

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S
REPORT TO**

Cabinet
08 September 2021

Report Title: Procurement of a Customer E-Payment System

Submitted by: Head of Finance (S151 Officer)

Portfolios: Finance, Town Centres and Growth / One Council, People and Partnerships

Ward(s) affected: All

Purpose of the Report

The report seeks Cabinet approval to enter into a new partnership contract for a Customer E-Payment System.

Recommendation

That Cabinet delegate the authority for Head of Finance (S151 Officer), in consultation with the Portfolio Holder, to enter into a new partnership contract for a Customer E-Payment System.

Reasons

To ensure there is no interruption to the Council's Customer E-Payment Service when the current contract ends and that the system complies with FCA (Financial Conduct Authority) rules for Strong Customer Authentication for card-based e-commerce transactions.

1. **Background**

- 1.1 Through a partnership with four other Councils (Cannock Chase District Council, Lichfield District Council, Stafford Borough Council and Staffordshire County Council) the Council has used the customer payments system from the incumbent supplier Capita Business Services Limited since 2011.
- 1.2 The system allows residents and businesses to easily make payments for services online, over the telephone or face-to-face and is integrated with the Jadu CXM (Customer Light CRM system) and Gladstone Plus2 leisure system.
- 1.3 The system is cloud-based and hosted by Capita, who maintain the system. The computer infrastructure is shared by the partnership to minimise costs although each partner's data is stored separately in support of improved security and data protection.
- 1.4 The current partnership contract with Capita ends on 8th September 2021 and cannot be extended. A new contract must be in place from 9th September 2021 to ensure there is no disruption to the customer e-payments service.

2. **Issues**

- 2.1 The current customer e-payments system is provided by Capita through a partnership with four other Councils.
- 2.2 The Council relies on the system to take payments from residents and businesses for the services it provides. The system has an Income Management module for income reconciliation, comprehensive reporting and allows reformatting of data for integration with other systems.
- 2.3 During the period 01/11/2019 to 30/10/2020 the system processed credit and debit card transactions totalling £9,920,043.
- 2.4 The partnership first procured the system from Capita in 2011. A new contract was awarded to Capita in 2015 under the Crown Commercial Services Framework Agreement RM1059 for an initial 3 years with options to extend by initially 2 years and a subsequent further 1 year. It is not possible to extend the current contract further and it will end on 8th September 2021.
- 2.5 The FCA (Financial Conduct Authority) is introducing new rules for Strong Customer Authentication for card-based e-commerce transactions. The current version of Capita's payments portal for online payments used by the partnership does not support the new functionality required to comply with these rules and Capita have advised support for the current portal will end on 30th September 2021. Capita have replaced the old portal with a Secure Card Portal version that is fully compliant with the FCA rules.
- 2.6 Two of the five original partner Councils (Cannock Chase DC and Staffs BC) have purchased a new finance system that includes a customer payment system and will not use the Capita system when the current contract ends. South Staffordshire District Council purchased the Capita system a few years ago and their contract ends in 2022. The remaining Councils from the original partnership (Staffs CC, Lichfield DC and NuLBC) and South Staffs DC have agreed to form a new partnership for the new contract.
- 2.7 Transferring to a new and critical business system requires considerable off-boarding and on-boarding work (project planning, data migration, system and interface configuration, custom report writing, testing, training, communication etc.). This work requires staff resources and time, and it takes further time to build up experience and knowledge in a new system. Moving to a new supplier and new system also brings new risks.
- 2.8 The new partnership has considered the options available when the current contract with Capita ends and has had detailed discussions with Capita about a new partnership contract and identified KCS Professional Services a trading unit of Commercial Services whom are wholly owned by Kent County Council (KCC). The agreed solution is to enter into a new partnership contract with Capita through the KCS Managed Services Framework Y16018. County Council colleagues having utilised the services of KCS in the recent past.
- 2.9 The new contract will be between Capita and Staffordshire County Council and will refer to each partner Council as users of the system. Staffs CC require each partner Council to sign a document confirming their involvement in the contract. Each of the partners receiving their own billing directly from Capita.

3. **Proposal**

3.1 That Cabinet delegate the authority to the Head of Finance (S151 Officer) to enter into a new 5 year partnership contract with Capita for their customer payments system.

4. **Reasons for Proposed Solution**

4.1 All partner Councils are in agreement that retaining Capita's customer e-payment system is the best solution.

4.1 KCS is a compliant framework that allows for a direct award without a call for further competition.

4.2 A new contract with Capita avoids the additional cost, time, resource and risk involved in transferring to a new supplier and new system for this critical financial service.

