

## MUNICIPAL YEAR 2019/2020 REPORT NO.

**Agenda – Part:**

**Key Decision No:**  
**3473**

**REPORT OF:**

Executive Director of Resources

**Subject:**

**Housing Electricity Contract Renewal –  
Approval of Procurement and Award of  
Contract using LASER Framework**

Contact officer and telephone number:

Liz Wright 020 8379 1640

E mail: [liz.wright@enfield.gov.uk](mailto:liz.wright@enfield.gov.uk)

**Wards: All**

### 1. EXECUTIVE SUMMARY

- 1.1 The Energy Management team purchases energy on behalf of the Council for both Housing and Corporate properties. The current contract for Housing electricity supplies ends 30<sup>th</sup> September 2019.
- 1.2 A new contract needs to be secured for a start date of 1<sup>st</sup> October 2019 to prevent the Housing electricity supplies being subjected to 'out of contract rates' which could double the price for housing supplies.
- 1.3 The preferred procurement option for this type of contract is Fixed Term Fixed Price (FTFP). This will allow us to fix the price of electricity for housing supplies for a term of 12 months giving Housing budget certainty over that period. A procurement date will need to be agreed ahead of time as the offers made on this type of energy purchasing are only valid for 2 hours due to the volatile nature of electricity commodity markets.
- 1.4 The contract will be procured utilising the Council's current provider LASER. The contract will be secured on a set date subject to Executive Directors Resources availability at the end of July, allowing enough time for procurement stages.
- 1.5 Enfield Council procures its energy contracts through LASER Energy (LASER), a Public Sector Energy Buying Group, which is a division of Kent County Council Commercial Services. LASER has an OJEU (Official Journal of the European Union) compliant FTFP contract (multiple provider) framework in place.
- 1.6 This report seeks the approval of the Executive Director - Resources to award the contract to the winning supplier for a 12-month period from 1<sup>st</sup> October 2019 - 30<sup>th</sup> September 2020. The estimated value of the new 12-month contract is £1,989,808.
- 1.7 This decision will be subject to a Waiver to Call-In due to the short 2-hour window of opportunity to fix the electricity price for the Housing supplies.

## **2. RECOMMENDATIONS**

- 2.1 It is recommended that the Executive Director - Resources approves the award of a 12-month contract to the winning bidder for the supply of electricity to Housing sites. The winning contract offer will be secured by mini competition using LASER's OJEU compliant FTFP contract (multiple provider) framework. The new contract will commence on 1<sup>st</sup> October 2019. As the contract offer is only valid for approximately two hours on one specific day, a waiver to call-in is in place for FTFP contracts. The winning bidder is Southern Electric (SSE).

## **3. BACKGROUND**

- 3.1 Enfield Council Housing has approximately 970 electricity meters for its Housing stock. These provide energy to:
- 78 meters for Communal Heating
  - 892 meters for lighting, door entry etc
- 3.2 Historically the supplier contract has been purchased through an OJEU compliant Framework (ref Y16021) with LASER Energy Buying Group (part of Kent County Council). LASER have been assessed and approved as a best practice energy procurement provider by the London Energy Project (LEP) who have undertaken a series of technical reviews. LEP are an Energy Management resource funded by contributions from the member authorities which include Enfield.
- 3.3 The Housing electricity supplies have previously been purchased under a one-year Fixed Price Fixed Term (FTFP) contract to provide budget certainty and best value.
- 3.4 The current contract runs 1<sup>st</sup> October 2018 to 30<sup>th</sup> September 2019. It is proposed to follow the same approach for the 1<sup>st</sup> October 2019 to 30<sup>th</sup> September 2020 period which has an estimated annual cost of £1,989,808.00.
- 3.5 Due to the volatility of the energy commodity market prices are only valid for 2 hours before the pricing is subject to change and renegotiation is required.

## **4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 Do nothing. The current contract will end on 30<sup>th</sup> September 2019. If a new contract isn't secured, the supplies will be subject to 'out of contract' rates from 1<sup>st</sup> October 2019, which are significantly higher (greater than 100%) than contract rates. This will incur additional costs to the Council of an approximately £2 million a year, taking the annual bills up to £4 million.

