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| <b>COMMITTEE:</b>       | <b>Cabinet</b>   |
| <b>DATE:</b>            | <b>13<sup>th</sup> February 2003</b>   |
| <b>SUBJECT:</b>         | <b>Contract for the collection of funds over Post Office and other counters</b>  |
| <b>REPORT OF:</b>       | <b>Head of Financial Management</b>  |
| <b>Ward(s):</b>         | All  |
| <b>Purpose:</b>         | To award a contract for the collection of funds over Post Office and other counters for three years commencing on 1 <sup>st</sup> April 2003.  |
| <b>Contact:</b>         | Bruce Bird, Head of Financial Management,<br><br>Telephone 0323 415146 or internally on extension 5146.  |
| <b>Recommendations:</b> | <b>Cabinet is recommended to award to Allpay.net Ltd a contract for the collection of funds over Post Office and other counters for three years commencing on 1<sup>st</sup> April 2003.</b> |

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| <b>1.0</b> | <b><u>Background</u></b>   |
| 1.1        | <p>The Council has an existing contract with Allpay.net Ltd for the provision of swipe cards and transaction services. This provides taxpayers and tenants with the option of paying their Council Tax and Housing and Garage Rents in cash over the counter at any Post Office.</p> <p>For Council Tax, this option has existed since April 1999.</p> <p>For Housing and Garage Rents, this option became available a year later.</p> |

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| 1.2        | The Council's current agreement with Allpay.net Ltd is on a rolling one-year basis. Due to the success of the arrangement, and the previous absence of true competition, officers have chosen to roll the agreement forward one year at a time. The officers had intended to tender the service a year ago so that it might dovetail with the tendering of the Council's main bank contract. However, workloads and other priorities within Financial Management and Community Finance rendered this impractical. |
| 1.3        | Officers have now tendered the service, evaluated the responses, met with each tenderer, and reached a decision. This decision is not in favour of awarding the contract to the lowest tenderer. Consequently, in accordance with the Contracts Procedure Rules set out within the Constitution, Cabinet is recommended by the Head of Financial Management (the Accountable Officer) to accept a tender which is not the lowest but which he believes represents Best Value for the authority.                   |
| <b>2.0</b> | <b><u>Tender Process</u></b>  |
| 2.1        | A tender specification was prepared by Bruce Bird (Head of Financial Management), Sandra Kennett (Revenues Manager) and Diane Sampson (Senior Housing Rents Administrator), assisted by the banking consultant used a year earlier for the main banking contract.   |
| 2.2        | Given the likely total amount of the tender to be awarded, an advertisement was placed in the European Journal on 4 <sup>th</sup> October 2002.   |
| 2.3        | Subsequently, expressions of interest were received from five companies. Tender documentation was despatched to each of these in mid October.   |
| 2.4        | The deadline for receipt of tenders was 18 <sup>th</sup> November 2002.<br><br>In the event only two companies tendered for the contract - Allpay.net Ltd (the current provider) and Girobank Plc.  |

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| 3.0 | <b><u>Tender Evaluation</u></b>  |
| 3.1 | <p>The criteria used to determine which of the tenders represented Best Value for the Council was as follows:</p> <ul style="list-style-type: none"> <li>.. Price</li> <li>.. Suitability and coverage of proposed network</li> <li>.. Ability to meet the Council's core service requirements</li> <li>.. Response to method statements</li> <li>.. Quality and thoroughness of tender submission</li> </ul>                  |
| 3.2 | <p>Evaluation was carried out in two stages by the officers who prepared the specification (see paragraph 2.1). Stage one was to review and document the tender submissions and was assisted once again by the banking consultant. Stage two was to interview each tenderer to discuss, clarify, question and challenge their respective tender submissions. Stage two was conducted on 12<sup>th</sup> December 2002.</p>     |
| 3.3 | <p>One of the outcomes of the evaluation is a detailed financial comparison of the two tenders. This is provided in the confidential part of today's agenda because each tenderer submitted open and honest bids for the Council's eyes only that must be considered "commercial in confidence".</p>   |
| 3.4 | <p>Although this open report cannot comment on the detail of both bids, what it can say is that each has tendered lower than the current Post Office transaction charge of 51p. It is the charges for Post Office transactions that form the majority of the overall cost of the contract.</p> <p>However, over the three year life of the contract it is the Girobank Plc bid which is the lowest, albeit by just £7,263.</p> |

