



**Report of:** Recovery & Exchequer Services Manager

**Report to:** Chief Officer Financial Services

**Date:** 10<sup>th</sup> October 2018

**Subject:** Approval to use the Local Authorities Software Applications (LASA) Framework (RM1059) and award a Call-off contract to Civica UK Ltd to upgrade the Councils Payments and Income Management systems.

Are specific electoral Wards affected? ☐ Yes ☒ No

If relevant, name(s) of Ward(s):

Citywide

Are there implications for equality and diversity and cohesion and integration? ☐ Yes ☒ No

Is the decision eligible for Call-In? ☐ Yes ☒ No

Does the report contain confidential or exempt information? ☐ Yes ☒ No

If relevant, Access to Information Procedure Rule number:

Appendix number:

## 1. Summary of main issues

- 1.1 This report has been compiled to provide information to support the request for approval to use the Local Authorities Software Applications (LASA) Framework (RM1059) and award a Call-off contract to Civica UK Ltd to upgrade the Councils Payments and Income Management systems.
- 1.2 This report refers to the corporate software used throughout the Council for the collection of debit and credit card payments via the Council's website, mediated payments processed by Council staff over the phone and the 24/7 automated telephone service. Additionally the software receives and processes all payment files from the Council's bank accounts and from other parties such as the Post Office and 3rd Party collection agents. The processing of these files includes validation and production of separate cash files for the many systems in use throughout the Council including an interface to the main accounting system.
- 1.3 This area of business is subject to the ever increasing demands of the Payment Card Industry Data Security Standard (PCI-DSS) and the upgrade will result in the provision of a fully hosted solution which will meet the required standards and reduce

the burden on the Council to demonstrate on-going compliance with these requirements through the required annual self-assessment process which is required by our Merchant Acquirer (Worldpay). The consequences of any data breach could involve an imposition of significant fines on the Council, cause reputational damage, and even lead to the withdrawal of the Council's ability to process debit and credit card payments.

- 1.4 To improve the Council's PCI DSS compliance and protect both the Council and its customers from potential data breaches, it is necessary to upgrade both the Payments and Income Management systems.

## **2. Recommendations**

- 2.1 The Chief Officer Financial Services is recommended to approve the use of the LASA Framework (RM1059) to directly award a call-off contract to Civica UK Ltd to upgrade the Council's Payments and Income Management systems.
- 2.2 The contract will be for a period of five (5) years at an annual value of £120,305.00 and a net installation cost of £68.160.

## **1 Purpose of this report**

- 1.1 To seek approval to approve the use the LASA Framework (RM1059) to directly award a call-off contract to Civica UK Ltd to upgrade the Councils Payments and Income Management systems. The contract will be for a period of five (5) years at an annual value of £120,305.00.

## **2 Background Information**

- 2.1 The Council currently has two contracts in place to collect payments:

- DN208530 (YORE-9AYK7N) - LCCITS130007: PARIS Payments System (expires 13/11/2019)
- DN198658 (A8CJ-FXIJ9B) - LCCITS160031: Income Management System (expires 13/11/2021)

These contracts were formerly with Northgate Public Services (UK) Ltd.

- 2.2 On 31st May 2018, Civica UK Ltd acquired the PARIS Payments System and Income Management System business from Northgate Public Services (UK) Ltd. Both these contracts have been novated to Civica UK Ltd.

- 2.3 The current Payments and Income Management systems are hosted within the Council network. This is used not only by customers making payments but by the Council's Call Centre staff taking payments over the telephone.

- 2.4 All processes related to handing Cardholder Data (whether technical or human) must comply with the PCI DSS, which is a stringent set of 240 requirements which must be met to handle payment card holder data properly and securely.

- 2.5 Although the Council's current Payments system does not store Cardholder data, thus satisfying some PCI DSS requirements, Cardholder data is processed by the web payments server on Council premises, transits the telephony network, transits some of the data network and is processed by Council staff taking "Customer Not Present" payments over the telephone. Staff using the current Payments system are trained in the handling of Cardholder data and there is a call recording pause function implemented in the Council's Contact Centre which prevents payment card data details being recorded. However, there are other areas of the Council outside of the Contact Centre where payments are taken over the telephone using other solutions which include payment processing or chip and pin terminals.