- 4.2 Transfer all Housing landlords' electricity supplies to LASERSs existing Two Year Rolling flexible contract (which is currently used for corporate property energy purchases), terminating on 30<sup>th</sup> September 2022.
- 4.3 The recommended option is to Secure a one-year FTFP contract from 1<sup>st</sup> October 2019 to 30<sup>th</sup> September 2020. Historically we have been able to achieve better deals on this procurement strategy due to spot purchasing.

## 5. REASONS FOR RECOMMENDATIONS

- 5.1 Securing one year, FTFP contract for the Housing electricity supplies has been a successful procurement strategy historically, particularly in relation to the unit prices achieved for the communal heating.
- 5.2 By securing a one-year FTFP contract for 2019/2020, it will allow enough time to conduct a detailed procurement options appraisal at the end of 2020 when the Council will review its procurement strategy and review the current contract with LASER. This also will provide Home Ownership Services with enough time to implement Leaseholder Dispensation (First-Tier Tribunal) if longer term contracts are the preferred procurement route in future.
- 5.3 Critical time line:

12 <sup>th</sup> July 2019	Circulate to teams for comments/changes to their sections on the DAR
19 <sup>th</sup> July	Comments to be received and DAR Finalised
20 <sup>th</sup> July 2019	Executive Director Resources to approve for the mini-tender process to be commenced
5 <sup>th</sup> August 2019 (approximate)	Contract awarded by Executive Director Resources

## 6. COMMENTS FROM OTHER DEPARTMENTS

### 6.1 Financial Implications

- 6.1.1 The increase in the Electricity contract is £148k which is a 8% increase on last year's contract.
- 6.1.2 The Energy costs are recovered from tenants and leaseholders. The increase in the Electricity Contract will be passed on to the residents in the form of a service charge.
- 6.1.3 This service charge won't come into effect until 1<sup>st</sup> April 2020, therefore the increase in contract value between October 2019 and March 2020 will be funded from the Housing Revenue Account.

### 6.2 Legal Implications

- 6.2.1 The Council has a general power of competence in s.1(1) Localism Act 2011. This states that a local authority has the power to do anything that individuals generally may do provided it is not prohibited by legislation.
- 6.2.2 S.111 Local Government Act 1972 gives a local authority power to do anything (whether involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. The services to be provided, as proposed within this Report are incidental to the functions of the Council's departments and are intended to help ensure an effective service provision to the borough of Enfield.
- 6.2.3 The Council must comply with its Constitution, Contract Procedure Rules ("CPRs") and, as the contract value exceeds the EU threshold, it must also comply with the Public Contracts Regulations 2015. The Council's constitution (specifically, the CPRs) permits the use of Framework agreements subject to the prior approval of the Assistant Director Procurement (CPR 8.2). The Council must ensure that the procedure for call off under the terms of the Framework is complied with along with all applicable Framework rules.
- 6.2.4 The Council must comply with its obligations with regards to obtaining best value under the Local Government (Best Value Principles) Act 1999. The Council must keep a clear audit trail of its decision to award to the Contractor(s) to demonstrate that best value has been and will continue to be obtained for the Council.
- 6.2.5 As this constitutes a Key Decision the Council must ensure it follows all applicable Key Decision/Governance procedures.
- 6.2.6 All legal agreements arising from the matters described in this report must be approved in advance of contract commencement by the Legal Services on behalf of the Director of Law and Governance.
- 6.2.7 As the contract value exceeds £ 1 million, security in the form of a performance bond / parent company guarantee will be required from the successful contractor (CPR 1.18) and where the contractor cannot provide security but the Council has no acceptable alternative provider or has decided to accept the level of risk, then the Executive Director -Finance, Resources and Customer Services must approve the award and the relevant Authority Report must set out the reason why it is proposed that the contract should be awarded despite absence of security and what measures are to be taken to manage this risk (CPR 1.19).

### **6.3 Procurement Implications**

- 6.3.1 Any procurement must be undertaken in accordance with the Councils Contract Procedure Rules (CPR's) and the Public Contracts Regulations (2015).

6.3.2 The award of the contract, including evidence of authority to award, promoting to the Councils Contract Register, and the uploading of executed contracts must be undertaken on the London Tenders Portal including future management of the contract.

6.3.3 All awarded projects must be promoted to Contracts Finder to comply with the Government's transparency requirements, or where the LTP has not been used then all documents must be sent to P&C Hub, to create a contract register entry.