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| 3.5 | Price is clearly very important but it is just one of the criteria against which the bids have been evaluated. Based on the assessment made by the officers against the other criteria, the reasons why Allpay.net Ltd is recommended are set out below:   |
|     | <u>Allpay.net Ltd</u>  |
|     | <ul style="list-style-type: none"> <li>.. existing supplier providing highly satisfactory service to customers</li> <li>.. officers also very satisfied with the service</li> <li>.. no change means no disruption to customers</li> <li>.. same day turnaround on card issuance via software link</li> <li>.. looking to develop other payment methods including digital TV</li> <li>.. tendered price is cheaper than current price</li> <li>.. scope to negotiate lower tariffs as volumes increase</li> <li>.. no cost increase throughout life of contract</li> </ul>   |
|     | <u>Girobank Plc</u>  |
|     | <ul style="list-style-type: none"> <li>.. new supplier will need to build relationship with customers and officers</li> <li>.. new cards will need to be issued to all customers (disruption factor)</li> <li>.. require up to 3 months lead-in time and possibly some parallel running</li> <li>.. offers Post Office counters only</li> <li>.. Council will need to work separately with the Co-op Bank to allow customers continued access to PayPoint (although Girobank card OK to use and Co-op costs have been factored into financial evaluation)</li> <li>.. tender requires daily or weekly batch ordering of cards otherwise costs will increase</li> <li>.. additional charges for any inserts with swipe cards (e.g. rent calendars)</li> <li>.. no software link - orders etc placed by phone or fax or e-mail</li> <li>.. no plans to develop new payment methods</li> <li>.. no guarantee that tender prices will not increase over the life of the contract (at Girobank's discretion)</li> </ul> |

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| 3.6 | Notwithstanding that Girobank Plc has provided the lowest tender, the officers overall assessment is that the Council will be best served and obtain Best Value for itself and its customers by entering into a three year contract with Allpay.net Ltd.  |
| 4.0 | <b><u>Implications</u></b>  |
| 4.1 | <b><u>Financial Implications</u></b>  |
|     | <p>Accepting the Allpay.net Ltd tender will achieve a lower charge for Post Office transactions than is currently paid. In itself, this will lead to budget savings for the Housing Revenue Account (for Housing and Garage Rents) and for the General Fund (for Council Tax payments).</p> <p>However, since the tender specification was prepared volumes have increased due to the closure of the 1 Grove Road cash office.</p> <p>For the Housing Revenue Account, the mix of increased volumes and lower tariffs will allow costs to be contained within the existing budget provision of £40,000. This will eliminate the need for the growth bid of £15,000 originally put forward as part of the Housing Management Service and Financial Plan for 2003-2004.</p> |
|     | <p>For General Fund Council Tax payments, the increase in volumes has been more substantial. This is partly because of the previous success of this method of payment - the current budget has proved insufficient for the past two financial years - and more recently because of the closure of the cashier counters. This is recognised in the Community Finance Service and Financial Plan for 2003-2004 which has put forward a growth bid of £16,000 on top of the current budget of £30,000. However, the effect of the new prices will reduce this growth bid down to £10,000.</p>  |

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|     | <p>Members will be aware that the Best Value Review of Collection services, which included in its implementation plan the closure of the cashier counters, has produced savings of £26,000 in the current year with a further £12,000 already agreed for 2003-2004. In addition to producing financial savings of £38,000, it has allowed Collection services to take over the Courier service. This has produced further savings of £10,000.</p> <p>The closure of the cashier counters also allows the area currently occupied by Collection services to be included within the Council's accommodation strategy. This is significant in terms of the opportunities it provides for maximising the development and benefits of one-stop services for the public at a new improved reception area in 1 Grove Road.</p> |
| 5.0 | <p><b><u>Conclusion</u></b></p>   |
| 5.1 | <p>Whilst there is no doubt that the officers could make a relationship with Girobank (and Co-op) work, they are concerned that it would be a far less efficient system to operate. Working with two separate operators compared with one would undoubtedly result in more administration, and the absence of a software link is effectively a step backwards.</p> <p>Critically, at least initially, there would undoubtedly be disruption and confusion for customers.</p> <p>Notwithstanding the lower price of its bid, the officers do not feel that the financial gap between Girobank Plc and Allpay.net Ltd is sufficient to offset the operational disadvantages of changing provider.</p>   |
| 5.2 | <p>Allpay.net Ltd has proved itself over the past three years as a company that provides a quality service to the Council's customers. This is evidenced by the growth in the number of users over this period and the ease and convenience with which they are able to make payments.</p> <p>It has built a sound and successful relationship with the Council and demonstrated and implemented innovation in its products. It's tender bid for the next three years seeks to build on this, and is keener on price.</p> <p>Officers believe that this tender represents Best Value for the Council.</p>   |

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| <b>Bruce Bird, Head of Financial Management</b>   |  |
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| <b>Background Papers:</b><br><br>The background papers used in compiling this report are as follows:<br><br>- the tender specification. |  |