- 2.6 Information received from our Merchant Acquirer (Worldpay) shows that during the 12 months ending July 2018, the Council processed 389,131 Cardholder Not Present transactions. Of these 206,233 were processed through the Council's 24/7 automated telephone service and therefore are not an issue for PCI DSS compliance. This leaves 182,898 as being potential calls that require work to assure compliance. Of these the main areas are:

- 147,914 were processed through the Payments system (by approximately. 650 different users in approx. 30 different sections)
- 24,766 were processed through the Council's "Leisure XN" system (20 locations, number of users unknown)

- 7,152 were processed through the Council's "Spektrix" system (2 Locations, number of users unknown)
  - 1,793 were processed through dumb Worldpay Terminals (36 locations, number of users unknown)
- 2.7 The proposed upgrade solution is cloud hosted and is PCI DSS and ISO 27001 compliant, and includes a PCI DSS compliant telephone (Customer Not Present) solution.
- 2.8 The upgrade also includes optional functionality enabling Mobile Payments to be taken, which is desired by some Council business areas, Housing in particular. This would be at an additional cost and is not currently included within the scope of the upgrade.
- 2.9 Civica UK Ltd will support the Council during the installation, upgrade and integration process.
- 2.10 The costs associated with this upgrade are:
- One off costs: £68,160.00
- Annual costs: £120,305.00

### **3. Main issues and procurement options**

- 3.1 Current council payment solutions are not fully PCI DSS compliant, in particular the way the council takes Cardholder Not Present telephone payments.
- 3.2 Using current practices, a data breach involving Cardholder data would result in the Council being fined and/or potential increased transaction charges. The proposed upgrade solution would allow us to significantly reduce these risks by removing the need to handle Cardholder data.
- 3.3 The existing Payments and Income Management systems are fully embedded within the Council's systems, and to carry out a full procurement exercise at this point in time would not be best use of public funds. It would be expensive, time consuming and potentially disruptive to the Council's ability to take and collect payments should transition to a new system be required. It would also delay progress in implementing a PCI DSS compliant solution which would prolong the exposure of both the Council and its customers to risk of a data breach.
- 3.4 Ending the existing support contracts for both the Payments system and Income Management system and awarding a new single contract for the upgrade and on-going support and maintenance of both systems will ensure that the Council becomes PCI DSS compliant in the taking and processing of all types of payments.
- 3.5 The Council has followed the guidelines set out in the "LASA Framework Customer Guidance Notes RM1059" for awarding a direct call-off contract, and is satisfied that the contract is being awarded on the Most Economical Advantageous Terms.
- 3.6 The Director Resources & Housing is recommended to approve the use of the LASA Framework (RM1059) to award a Call-off contract to Civica UK Ltd to upgrade the Council's Payments and Income Management systems.

- 3.7 The expected period for implementation of the new software is approx. 6 months but the specific complications of year end may impact on final go-live.

## **4. Corporate Considerations**

### **4.1 Consultation and Engagement**

4.1.1 Internal consultation has taken place between representatives of Exchequer Services, the Contact Centre, DIS Information Governance, DIS Solutions and Technical Architects and DIS Strategic Sourcing around the procurement strategy proposed

4.1.2 The Equality, Diversity, Cohesion, and Integration Screening document has been considered and completed. No adverse or otherwise impacts have been identified

### **4.2 Council Policies and the Best Council Plan**

4.2.1 It is paramount that procurement within Leeds City Council is undertaken with a view to ensure openness, transparency and fairness and procured in line with Leeds City Councils' Contract Procedure Rules.

4.2.2 This contract will contribute to the delivery of the following Council policies and priorities:

- Working with Communities - Best City for Communities
- Spending Money Wisely

#### **4.2.1 Resources and value for money**

4.2.2 The current annual costs of the existing 2 contracts are £53k. Moving towards the new fully hosted DCI PSS compliant solution the equivalent service will reduce to £34,300. The new additionally will increase the annual cost to £120,030. These additional services are:

- £18.5K pa for the system to be fully hosted

- £54K pa for the DTMF suppression facility (to assist achieving PCI-DSS compliancy)

- £13.5K pa to enable the hosted 24/7 payment line to be available to customers at local call rates.