6.3.4 The business case was brought to an extraordinary P&C review Board on 25<sup>th</sup> June 2019; which discussed the project and the need. The project was approved. It agreed the route to market. It was discussed that a review of the process would take place earlier next year to see if alternative routes to market would be better.

6.3.5 It is assumed that the costs of this electricity supply is re-charged to recover costs to the Council or other Council departments.

#### **6.4 Property Implications**

*n/a*

### **7. KEY RISKS**

7.1 If a contract is not secured from 1st October 2019 then 'out of contract rates' will be applied, which will be as much (or greater than) 100% higher than market contracted rates incurring additional costs to the Council of an approximately £2 million a year.

### **8. IMPACT ON COUNCIL PRIORITIES – CREATING A LIFETIME OF OPPORTUNITIES IN ENFIELD**

#### **8.1 Good homes in well-connected neighbourhoods**

8.1.1 Securing value for money contracts helps protect the Housing Revenue Account. This also will limit pass through charges to tenants and leaseholders.

#### **8.2 Sustain strong and healthy communities**

8.2.1 Securing value for money contracts will protect the Council's reputation in the local community.

#### **8.3 Build our local economy to create a thriving place**

- 8.3.1 Securing value for money contracts helps householders to save money which could be spent within the local community, impacting social-economic growth.

## **9 EQUALITIES IMPACT IMPLICATIONS**

- 9.1 An equality impact assessment/analysis is not proportionate for the approval of a new 12-month contract for the supply of electricity to Housing sites. However, if we were to miss the procurement deadline, the Council will be exposed to additional cost. If these costs were to be passed on to residents and leaseholders, this would have a disproportionate impact on the more vulnerable residents.

It should be noted that the any contracts awarded should include a duty on the successful applicant to assist us with meeting our obligations under the Equalities Act 2010.

Energy Management are satisfied that LASER meet the requirements of PSED.

## **10 PERFORMANCE AND DATA IMPLICATIONS**

- 10.1 The contract will be managed by the Energy Manager throughout, working with the Energy Finance Officer- Housing as required.

## **11 HEALTH AND SAFETY IMPLICATIONS**

- 11.1 n/a

## **12 HR IMPLICAITONS**

- 12.1 n/a

## **13 PUBLIC HEALTH IMPLICATIONS**

- 13.1 Through best practice procurement, competitive contract prices will benefit many Council housing residents and leaseholders by ensuring value for money for communal landlords' supplies including lighting, heating and lift supplies. This links to the fuel poverty agenda, which in turn has an impact on public health.
- 13.2 Any measure which alleviates relative or absolute poverty within the borough, including fuel poverty, will in turn reduce the chance of developing poor health and chronic conditions. Which again would contribute to embedding inequality and poverty.
- 13.3 Residents of adequately heated properties are far less likely to develop respiratory and associated conditions or suffer from acute exacerbations of those. In turn helping to reduce the number of preventable referrals to both hospital and residential social care.

## **Background Papers**

**Detailed Background Procurement Information – Housing Electricity Contract  
Renewal Approval of Procurement and Award of Contract using LASER Framework**





## Detailed Background Procurement Information

### Housing Electricity Contract Renewal – Approval of Procurement and Award of Contract using LASER Framework

Enfield Council is a member of LASER Energy, a Public Sector Energy Buying Group, which is a division of Kent County Council Commercial Services, representing many public sector bodies including NHS Trusts, Universities & Colleges, Local Authorities and Housing Associations. LASER has been assessed and approved as a best practice energy procurement provider by the London Energy Project (LEP). LEP is a shared Energy Category Management resource, funded through direct authority contributions. Under this arrangement LEP has, on behalf of all participating authorities, undertaken a series of independent and impartial technical assessments of market risk and of energy contracts as provided by LASER.

LASER has an OJEU compliant FTFP contract (multiple providers) framework in place. The OJEU Reference is Y16021. The contract framework allows LASER to run a mini competition seeking price offers for conventional or renewable energy (subject to supplier availability), to secure a contract on the Council's behalf, following the Council providing instruction and the relevant signed contract with the winning supplier. Mini-tenders can request pricing for any contract duration. Leaseholder Dispensation (First-Tier Tribunal) will be required for contracts greater one year (not available for 2019-2020).

## Market Information

Wholesale energy prices are influenced by a range of factors including supply security, weather trends, European prices, geopolitical issues, etc. This can result in price volatility of 5-10% over the course of a few days. These are external factors outside the Council's and LASER's control.

