

Key Decision: Chief Officer

Date: 21/09/2021

Wards: ALL

Subject: Award of Contract for Merchant Services for the London Borough of Merton

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Tobin Byers, Cabinet Member for Finance

Contact officer: Roger Kershaw, Resources

Exempt or confidential report

The following paragraph of [Part 4b Section 10 of the constitution](#) applies in respect of information within this appendix A and it is therefore exempt from publication:

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

Members and officers are advised not to disclose the contents of the appendix.

Recommendations:

- A. To award the new contract for Merchant Services for a period of 4 years with a 1 year potential extension, at an estimated value of £1.560m (£312k per annum)
- B. In accordance with Contract Standing Orders (CSO 24.3) that authority be delegated to the Director of Corporate Services to exercise, in consultation with the Cabinet Member for Finance, the council's option to grant the extension of the contract term for any period up to 1 further year beyond the expiry of the initial contract term.

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. The purpose of this report is to explain the procurement process for a new Merchant Services contract and to recommend that Chief Officer approves the award of the contract to Bidder A.

2 DETAILS

- 2.1. To direct award under the Cost and Procurement Advisory Service (CPRAS) framework.
- 2.2. The availability of merchant services which in its most specific use refers to merchant processing services that enables a business to accept a transaction payment through a secure (encrypted) channel using the customer's debit or credit card.

- 2.3. Merchant services enable customers to pay by credit and debit card, a simple and efficient method of payment. The authority is seeking to recover some of the transaction costs by levying a surcharge on transactions made by commercial cards.

The provision of Merchant Services allows customers to pay for the authority's services by means of debit and credit cards.

Table 1: LBM expenditure on Merchant charges		
	Charges (Actuals)	Five-year equivalent
	£000	£000
2018/19	281	1,400
2019/20	345	1,700
2020/21	220	1,100
Source: e5 GL		

Table 2: Transaction volumes and turnover 2020		
Transaction Volume		1,317,009
Annual Card Turnover		£41,262,874
Source: Barclaycard		

NB: The figures for 18/19 through to 20/21 are based upon the authority incurring bank charges from three sources- 1. Bank, 2. Allpay and 3. Merchant Services. *If the authority chose a further alternative method of payment for its services, this would reduce the volume paid through the other channels.*

3 ALTERNATIVE OPTIONS

- 3.1. Two framework agreements were identified and reviewed: CCS 'Payment Acceptance' and the CPRAS Banking and Finance Framework. The CPRAS framework provides a direct cost comparison against our current charges. The CCS framework also has a price list and an analysis revealed that the scheme fees are the same for all providers, as these are set by the card issuing networks (e.g. Visa/Mastercard).
- 3.2. The CPRAS cost analysis revealed a saving.
- 3.3. To identify any potential saving from the CCS framework would require a full further competition to be carried out. As only one element of the fee structure is within suppliers' control, and the saving from the CPRAS framework was calculated against our current providers' costs, any potential saving from the CCS framework is likely to be marginal.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. Following the cost comparison report from CPRAS, the recommendation is to direct award to bidder A under the OJEU compliant CPRAS/TPA Banking and Finance Framework (BFF) which went live in October 2020. LB Merton has direct access to this without the need to run individual tenders.

5 TIMETABLE

Milestone	Target Date
CS OPG	September 21
Procurement Board	21 st September 21
Key Decision	October 21
Direct award	October/Early November 21

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. A credit check was carried out on the successful bidder and the recommended limit for single contracts is £20,000,000.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. This award relates to the existing framework advertised in the OJEU. The ordering procedure in Schedule 3 of the Framework Agreement must be followed.
- 7.2. The council needs to keep an audit trail as to why a direct award has been chosen over the mini-competition.
- 7.3. The completed contract will need to be added to the Existing Contracts Register and Contracts Finder.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1. There are no human rights, equalities and community cohesion implications relating to the subject of this report.

9 CRIME AND DISORDER IMPLICATIONS

- 9.1. There are no crime and disorder implications relating to the subject of this report.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1. There is no risk awarding the contract under the CPRAS Framework Agreement.

11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

None

12 BACKGROUND PAPERS

- 12.1. None