4.2.3 The hosting of the system will remove significant effort and time that DIS would otherwise spend in maintaining the servers on which the current system runs.

4.2.4 In addition to the on-going costs there will be a one-off installation costs of £113,160 which will be reduced by a discount of £45,000 to give a one-off net installation cost of £68,160

4.2.5 The contract length of 5 years provides certainty to the Council of being PCI-DSS compliant through this period, avoids and new installation/change costs that a shorter period would bring and provides opportunity to take any advantage of new market developments that a longer period may not afford.

- 4.3.5 The project to upgrade the Payments and Income Management systems will be managed by Exchequer Services working with members of the Council's Digital and Information Service (DIS).
- 4.3.6 Support, development, maintenance and licensing costs will be negotiated with Civica as part of the procurement process.
- 4.3.7 The proposed upgrade represents value for money and best use of Council funds and staff time. To carry out a full procurement exercise would be expensive, time consuming and potentially disruptive to the Council's ability to take and collect payments. If the outcome was a requirement to change supplier, this would involve a lengthy implementation and migration period which would also delay progress in implementing a PCI DSS compliant solution, thereby prolonging the exposure of both the Council and the public to the risk of a data breach.

#### **4.4 Legal Implications, Access to Information and Call In**

- 4.4.1 The award is a Significant Operational Decision and is not subject to call in. There are no grounds for keeping the contents of this report confidential under the Access to Information Rules.
- 4.4.2 Procurement and Commercial Services (PACS) have reviewed the advertisement of the framework and are satisfied that the notice published in OJEU on 28<sup>th</sup> March 2014 clearly includes the Council within the bodies entitled to use the framework.
- 4.4.3 The framework agreement has been established, to the best of the Council's knowledge, in accordance with the Public Contract Regulations 2015 and is not the subject of any challenge. However, it must be noted that the Crown Commercial Services (CCS) have advised that "Should you wish to use the extensions to the Local Authority Software Applications and Corporate Software Solutions it is important you are aware these are out of term extensions", meaning that although the framework agreement has been extended, the extension was entered into after the framework itself had actually expired. As such, there is a risk of potential challenge from other possible suppliers that this framework agreement is not actually available for use and therefore this opportunity should be subject to tender. It is considered that this risk is low, bearing in mind that the CCS felt comfortable extending this framework agreement and, as far as can be ascertained, no challenges have been made against this use of this extended framework agreement.
- 4.4.4 The terms and conditions of the Framework Agreement are considered acceptable to the Council.
- 4.4.5 The call-off terms and conditions template cannot be changed if a direct call-off is made from the Framework (save for a few exceptions that will probably not apply to the Council).
- 4.4.6 Use of a Third Party Framework is fully in accordance with the CPRs, which define an Approved Framework as an agreement set up by an external organisation and which is available for use by the council.
- 4.4.7 These comments should be noted by the Chief Officer Financial Services, and in making the final decision should be satisfied that doing so represents best value for the Council.

## **4.5 Risk Management**

4.5.1 A risk register will be developed to support the award of the Call-off contract under the LASA Framework.

4.5.2 The risks identified with this procurement are:

- Delays in upgrading the Council's Payments and Income Management systems to a PCI DSS compliant solution will prolong the exposure of both the Council and its customers to the risk of a data breach.
- Areas of the Council taking telephone payments which are not currently on the Council's Avaya telephone system will need to change their processes.

4.5.3 The risk of not moving to a PCI-DSS compliant system will increase the risks of a data breach that could occur from the current system

## **5. Conclusions**

5.1 Upgrading the Payments and Income Management systems will provide the Council with the tools to better consolidate all its payment processes and improve compliance to PCI DSS, as well as satisfying a number of other business requirements which the current systems do not meet.

## **6. Recommendations**

6.1 The Chief Officer Financial Services is recommended to approve the use of the LASA Framework (RM1059) to award a Call-off contract to Civica UK Ltd to upgrade the Council's Payments and Income Management systems.

6.2 The contract will be for a period of five years at an annual value of £120,305.00 and a net installation cost of £68,160.

## **7. Background documents<sup>1</sup>**

7.1 N/A

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.