Since October 2018, wholesale power prices have fallen considerably. The main drivers behind this recent price movement include:

- **LNG Arrivals:** Liquefied Natural Gas (LNG) vessel arrivals into the UK and North-West Europe have gone from strength to strength in 2019. Imports to the UK were 3.7x higher this winter (Oct-Mar) than the same period last year.
- **Gas Storage:** The 'Beast from the East' heavily drained the UK's gas storage facilities in March 2018. In stark contrast, 2019 has been characterised by mild temperatures, leading to lower gas demand in the UK. Gas stocks are currently well above seasonal normal levels as a result.
- **Coal Prices:** The commodity has fallen 16% in 2019, with further drops looking likely.

## **Pricing Components**

Delivered energy prices are built up from costs that can be controlled, such as commodity (tradeable raw energy) costs and supplier administration fees and profit margin, and uncontrollable or difficult to control costs that are regulated by government such as pass through costs levied for use/maintenance of the distribution network and renewable energy generation (non-commodity costs).

## **Procurement Background**

The estimated annual value of the new contract for Housing electricity landlords' supplies is £1,989,808. LASER has advised that Current wholesale commodity market prices are marginally lower than when the contract was last fixed in June 2018.

In June 2018, the commodity (energy) prices was 59.90 £/MWh (winter-2018 prices) and 49.03 £/MWh (summer-2019 price) respectively. The winter-2019 price is currently 56.45 £/MWh (-5.76% lower Year on Year) and the summer-20 price is currently 48.30 £/MWh (+0.56% higher Year on Year).

Based on a UK standard winter/summer consumption split of 60/40, fixing at current market prices would represent a 3.56% decrease in the total commodity cost for the 2019/20 period when compared to the fixed price achieved by the 2018/19 contract.

Despite this, wholesale commodity costs make up less than half of the delivered cost. Uncontrollable non-commodity costs have increased considerably in recent years. LASER anticipates a 10% increase in non-commodity costs ahead of the 2019/2020 contract period, having already increased by 16% last year. As such, there is an estimated increase in the delivered contract price of 5% for the 2019/20 period, assuming the contract is fixed at current market prices. This is lower than the budget figures projected at the start of 2019 (19%), however it should be noted that 59 (Restricted hours) supplies achieved exceptionally low prices October 2018 to September 2019 this may not carry forward for the 2019/2020 prices.

## **Procurement Options**

There are two procurement options for contract renewal:

- (i) Fixed Term Fixed Price (FTFP), where the business is settled on a pre-determined date and prices known in advance of the supply period (budget certainty)
- (ii) (ii) Flexible procurement where energy is purchased at strategic points ahead of the supply period and the price set at the start of each contract year. Flexible procurement can mitigate the impact of significant price swings, but is generally more suitable for larger consuming supplies, as a greater percentage (greater than 20%) of the delivered price represents the tradable commodity. For very low value/consumption supplies (less than 10,000 kWh per annum), the tradable commodity may only be 20% of the

total delivered price (the remaining 80% is made up of network and government charges which are fixed and uncontrollable). Therefore, the cost of a fully risk managed, flexible procurement approach may not be justified. FTFP contracts can vary in length from one to three years. Flexible contracts are for over one year. Any contract over one year will require Leaseholder Dispensation (First-Tier Tribunal).

FTFP for landlords' electricity supplies has been a successful procurement strategy historically, particularly in relation to the unit prices achieved for 'Restricted Hours Tariffs' (currently 8.93p/unit). Only 59 supplies in the Housing portfolio are eligible for this tariff, but they represent 31% of the total contract value. Part of the reason for the low unit rate is because the demand for electricity for these specific supplies is outside peak times. Overall, we have secured extremely competitive rates historically; however, FTFP contracts also carry far greater risk in terms of exposure to dramatic price swings year on year, as demonstrated in this year's estimated 19% increase. However, it is important to note that some of the total increase is represented by non-controllable, non-commodity charges which would be imposed regardless of the procurement strategy. Non-commodity charges are predicted to rise considerably over the next few years.

## **Future**

Given the volatility in the electricity market a thorough options appraisal will be undertaken to determine the most appropriate, risk managed procurement strategy for Housing supplies in conjunction with Corporate and Schools' utility supplies contracts.



