

Commissioning and Procurement Executive Committee – 12 April 2022

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| Subject: | New 3-year merchant acquirer contract | | |
| Corporate Director: | Clive Heaphy – Corporate Director of Finance and Resources | | |
| Portfolio Holder: | Cllr Sam Webster | | |
| Report author and contact details: | Tracy Martin - Team Leader, Transactional Accounting Tracy.Martin@nottinghamcity.gov.uk | | |
| Other colleagues who have provided input: | Lydia Mpofu – Analyst, Transactional Accounting lydia.mpofu@nottinghamcity.gov.uk | | |
| Key Decision | <input checked="" type="checkbox"/> | Subject to call-in | No |
| Reasons: <input checked="" type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £750,000 or more taking account of the overall impact of the decision | | <input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital | |
| Significant impact in two or more wards in the City | | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | |
| Type of expenditure: <input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital | | | |
| Total value of the decision: £891,000 (estimated over 3 year contract) | | | |
| Wards affected: All | | | |
| Date of consultation with Portfolio Holder: 23/03/2022 | | | |
| Relevant Council Plan Key Outcome: | | | |
| Clean and Connected Communities | <input type="checkbox"/> | | |
| Keeping Nottingham Working | <input checked="" type="checkbox"/> | | |
| Carbon Neutral by 2028 | <input type="checkbox"/> | | |
| Safer Nottingham | <input type="checkbox"/> | | |
| Child-Friendly Nottingham | <input type="checkbox"/> | | |
| Healthy and Inclusive | <input type="checkbox"/> | | |
| Keeping Nottingham Moving | <input type="checkbox"/> | | |
| Improve the City Centre | <input type="checkbox"/> | | |
| Better Housing | <input type="checkbox"/> | | |
| Financial Stability | <input checked="" type="checkbox"/> | | |
| Serving People Well | <input type="checkbox"/> | | |
| Summary of issues (including benefits to citizens/service users): | | | |
| This is a core contract that enables NCC to accept debit and credit cards payment for a range of income generating services. | | | |
| Exempt information: None | | | |
| Recommendation: | | | |
| 1 To enter into a new Merchant acquirer contract with Cardnet under an existing framework CPRAS, estimated value of £891,000 over a period of 3 years. | | | |

1. Reasons for recommendation

Our current contract is due to expire in August 2022. The existing arrangements with Cardnet have been in place since 2015; the contract was awarded in line with the bank contract as Cardnet is part of the Lloyds group.

The option to undertake a full tender has been disregarded for the following reasons:

- There are a small number of providers of merchant acquirer services for an organisation of this size and scale. There is no guarantee a full tender would

generate a saving to the council; current accessible benchmarking data indicates that NCC are not overpaying for this service.

- A change of merchant acquirer includes a hardware and software change to 53+ establishments and significant software configuration to link this new hardware to our cash management system which would require project managing. This will result in revision of bank paperwork, termination of card terminal lease arrangements, changes to cash management rules and potentially changes to business process depending on the service offer. This will all need testing thoroughly to ensure functionality is in place prior to the go live date.
- If the merchant acquirer was to change this would trigger a new award for replacement card machines at the 53 establishments.
- The specialist resource required to support this project is already fully utilised supporting other core functions and projects such as: end of year closedown in Fusion, transfer of EnviroEnergy into NCC and an essential cash management system upgrade during 22/23.

2. Background (including outcomes of consultation)

This contract provides debit and credit card processing solutions for 53+ establishments across the City, including: The Theatre Royal, Bean Culture, leisure centres and library services. The existing contract ends August 2022. A review of this contract has been necessary to determine how we award contract beyond this date.

The contract has an estimated cost of £891,000 over 3 years and this includes estimated price increase fee changes coming in April 2022 as a direct result of price increases passed on from VISA and MasterCard. The Cardnet contract costs are fully rechargeable to services that receive debit and credit card income and this is then passed on to relevant services as part of the recharge process.

