

Item No.	Classification: Open	Date: 5 April 2023	Meeting Name: Cabinet Member for Communities, Equalities and Finance
Report title:		Gateway 2 - Contract Award Approval Payment Services Contract	
Ward(s) or groups affected:		All	
From:		Director of Exchequer Services	

RECOMMENDATION

1. That the Cabinet Member for Communities, Equalities and Finance approves the award of a contract for the council's income allocation and payment services to Capita Business Services Limited, through Kent County Supplies Framework Y20023, at an estimated annual cost of £925k for a period of four years commencing 28 April 2023, making the estimated total spend £3.7m.

BACKGROUND INFORMATION

2. Southwark Council allocates approximately half a million income transactions from various sources each year through the sCloud Income Management system supplied by Capita Business Services (CBS) now Pay360 Ltd. The total value of those transactions is approximately £132,000,000. sCloud Income Management is the council's main income receipting and payment system and includes cash receipting, paye.net, touchtone and internet payment services. It also enables the allocation of £2.7bn of income received by the council. This system is linked to all of the council's major financial systems to ensure income and receipts are allocated to the correct customer accounts and that income and receipts are correctly accounted for.
3. The current contract with CBS was awarded for four years in 2019 and expires on 31 March 2023. There are no issues or concerns about the performance of the contractor. The contract was awarded through the Kent County Supplies framework Y16018. The contract provides no provision for roll over and the framework has now expired. An extension to the contract has been granted up to 28 April 2023 to enable the award of a new contract.
4. The end to end payment solution enables the allocation of the majority of the councils' income totalling almost £3bn per annum, in addition the system facilitates the collection of income of over £130m per annum and provides residents with a range of compliant and secure payment routes. It is therefore a critical financial system for the council.

Procurement project plan (Key Decision)

5.

Activity	Completed by/Complete by:
Forward Plan for Gateway 2 decision	17/03/2023
Briefed relevant cabinet member (over £100k)	30/03/2023
Approval of Gateway 1: Procurement Strategy Report	05/04/2023
DCRB Review Gateway 2:	23/03/2023
CCRB Review Gateway 2:	28/03/2023
Notification of forthcoming decision – Five clear working days	06/04/2023
Approval of Gateway 2: Contract Award Report	18/04/2023
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	27/04/2023
Contract award	28/04/2023
Add to Contract Register	28/04/2023
Contract Start	28/04/2023
Place award notice in Find a Tender Service	28/04/2023
Publication of award notice on Contracts Finder	28/04/2023
Contract completion date	27/04/2027

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

6. A recommendation for a direct award through Kent County Supplies Framework Agreement Y20023; The Provision of Managed Services for Business Solutions. A direct award is being made in line with the conditions of the framework agreement because these conditions have been met:
 - a. Customer is satisfied that, following their own due diligence, they can identify the supplier that offers best value for their requirement
 - b. The supplier is able to supply the required goods/services within the customers timescales.
 - c. Continuity of existing goods/services from an awarded supplier.

Key/Non Key decisions

7. This report deals with a key decision.

Policy framework implications

8. The services provided by this contract offer payment options to support accessibility and assist residents to manage their financial commitments to the council, including the payment of council tax and rents.
9. This contract is in line with Southwark's digital vision of increased adoption of online service, the greater use self-service and the automated and integration of back office income and financial systems.

Tender process

10. The contract is a direct award through a framework, so no separate tender documents are required but a specification of requirements is in place.