## MUNICIPAL YEAR 2019/2020 REPORT NO. 2019/20

### MEETING TITLE AND DATE:

### REPORT OF:

Executive Director of Resources

#### Agenda – Part: 1

#### Item:

**Subject: Payments Programme – Counter Service / face to face payment options and Direct Award of Contract to PayPoint**  
**Wards: All wards**  
**Key Decision No: KD4956**

**Cabinet Member consulted: Cllr Maguire**

Contact officer and telephone number:

Julie Barker - Head of Exchequer Services  
Tel: 0208 3794690  
Email: julie.barker@enfield.gov.uk

Nick Nicolaou - Transformation Manager  
Tel: 0208 3792874  
Email: nick.nicolaou@enfield.gov.uk

### 1. EXECUTIVE SUMMARY

- 1.1 To provide customers with a cost effective, customer friendly, convenient and trusted 'face to face' payment facility.
- 1.2 Following the Councils Procurement Rules agree to the direct award of a contract to PayPoint under the terms of the PFH Framework

### 2. RECOMMENDATIONS

- 2.1 This report recommends the direct award of the, over the counter bill payment service and the cash out service to PayPoint, under the terms of the PFH Framework.
- 2.2 The closing of the Council's current cashiers counter and decommissioning of the 3 auto pay kiosks located at the Civic Centre and Edmonton Centre.
- 2.3 To agree all associated costs in relation to the implementation of the PayPoint counter service and cash out service as set out in this document and detailed in Part 2 report.
- 2.4 To agree ICT resource costs to complete Phase 1 Capita AIM infrastructure work as set out in Part 2 report.

### 3. BACKGROUND

3.1 The Payments Programme was set up to review the way customers pay the Council, uncover the associated costs of each payment option and consider the implementation of more cost effective and customer friendly payment alternatives.

3.2 The following payment principles were agreed in terms of future customer payment options:

- Positive customer experience
- Cost effectiveness
- Optimisation of income collection
- Compliance

The following design principles were also agreed:

- Payment up front
- Right first time
- Consistency and standardised payment methods
- Making it easier to pay in line with customer needs
- Streamlining payment processes
- Maximising automation
- Segmenting, targeting and understanding our customers and their payment preferences

3.3 In order to achieve the payment principles, Phase 1 of the Payments Programme focused not only on Payment Card Industry compliance but on the payment infrastructure which provides the platform to deliver tangible savings and service improvements in relation to the payments process and subsequent 'Phase 2' activity.

3.4 Phase 2 activity included the review of payment options offered to customers and identifying the cost in providing those options. Work also took place to identify services that were delivered to customers before payment was received as well as uncovering opportunities to utilise modern technology, replacing antiquated expensive paper-based processes.

#### 3.5 Current Payment Options

3.5.1 There are currently numerous different ways to make a payment to the Council. Payment options and the services that can be paid for using these options are documented in **Appendix 2(a)** attached to the Part 2 Report. The table shows inconsistency across services which leads to customer confusion.

3.5.2 **Appendix 2(a)** also shows that the Civic Centre cashiers counter Service is the only location where customers can make a 'face to face' payment using their preferred payment method as it accepts cash and cards.

3.5.3 The Cashiers 'face to face' payment option is the most expensive and is not convenient for customers as it is based at one single location in the borough and opening times are restricted to 10am to 2pm, working days only.

3.5.4 Refer to Part 2 Report for additional information under this section.

**Appendix 2(a)** also shows that customers can currently make payments at Post Offices and Pay Zones however these are restricted to only accepting housing rent payments. **Appendix 2(b)** attached to the Part 2 Report shows the location of Post Offices and Pay Zones across the Borough. Whilst consideration was given to closing these payment channels, customers will not be prevented from paying their bills using these sites in the short term. The Council will however monitor the use of this channel.

3.5.5 Customers can also make payments at auto pay kiosks however these are only located at two places in the Borough; Edmonton and the Civic Centre. The kiosks are only able to accept payment for certain services and the kiosk located at Edmonton Centre does not accept cash. The kiosks can be unreliable and require support should they breakdown. **Appendix 2(b)** shows the location of the kiosks in the Borough.

3.5.6 Refer to Part 2 report for additional information under this section.

The cost of each payment option per transaction is shown in **Appendix 2(c)** attached to the Part 2 report.