3. Other options considered in making recommendations

The option of undertaking a full tender has been considered but disregarded because this does not appear to offer NCC material cashable savings. Awarding this contract to an alternative provider would result in changes to card reader hardware and software at 53+ establishments and software changes to the Council's cash management system, which are not realistically deliverable by September 2022.

Benchmarking

Benchmarking data from an alternative provider indicates that NCC pays a lower transaction processing fee for its merchant acquirer services with Cardnet. In addition, contract management arrangements with Cardnet are very effective, minimising the resources required to support this contract operationally. There is also implementation cost to change to an alternative provider to consider and therefore a full tender process is not expected to deliver material cashable savings to the Council.

This leaves the option of awarding a contract to the existing merchant acquirer Cardnet under the CPRAS framework.

4. Consideration of Risk

A merchant acquirer transfer by August 2022 is deemed to have significantly high risk of failure and delay, which would impact the Council's ability to process card payments for

53+ establishments until this would be resolved. To give an indication of size and scale, this contract processes approx. £44m of council income per annum, including Theatre Royal income.

Cardnet is owned by Lloyds Bank, the Council's service provider. This overall arrangement has been very successful since 2015 with no concerns over operational service delivery

5. Finance colleague comments (including implications and value for money/VAT)

This decision seeks approval to enter into a new merchant acquirer contract with Cardnet. The value of the decision is up to £0.891k over a 3-year period which equates to £0.297m annually.

The funding of this contract will be met via existing MTFP budgets across those areas that generate income and use the service. Due to this this decision is deemed affordable and there is no expectation of any financial pressure. Each individual service area using this contract should monitor their spend and ensure they come in within their allocated budget provision for this contract.

The contract will be awarded to the existing supplier for reasons outlined in the report and will be done so via a compliant procurement framework – CPRAS. This will ensure the service is fit for purpose and value for money is obtained.

Phil Gretton – Strategic Finance Business Partner 14/03/2022

6. Legal colleague comments

This report is seeking authority to award a 3-year contract for merchant acquirer services. It is proposed that the contract is awarded via a compliant framework. Legal Services, as at the date of these comments, has not been asked to review any of the framework/call-off terms and conditions – it is not therefore possible to advise as to the suitability of the terms at this stage.

Legal Services will provide support in this regard if requested. Procurement colleagues have confirmed that the framework provides a compliant means of award. The decision makers need to be satisfied that Best Value is being demonstrated in making an award of contract without going out to the open market. The report author has set out the anticipated benefits to the Council by awarding through the framework.

Naomi Vass – Team Leader, Contracts and Commercial 17/3/22

7. Other relevant comments

Procurement

Procurement Team have been working with Finance to ensure their new Merchant Acquirer contract is procured compliantly and offers best value. Finance have carried out benchmarking against another provider of merchant acquirer services.

At this time, using the CPRAS framework to enter into a contract with Cardnet, the incumbent provider, is compliant and in keeping with the Regulations and CPRs, the most economically advantageous and least resource intensive during a time of change.

Therefore, I have no procurement concerns about this process however, I would recommend carrying out a full tender exercise before the expiry of the new contract.

Louise Dobson - Lead Procurement Officer 11/03/2022

8. Other relevant comments

I am happy to approve this report.

Lisa Kitto - Deputy s151 Officer and Finance Strategic Lead, Resources

9. Crime and Disorder Implications (If Applicable)

9.1 N/A

10. Social value considerations (If Applicable)

10.1 N/A

11. Regard to the NHS Constitution (If Applicable)

11.1 N/A

12. Equality Impact Assessment (EIA)

An EIA is not required because the decision does not relate to new or changing policies, services or functions.

13. Data Protection Impact Assessment (DPIA)

A DPIA is not required because the decision does not relate to new or changing policies, services or functions.

14. Carbon Impact Assessment (CIA)

A CIA is not required because the decision does not relate to new or changing policies, services or functions.

15. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

None.

16. Published documents referred to in this report

None.