ewan Sutherland
TITLE OF REPORT	Request for Authority to Procure Payment Processing Services
REPORT NUMBER:	CG/14/108
CHECKLIST RECEIVED	Yes

1. PURPOSE OF REPORT

This report seeks the approval of the Committee to:

- extend the current Payment Processing Contract , including approval of the expenditure for the extension and
- participate in a collaborative tender exercise for the provision of Payment Processing Services together with the approval of the total estimated expenditure..

Payment Processing services allows transfer of funds paid by customers e.g. for Council Tax and Rent at retail outlets, post offices and other outlets electronically to local authorities via barcoded bills and payment cards.

2. RECOMMENDATION(S)

It is recommended that the Committee approve:

- (i) extension of current contract to 31 March 2015 and the expenditure for the extension.
- (ii) Participation by the council in a collaborative tender exercise in line with Council Standing Orders, Financial Regulations and EU Legislation for the provision of Payment Processing Services.
- (iii) the total estimated expenditure of approximately £378,700 (£94,675 annually) as indicated in Section 3 Financial implications below.

3. FINANCIAL IMPLICATIONS

It is intended that the new contract will be for a duration of 3 years with the option to extend up to a further year. The anticipated value of the contract is approximately £378,700 (£94,675 annually) although this depends on the number of transactions customers make. There is currently budget within the services to cover these costs.

- There are approximately 181,000 transactions per annum with a value of £16,240,000. This costs Aberdeen City Council approximately £83,000 per annum in transaction charges. It is expected that due to market conditions that costs may rise. Allowing for a 10% increase the cost per annum would rise to £91,300.
- There are currently 18,000 payment cards in operation. It is anticipated that these cards will not require replacing even if there is a change of supplier. There are a further 2,500 cards issued annually at a further cost of £0.85 plus postage (£0.50 post office first class franking charge). This is a further cost of £3,375 per annum.

The estimated cost of the extension of the current contract is approximately £50,000. There is currently budget within the services to cover these costs.

4. OTHER IMPLICATIONS

The Council is committed to providing citizens with a choice of locations throughout the city where cash payments can be made for Council Tax and Rent.

5. BACKGROUND/MAIN ISSUES

Payment Processing services allows customers to make payments to the Council e.g. for Council Tax and Rent at retail outlets (Paypoints), post offices and other outlets. These payments are then transferred electronically to the council. This service provides customers with a large number of locations to make payments at a time convenient to them.

The current contract for the provision of Payment Processing Services is coming to the end. This contract was an existing collaborative tender with five other local authority partners. This contract has proven to deliver best value by provided a saving against the transaction fee of the previous contract.

There is again an opportunity to participate in an EU compliant collaborative tender led by Comhairle nan Eilean Siar with 11 other Local Authority Partners and a Housing Association;

- Aberdeenshire Council,

- Argyll and Bute Council,
- Clackmananshire Council,
- Comhairle nan Eilean Siar,
- East Lothian Council,
- East Renfrewshire Council,
- Falkirk Council,
- North Lanarkshire Council,
- Renfrewshire Council,
- South Ayrshire Council,
- West Dunbartonshire Council,
- Hebridean Housing Partnership Limited.

The Council's Legal Services and Commercial and Procurement Services are providing advice on this collaborative process to ensure compliance with the law and the Council's internal rules.

Market trends show that there may be an increase in costs due to lack of competition in the market place. By undertaking a collaborative tender with other partners this is the most effective method of reducing costs.

The estimated date for the new framework agreement being put in place is late 2014. However, when considering the possibility of a new service provider this implementation date may be detrimental to the customers and Council. The request is to extend the current contract to 31 March 2015. This is to allow alignment with the financial year and sufficient time for communication with customers and users.

The current incumbent is prepared to extend the contract to 31 March 2015 under the current terms and conditions.

6. IMPACT

The Payment Processing Services provides a range of payment locations, methods and times in line with the aim to match the demands of our customers. By continuing to use a local network of payment outlets, the Council is not forcing the public to change their payment method, location and time suitable to them.

7. MANAGEMENT OF RISK

Should the Council not have a Payment Processing Service in place, there would be risk to both Council customers and council finances.

Currently the Payment Processing Service provides customers with a range of outlets and convenient opening times where payments including cash can be made. The risk is that no Payment Processing Service will greatly limit the payment options and times available to the customer.

By limiting payment options this could have detrimental effect on income to the Council from Council Tax and increased Rent Arrears.

8. BACKGROUND PAPERS

None

9. REPORT AUTHOR DETAILS

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