3.5.7 **Appendix 2(d)** attached to the Part 2 report shows that the customers preferred payment option is DD with 54.67% of all payment transactions being received via this payment method between the period April 2018 – March 2019. **Appendix 2(d)** also clearly shows during this period that customers prefer to use electronic payment methods, as 84.6% of all payment transactions were received via web based or electronic payment methods.

3.5.8 Refer to Part 2 report for additional information under this section.

**Appendix 2(d)** does however show that some of our customers prefer to use 'face to face' payment options. 8.88% of all payment transactions are taken at the Civic Centre cashiers counter, Post Offices or via Pay Zones across the borough.

3.5.9 In order to understand how and why our customers choose their preferred payment method, the Council conducted a 6-week customer consultation. The consultation of 317 random customers uncovered that:

- 1 in 5 like to use cash

- 36% would not consider paying their bills on line
- 25% would not be willing to set up a DD to pay the Council
- 65% would not like to pay their bills in a Post Office

Various reasons, for the responses above where given: 'don't trust computers', 'not confident online', 'long queues at the Post Office', 'Do not trust the Council to take the right amount', 'don't always have enough money in the bank'.

3.5.10 Whilst it is an achievement that 84.6% of the Council's payments are received via cost effective electronic payment methods, it cannot be overlooked that 4% (over 58,000 per annum) of payments received are via significantly more expensive and customer restrictive methods such as the cashiers counter (card & cash) & auto pay kiosk (cash payments)

3.5.11 Refer to Part 2 report for additional information under this section.

There thus remains a customer demand to provide a 'face to face' service where customers can pay either by cash or card. Cash handling, maintaining auto pay kiosks and staffing the cashiers counter is expensive, as shown in Appendix (c) and not without risk.

### 3.6 PayPoint

3.6.1 PayPoint is a cost effective, customer friendly, convenient and trusted 'face to face' payment option. This report recommends that the Council closes the current cashiers counter and decommissions the 3 auto pay kiosks replacing these expensive and restrictive payment options with PayPoint.

3.6.2 PayPoint have over 29,000 outlets throughout the UK which is more branches than banks, supermarkets and post offices put together. In urban areas, 99.3% of the UK population live within one mile of a PayPoint retailer.

3.6.3 There are 115 PayPoint locations in the borough – **Appendix 2(e)** attached to the Part 2 report shows where these are located. PayPoint outlets range from small news agents and corner shops to Tesco and the Co-op.

3.6.4 Many of the boroughs residents already use PayPoint outlets to make regular bill payments; energy, water, phones, TV licence etc and to collect and send parcels. Over £2m per month is already collected by PayPoint from Enfield residents.

3.6.5 For payment via PayPoint, a customer presents their barcoded bill or payment card to the retailer whom scans the barcode in a similar way to our customers paying their Housing Rents using the Post Office and Pay Zone. The customer is issued with a receipt. The maximum that can be



paid for in one transaction is £300 (cash or card). It is to the discretion of the retailer if multiple transactions can be taken to pay for a bill larger than this amount. 92% of transactions made by our customers at the cashier's counter or at a kiosk was for less than £300.

PayPoint polls the terminals overnight and will issue the Council with a transaction file the following day, listing the transactions made. PayPoint then debits the retailer and settles the money to the Council's bank account either 4 or 7 days after the transaction, depending on the Council's preferred settlement period.

- 3.6.6 Some preparation work is underway to analyse the types of payments taken at the cashier counter. This is so we capture all letters and documentation that is sent to customers and ensure there is consistency around what payments options are provided to them, including a small percentage of services where payment at a PayPoint will not be possible.
- 3.6.7 The Cashiers team will continue to accept and process cheques via the post and cheques received from internal departments.
- 3.6.8 PayPoint also provides facilities to pay cash out to our service users via a paper voucher, email or SMS to a client's mobile (cash out service) This is currently done in the Council via a pre-paid card which is much more expensive. Using PayPoint will also benefit those in a crisis or in an emergency, as cash can be provided instantly and cheaply.
- 3.6.9 The Council does not wish to move customers from the cheapest electronic payment methods like DD and bank to bank payments to more expensive 'face to face' options. Communication of the new PayPoint service will be targeted to those customers who current pay their bills at the Civic Centre or via an auto pay kiosk. A detailed communications plan will be created and will include informing those residents of their nearest PayPoint location.

