

		Executive 10 <sup>th</sup> June 2009	Agenda Item No.
<b>Title</b>		Capita Software Services internet and touchtone payments contract	
<b>For further information about this report please contact</b>		Fiona Clark	
<b>Service Area</b>		Revenues and Customer Services	
<b>Wards of the District directly affected</b>		All	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006</b>		Yes	
<b>Date and meeting when issue was last considered and relevant minute number</b>		N/A	
<b>Background Papers</b>			

<b>Contrary to the policy framework:</b>	Yes/No
<b>Contrary to the budgetary framework:</b>	Yes/No
<b>Key Decision?</b>	Yes/No
<b>Included within the Forward Plan? (If yes include reference number)</b>	Yes/No

<b>Officer/Councillor Approval</b>		
With regard to officer approval all reports <u>must</u> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Relevant Director	18/05/09	Andrew Jones
Chief Executive	20/05/09	Chris Elliott
CMT	20/05/09	All
Section 151 Officer	20/05/09	Mike Snow
Legal	20/05/09	Peter Oliver
Finance	01/05/09	Melanie Gillman
Portfolio Holder(s)	19/05/09	Cllr Les Caborn
<b>Consultation Undertaken</b>		
Please insert details of any consultation undertaken with regard to this report.		
<b>Final Decision?</b>		Yes/No
<b>Suggested next steps (if not final decision please set out below)</b>		

## **1. SUMMARY**

- 1.1 It will be 5 years in July since Capita Software Services was appointed to provide an internet and touchtone payment (e-payments) solution for the Council. Although the Council's licence period with Capita is 'in perpetuity', officers thought it prudent to re-visit the market to see if a competitor to Capita might provide better value for money. This report seeks approval to continue with the current arrangements with a further review in four years. As this is a financial service contract and below the current threshold levels it is not subject to EU procurement regulations.

## **2. RECOMMENDATION(S)**

- 2.1 Members approve the continuation of the electronic payment system with Capita with a further review in four years.
- 2.2 Members agree to exemption of the code of contract practice for the continuation of this contract on the basis of 5.2.2 (the proposed contract is an extension to an existing contract) and 5.2.4 (there are exceptional circumstances in which it would not be in the council's best interests to follow the tender procedure) of the code.

## **3. REASONS FOR RECOMMENDATION(S)**

- 3.1 Although there is no contractual necessity for the Council to re-tender, the service provided by Capita, the contract is "perpetual" and so there is the danger that the Council may not be achieving value for money. However, an independent review of all of WDC's banking services has recently been completed by consultants Focus on Banking Ltd. The report concluded that the council's arrangements with Capita are reasonable and little would be achieved by going out to tender.
- 3.2 Officers have explored alternative options to the Capita e-payment system and no other supplier provides the range of choice for the customer or cost benefit to the authority.
- 3.3 If the authority was to change supplier, significant capital outlay for set up costs in the region of £30,000 - £40,000 would be required. Additional costs would include changes to integrated software packages, staff training and a District wide publicity campaign together with the impact on staff resources.
- 3.4 In 2004 the Council signed a contract with Capita including licences which last 'in perpetuity'. Any new contract with a payment provider will only be for licences lasting for a maximum of 5 years. Therefore WDC could incur capital set up costs every 5 years. WDC are only one of a handful of authorities who obtained licences 'in perpetuity' from Capita.
- 3.5 Since launching the Capita e-payment system, VISA and MasterCard have introduced a global security standard known as Payment Card Industry Data Security Standard (PCI DSS). Any supplier collecting payments on behalf of the Council is obliged to meet this standard. Capita do meet the standard and have provided the appropriate certificates as evidence.
- 3.6 Capita e-payment solutions are used by neighbouring councils, Stratford District and Rugby Borough. Should the project to move to shared customer service centres materialise, a shared payments solution will be required. Capita offer a

shared payments solution, Paye.net, which is being looked at by Warwickshire Direct Partnership.

#### **4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 Alternative e-payment suppliers to Capita are, Anite Payment Solutions, World Pay and Alliance & Leicester Bill Pay.
- 4.2 Officers could have chosen not to explore what other options were available in the market, however, there would then have been no way to determine whether the council was receiving value for money.
- 4.3 The Review of Banking Arrangements report, April 2009 concludes that Capita are offering reasonable value for money and little would be achieved by going out to tender.