Tender evaluation

11. The documentation has been evaluated against the terms and conditions of the framework agreement. The contract will be assessed by IT and Finance as meeting legal and regulatory requirements and making provision for banking and financial compliance. The evaluation has considered:

- Performance during the current contract
- Successful implementation and contracts with other Local Authorities
- Future plans to meet changes in the banking and payments industries
- Processes for notification and implementation of changes to regulations
- Compliance with Payment Card Industry Data Security Standard (PCIDSS)
- Disaster recovery
- Stability of the service
- Compliance with the London Living Wage (LLW) for London based staff
- Support and engagement in social mobility schemes

Plans for the transition from the old to the new contract

12. In September 2022 CBS announced that it has agreed to sell Pay360 Limited ('Pay360') to Access Pay Suite, however this has yet to be finalised. A new framework agreement through Kent County Supplies Y20023 is now in operation. This framework includes CBS, but Pay 360 Ltd are not on the framework and cannot join during its term, despite the planned change of ownership of Pay 360 Ltd. However, to enable customers to continue to award through the framework an arrangement, which is permitted under the framework, has been put in place to award to CBS who will then sub-contract to Pay360 Ltd, whilst remaining contractually responsible for the

service to the council. This approach has been followed by a number of local authorities since September 2022.

13. The decision to award the contract to the existing provider will avoid the necessity for any transitional plans and will avoid any potential operational service disruption.

Plans for monitoring and management of the contract

14. The council's contract register publishes the details of all contracts over £5,000 in value to meet the obligations of the Local Government Transparency Code. The Report Author must ensure that all appropriate details of this procurement are added to the contract register via the eProcurement System.
15. The performance of the contract will be monitored daily by the IT Application Manager and the Head of Financial Control & Processing. Quarterly contract monitoring meetings will be held with the Pay360 Account Manager. Annual performance reports will be presented to DCRB and CCRB in line with Contract Standing Orders (CSOs).

Identified risks for the new contract

- 16.

Risk	Likelihood	Mitigation
Failure of software or hardware	Low	This is mitigated through the contractor's disaster recovery plan.
Financial failure of the contractor	Low	Credit reports have been carried out on both Capita Business Services Ltd and Pay360 Ltd. The contract itself will be with Capita who will sub-contract to Pay360. The framework requires Product and Public Liability Insurance – limit £5 million. Employer's Liability Insurance – limit £5 million Professional Indemnity Insurance – Limit £1 million. Pay360 Ltd have confirmed they do not hold any income collected from customers, this is paid directly to the council's bank account. Transactions fee payments are made monthly in arrears. A contingency payment service will be investigated with NatWest as part of business continuity planning.
Customer payment fraud	Low	Mitigated as far as possible by the Council's internal and external security and anti-fraud protocols, as well as regulatory protocols such as PCIDSS compliance status, P2PE – Point to Point encryption, timely upgrades to software meeting changing security demands.
Challenge against a direct award	Low	This is low risk as CBS is the only supplier on the framework which meets the requirements of Southwark Council. The framework allows for a direct award if conditions are met, which is detailed in paragraph 6.

Community, equalities (including socio-economic) and health impacts

Community impact statement

17. The contract includes the provision of a wide range of flexible and accessible payment routes for residents.
18. Whilst the total value of this contract is £3.7m, only £260k relates to payments for the software supplier, the remainder of the contract relates to transactional fees charged on card payments. Therefore, normal rules relating to apprenticeships do not apply.

Equalities (including socio-economic) impact statement

19. This contract is not anticipated to disadvantage any individual group.

Health impact statement

20. The contract provides essential payment services to the residents of Southwark in a flexible and accessible way.

Climate change implications

21. The council uses the payment facilities provided by this contract to receive income digitally, reducing the requirement of the printing of documentation.

Social Value considerations

22. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well-being of the local area can be secured. The social value considerations included in the tender (as outlined in the Gateway 1 report) are set out in the following paragraphs in relation to the tender responses, evaluation and commitments to be delivered under the proposed contract.

Economic considerations

23. The contract enables the allocation of almost all of the council's income and well as well as facilitating the collection of over £132m of income. The contract will pay relevant staff Living Wage at the appropriate level.

Social considerations

24. Capita works with charity partners, equipping young people with the skills they need to succeed in the workplace.
25. Pay360 works with employees to match fund donations raised and has donated over £650k to its charity partners.

Environmental/Sustainability considerations

26. This procurement supports the council's digital strategy and reduces the need for paper receipts and invoices.

Market considerations

27. The market for end to end provision of payment, merchant acquirer and income allocation services is very small. The current provider CBS has a significant market share of local government and the wider public sector.