4.3 Annual support and maintenance costs are fixed for the 5 year contract, whereas they currently increase each year. Based on 2020/21 transaction volumes the proposed transaction charges would be in line with the current contract. If the transaction fees were moved to 'blended' in the future, then there is potential for £7,000 of additional savings across the four Council's. Blended transaction fees include an element for Capita's transaction fees plus an additional fee for acquirer fees, which the Council currently pays separately. This will need further review to clarify the saving benefit that has been identified by Capita.

4.4 Upgrading to Capita's Secure Card Portal will ensure the Council achieves compliance with FCA rules for Strong Customer Authentication for card-based e-commerce transactions.

4.5 Capita's customer payment system is used by 200+ local authorities and 1600+ other public sector organisations.

4.6 A partnership with other Councils offers a number of benefits, including:

- Considerable cost savings compared to each partner having an individual contract;
- Stronger negotiating and leverage position and economies of scale from collaborative working;
- Benefits from sharing experience of the system and supplier;
- Shared and more varied testing of new software versions.

4.7 This will be a Cloud based solution which is in line with the ICT Cloud Migration strategy for a more secure and efficient Application.

5. **Options Considered**

5.1 Do nothing is not an option as the current contract ends on 8th September 2021 and the Council must have a customer payments system.

5.2 There are very few alternative systems in the market for the supply of this business critical system and whilst work commenced on reviewing available options in 2020 there were a number of un-expected delays that impacted on the delivery of this work, including loss of key officers during the review, the impact of COVID-19 on officer availability and the complications around identifying whether other partner organisations were considering a partnership approach.

5.3 A new partnership contract to continue using Capita's customer e-payments system with like councils delivering ongoing benefits for all partners.

6. Legal and Statutory Implications

6.1 The use of the KCS Framework offers a compliant procurement option in line with current legislation (Public Contract Regulations 2015 (PCR2015) and the Council's governance procedures and as such will minimise the risk to the Council of a procurement challenge.

6.2 The County Council's legal team have reviewed the framework terms and confirmed compliance.

7. Equality Impact Assessment

7.1 N/A

8. Financial and Resource Implications

8.1 The overall cost of Capita's Pay360 customer payments system comprises capital, revenue and transactional charges.

8.2 The capital cost covers one-off charges for system licences and the new Secure Card Portal. There is provision for this capital expenditure within the 2021/22 capital programme.

Capital Items	Cost (one off)
Pay360 licences	£11,000.00
Secure Card Portal	£11,500.00
Total	£22,500.00

8.3 The revenue cost covers annual support and maintenance charges. This annual expenditure is currently within ICT revenue budgets.

Revenue Items	Cost per annum	Total 5 year cost
Pay360 system	£8,000	£40,000
Secure Card Portal	£750	£3,750
Touch Tone and Internet Payments Licences	£7,000	£35,000
Total	£15,750	£78,750

8.4 The Council also incurs transaction charges for each card payment processed by the system. The annual transaction charges vary depending on the volume of transactions, transaction type and type of card used and are a percentage of each card payment. There is already a revenue budget for all card processing charges, and these transaction costs form part of this budget.

8.5 There has been an increase in the number of card transactions since 2017/18, partly fuelled by COVID-19. The following transaction charge estimate is based on 2020/21 transaction volumes. This increase has already been identified and will be considered as a pressure for within the Medium Term Financial Strategy.

Transaction Charges	Estimated cost per annum	Estimated total 5 year cost
Credit & Debit Card	£49,545	£247,725

8.6 The estimated total cost to the Council over the 5 year contract is £348,975.

8.7 The continuation of the partnership, rather than a standalone contract has cost benefits of £89,265 over the five year proposed contract period. This consists of savings in relation to £11,725 upfront setup costs, no system migration fees which would normally amount to £17,500, £9,200 annual license fees and £2,800 transaction costs.

9. **Major Risks**

9.1 Failure to enter into the new partnership contract with Capita or any delay past 8th September 2021 will leave the Council without a customer e-payments system and will impact residents and businesses.

9.2 The Secure Card Portal implementation must be completed before support for the current portal ends on 31st September 2021.

9.3 The new Secure Card Portal must be operational before the new Council website is launched.

10. **UN Sustainable Development Goals (UNSDG)**



11. **Key Decision Information**

11.1 This is a key decision under part 2, 13.2 (a) and (b) of the Council Constitution

12. **Earlier Cabinet/Committee Resolutions**

12.1 None

13. **List of Appendices**

13.1 None

14. **Background Papers**

14.1 None