#### **5. BUDGETARY FRAMEWORK**

- 5.1 There are no budgetary implications arising from this report.
- 5.2 The approach officers have taken has been agreed with the Council's Procurement Officer, Melanie Gilman.

#### **6. POLICY FRAMEWORK**

- 6.1 Continuation of the current payment arrangements contributes to Corporate Strategy objective 1(2) – Manage our services openly, effectively & efficiently by “improving the efficiency of service delivery to the Council's customers.”

#### **7. BACKGROUND**

- 7.1 In May 2004 the Council took the strategic decision to close its cashier service and enter into a contractual relationship with a private sector partner for the collection of statutory and discretionary payments utilising electronic technology
- 7.2 The contract for e-payments was subsequently awarded to Capita Software Services. Warwick was one of a limited number of authorities who obtained licenses from Capita ‘in perpetuity’.
- 7.3 For each debit card transaction Capita is entitled to charge the council 23p. If a customer chooses to pay by credit card, a surcharge of 1.9% of the value of the transaction is added to the payment amount and charged to the customer.
- 7.4 Officers have discussed the authority's requirements with other payment providers such as Co-operative Bank and Alliance and Leicester. Only Anite Payment Solutions offered a product that was remotely comparable to the functionality provided by Capita.
- 7.5 Officers have undertaken a cost comparison analysis between Capita and Anite:

	<b>Capita</b>	<b>Anite</b>
Transaction Costs		
Internet	23p	25p

Touchtone Phone(MOTO)	23p 23p	25p 25p
Credit card surcharge passed onto customer	1.9%	1.6%
Transaction costs over 5 years, assuming 50:50 split between Debit/ Credit card	£27,500	£30,000
Transaction Limits	£99,999.99	ditto
Capital set up costs HSBC set up costs for Anite	£0	£29,350 £2,535
Total		£31,885
Annual Maintenance Costs Internet Touchtone MOTO	£3,750 £2,250 £500	£3361 total
PARIS amendments	£0	£2000
Total costs over 5 years	£59,926	£80,503 + IT resource
Days before money transferred	5 days	Next working day
No of lines available on Touchtone IVR	20	4
Miscellaneous payments	YES	YES
Compliant with PCI DSS	YES	NO

- 7.6 Customers have the option to pay electronically using freephone touchtone payments, self serving on WDC website or telephoning the customer service centre. Approximately 38% of electronic payments are made using the freephone touchtone number, 35% through the website and 27% by telephoning the customer service centre.
- 7.7 As part of the contract renewal discussions senior officers from the affected Service Areas met to consider the potential risks to change. These risks are detailed below and along with the cost considerations detailed above suggest an extremely strong case for retaining the status quo.
- Customer perception if we change provider – in this current economic climate the authority could be seen to be spending capital monies unnecessarily;
  - Cost to reconfigure Income Management system and associated testing – Significant software changes would be required to ensure interface between a new collection agent and the authority. This would require not only a capital outlay but officer time from within ICT Services and Finance. Cultural Services utilise the planning portal to accept on-line payments which integrate into the Flex booking system.
  - Payment Card Industry Data Security Standard (PCI DSS) – Capita Software Services have been fully compliant with this global standard since mid 2007.

- The Miscellaneous payments module within Capita allows officers to add and or remove ad-hoc payments when the need arises without having to spend time and money setting up main funds. These ad-hoc payments are added to the live system within 24 hours and include payments for planning documents, environmental health licenses and booking facilities at Althorpe Enterprise and Innovation Centre;
- Capita Software Services are accredited by government to accept payments for planning applications submitted using the Planning Portal;
- Capita offer a fully hosted payment solution; if the authority moves to a provider with an on site server, not only would additional IT resource of an additional ½ post be required, but self assessment questionnaire D for PCI DSS would need to be completed. This involves quarterly network scans and significant officer time and cost

## **8 Conclusion**

- 8.1 Initial discussions with electronic payment suppliers suggest that Capita remains a cost effective solution. Whilst ordinarily this would be market tested there is sound operational and cost reasons why a tender process would be of little benefit to the Council.
- 8.2 An independent review of all of WDC's banking services has recently been completed by consultants Focus on Banking Ltd. The report concluded the council's arrangements with Capita are reasonable and little would be achieved by going out to tender.
- 8.3 In retaining the current arrangements the authority would:
- Protect its investment to date;
  - Continue with a process it now understands and can explain to customers;
  - Build on the good relationship it has developed with the supplier.