Staffing implications

28. None

Financial implications

29. The value of the contract is estimated to be £3.7m over four years. It is estimated that per year £60k will be for software, hardware management and licencing. The remaining estimated £865k consists of transaction and acquirer fees from credit and debit card payments. The cost of the

software, hardware and maintenance is funded through the financial control and processing budget whilst the transaction fees are re-charged to business units in line with their relevant transactional income.

30. The estimated total contract value is £3.749m and it should be noted that transaction fees are exempt of VAT.

Investment implications

31. The charge is an annual fee for software and hardware and transactional fees are charged monthly in arrears and therefore there are no investment implications.

Legal implications

32. Please see legal concurrent from Assistant Chief Executive – Governance and Assurance.

Consultation

33. Provision of this system does not require consultation with residents.

Other implications or issues

34. No other issues have been identified.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (F&G23/09)

35. This report seeks approval of the Cabinet Member for Communities, Equalities & Finance for the direct award of a contract with Capita Business Services Limited, for the provision of managed services for a period of four years commencing 28 April 2023 at an estimated contract value of £3.749m
36. The strategic director of finance notes the financial implications in paragraphs 29 to 30.

Head of Procurement

37. This report seeks the approval of the [Cabinet Member for Communities, Equalities & Finance](#) of the direct award of a contract for the council's income allocation and payment services to Capita Business Services Limited, through Kent County Supplies Framework Y20023. The estimated annual cost is £925k for a period of four years commencing 28 April 2023, making the estimated total contract spend £3.7m.
38. The background to the contract and outcomes are set out in paragraph 2-4 and 6. With the tender process and evaluation in paragraphs 10-11 of the

report. The risks associated with the contract are set out in the table under paragraph 16.

39. Community, Equality, Health and Climate Change Impact Statements are in sections 17-20. Social value is detailed in paras. 21-25, with Living Wage details in paragraph 22.

Assistant Chief Executive – Governance and Assurance

40. This report seeks the approval of the Cabinet Member for Communities, Equalities and Finance to the award of contract to Capita, through the Kent County Supplies framework, for the provision of income allocation and payment services as further detailed in paragraph 1. By virtue of Contract Standing Order 6.5.2(b) this decision is reserved to the relevant individual decision maker, after consideration of the report by CCRB.
41. The value and nature of the services to be provided means that this procurement is subject to the full tendering requirements of the Public Contract Regulations 2015 (PCR 15). However, these services are being procured through a direct award to Capita under the Kent County Supplies framework. The framework allows direct award to a supplier on the framework, provided certain criteria is met, which is noted in paragraph 6 of this report as having been met. The procurement requirements of the PCR15 are therefore satisfied. Once awarded, Capita will sub-contract services to Pay360 Limited, but will remain contractually responsible for the services being provided to the council.
42. The Cabinet Member's attention is drawn to the Public Sector Equality duty (PSED General Duty) under the Equality Act 2010, which requires public bodies to have regard, when making decisions, to the need to eliminate discrimination, advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic and those who do not share it. The Cabinet Member is specifically referred to the community, equalities (including socio-economic) and health impacts at paragraphs 18-24 setting out the consideration that has been given to equalities issues which should be considered when approving the recommendation in this report.
43. Contract standing order 2.3 requires that no steps are taken to award a contract unless the expenditure involved has been included in approved estimates, or is otherwise approved by the council. Paragraphs 28-30 confirm the financial implications of this award.

Director of Exchequer (for housing contracts only)

44. N/A

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
None		

APPENDICES

No	Title
None	

AUDIT TRAIL

Lead Officer	Angelo Iuliano – Head of Payments & Assessment	
Report Author	Catherine Gage – Head of Financial Control & Processing	
Version	FINAL	
Dated	30.03.2023	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Assistant Chief Executive – Governance and Assurance	Yes	Yes
Director of Exchequer (for housing contracts only)	No	No
Cabinet Member	Yes	Yes
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet	No	No
Date final report sent to Constitutional Team		5 April 2023