



Haringey Council

Report for:	Decision by the Leader – 10 April 2014	Item Number:	
Title:	Extension of Contract for Payment Transaction Processing System		
Report Authorised by:	Tracie Evans, Chief Operating Officer		
Lead Officer:	David Hatley, IT Services		
Ward(s) affected: All	Report for Key/Non Key Decisions: Key		

1. Describe the issue under consideration

The Council has a current contract with Civica UK Limited for the provision and management of a payment transaction processing system which runs until May 2016.

A portion of the costs under the contract are volume based and, after changes in payment methods within the Council, additional charges are due to the Supplier. To mitigate against the increased costs, negotiations with the Supplier have led to an offer being made to reduce the impact of these costs, subject to the contract being extended for an additional three years.

The final offer from the Supplier incorporates costs from their sub-contractor which are time limited due to their fiscal year end and presents an opportunity for the Council to reduce contract costs. Because of this opportunity being presented by the Supplier, there was insufficient time to put this item on the Forward Plan.



2. Cabinet Member introduction

I have reviewed the report and the comments contained within it to vary and extend the contract for Payment Transaction Processing.

This is a key system for the Council that has to be compliant with payment industry regulations and will be an important link with the Customer Strategy. The variation and extension of the contract will mitigate against cost increases as the Council pursues its Customer Strategy.

I therefore support the recommendation of the report.

3. Recommendations

That the Council accept the proposal for varying and extending the contract for an additional three years until 2019, to secure a reduced unit cost for transactions and for the contract itself, achieving value for money.

4. Alternative options considered

Do Nothing. The contract will continue to run until 2016 and the charges will increase further as Customer Services Transformation activities encourage greater usage of online payment methods.

At current levels of usage, the Council will incur an additional £50,000 per annum if the recommendation is not accepted. The proposed extension of a further 3 years reduces the impact of this increase by at least £14,000 per annum.

The contract would be competed in 2015 to allow for a potential migration when the contract expires in 2016. There will be a cost for any potential migration for implementation and licenses and this would coincide with activities under the Customer Transformation Program.

Extend the Contract for Five Years. This will attract additional reductions in the increase – at least £28,500 per annum at current volumes compared to doing nothing.

However, due to the longer contractual commitment this term was felt to be too long.



5. Background information

Haringey operates the Civica Icon payments system to process card payments, cheques, cash and bank giros from customers, both face to face and online, which then interfaces into line of business applications, to SAP and the banks. The Council entered into a three year contract with Civica in 2012 which commenced in May 2013 following migration of the system to the Civica data centre and upgrade of the software version.

The original value of the contract was £213,020 over 3 years including an implementation charge. The contract will expire in May 2016.

The original cost was based on our then level of card transactions of up to 150,000 per annum which factors in an external cost for Civica to a company called TNS. TNS provides payment gateway services to banks and card companies globally meeting the strict requirements of the industry. Both Civica and TNS are PCI-DSS (Payment Card Industry – Data Security Standards) accredited which is a mandatory prerequisite for the Council being able to accept card payments.

During 2013-14 the Council has processed over 360,000 transactions which take it into the price bracket of up to 400,000 transactions per annum. This increase is driven by the channel shift agenda particularly with regard to Parking, and the Customer Services Transformation work will also have a major impact. Civica has now included transaction numbers as a reporting item in the monthly performance report to enable us to better forecast impact, which will be especially important after Customer Services Transformation.

This increase in transaction numbers required additional charges to be paid and will filter in now for each year of the contract. IT Services has been discussing this impact with Civica and how best we can address it whilst minimising costs.

Civica has proposed an extension to the existing contract as a way of negotiating lower costs with TNS, which they are willing to do provided an agreement can be reached before the company year end. The Council insisted that this reduced cost approach extended to the main Civica contract also.

The total annual cost for each option at up to 400k and 500k transactions is:

	400k	500k	
Existing Contract	£126,880	£146,880	Annual RPI
Additional 3 Years	£112,870	£127870	No RPI
Additional 5 Years	£98420	£106420	No RPI

A detailed breakdown of the costs is shown in Appendix A, Exempt information.



6. Comments of the Chief Finance Officer and financial implications

The Chief Financial Officer confirms that to do nothing to amend the contract will cause the council to incur additional transactional charges. Whilst the recommended extension will not avoid all additional costs, it will mitigate some of the additional costs which are inevitably going to arise as the Council encourages greater card payments as part of wider transformation programme.

The proposal to extend for an additional 3 years will provide some stability whilst other major programmes of work are bedded in.

7. Assistant Director of Corporate Governance Comments and legal implications

Please see exempt part of the report.

8. Equalities and Community Cohesion Comments

There are no equality implications in the procurement.

9. Head of Procurement Comments

Please see exempt part of the report for comments.

10. Policy Implication

10.1 Approval of this report has no direct impact on Council policy.

11. Reasons for Decision

Extending the contract for the payment processing system secures the services for a further period at a reduced price, reducing the impact on the Council and providing value for money.

12. Use of Appendices

Appendix A – Part B Exempt Information.

13. Local Government (Access to Information) Act 1985

This report contains exempt and non-exempt information. Exempt information is contained in Part B and is not for publication. The information is exempt under the following category (identified in the amended Schedule 12 A of the Local Government Act 1972):



Haringey Council

Information relating to financial or business affairs of any particular person
(including the authority holding that information.)

COUNCILLOR CLAIRE KOBER

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DATE

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