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

- 4.1 Continue to offer a cashier's counter service and autopay kiosks located at the Civic Centre and an autopay kiosk at Edmonton Green Library. These payment options are extremely expensive compared to PayPoint. PayPoint provides our customers with flexibility, convenience and choice. Residents can pay their bills up to 24 hours a day, in many cases using their preferred payment method (cash or card) at 115 locations in the Borough and 29,000 locations across the UK. If the Council continues to offer the current services, savings will not be achieved, and residents will not be provided with a better service.
- 4.2 The CCS GCloud10 framework and PFH framework has uncovered 2 other companies who provide a payment service: Capita and Allpay.

Both companies allow customers to make payments via PayPoint outlets however costs per transaction are higher than those charged directly by PayPoint.

## **5. REASONS FOR RECOMMENDATIONS**

### **5.1 Supporting small businesses in Enfield**

The use of PayPoint will increase footfall in town centres and in small & local retailers as customers will use these outlets across the borough to pay their bills. This also supports one of the main Council priorities - Build our local economy to create a thriving place.

### **5.2 Convenient for our customers**

There are 115 PayPoint outlets located across the entire borough. Many are open 7 days a week 6am – 11pm and some for 24 hours. Residents can make payments at their convenience without being restricted to business hours. Many of our residents already use PayPoint to pay their TV licence and energy bills. They know and trust the retailer. Extending the use of PayPoint to pay for council related bills like Council Tax will be even more convenient for our residents.

### **5.3 Various payment options.**

Customers can pay by cash at all 115 PayPoint outlets. Currently cash is only accepted at the Civic Centre. It is at the discretion of the PayPoint retailer whether they can also accept card. A sample of 50 of these retailers showed that 52% of these currently also accept payment by card.

### **5.4 Efficient payment processing.**

PayPoint accept barcoded bills and payment cards, so payments made will be accurately recorded and posted to accounts.

### **5.5 Supporting our residents.**

**Appendix 2(e)** shows the location of PayPoint outlets in the borough. **Appendix 2(f)** attached to the Part 2 report shows areas of deprivation. These maps show that there is a greater number of PayPoint locations in the most deprived parts of Enfield. Having greater payment locations within this eastern corridor of the borough supports further those residents that do not have a regular income to pay via a local outlet instead of having to travel into the Civic Centre to pay if they cannot use electronic payment channels.

#### **5.5.1 Analysis carried out by the Local Government Association indicates that Edmonton Green is the most deprived of the 21 wards in Enfield. In addition, it is within the 10% most deprived wards in both London and England. Upper Edmonton is the 2<sup>nd</sup> most deprived. Edmonton has the lowest average (median) household income in Enfield. The proportion of households with an income of less than £15,000 was put at 36.3%**

(Edmonton Green) 28.5% (Upper Edmonton) compared to a Borough average of 19.5%. In August 2016 the number of people living in Edmonton Green claiming the key out of work benefits was 21.5% of the estimated working age population. This compared to a Borough average of 12.8%.

5.5.2 It could be argued that without convenient payment locations and methods of payment, income is more challenging to collect from these residents and service users.

5.5.3 The Council must ensure that it maximises income and thus must provide cost effective payment options that reflect the demand of its customers. It must however ensure that support is provided to customers living in areas of deprivation.

5.6 Refer to Part 2 report for additional information under this section.

**Payments Out.**

PayPoint provides the facility to make payments to clients (cash out). The Council can access an on-line externally hosted portal and generate vouchers which can be issued or sent via an email or text messages to customers which they can redeem for cash in any PayPoint outlet in the UK. Benefit, crisis and emergency welfare payments can be issued to customers instantly using this method.

5.7 **Compliance and free from risk.**  
PayPoints are fully PCI complaint and insured.

5.8 Refer to Part 2 report for additional information under this section.

**Savings to customers and the Council.**

**Appendix 2(g)** attached to the Part 2 report compares the current transaction fees payable by the Council with those payable when customers make a cash or card payment at a PayPoint outlet.

5.9 **Further savings.**

Further saving as identified in the Financial implications will also be achieved as a direct result of the Council closing the cashiers counter service. 2 posts will be deleted however there will be no redundancy risks to staff as these posts are currently vacant and filled by agency staff.

5.10 As the Council will no longer be responsible for cash handling at the Civic Centre, the cash handling fees will be reduced as well as a maintenance fee to support the auto pay kiosks.

5.11 By using PayPoints Cash Out service, this will reduce the cost of providing this facility to our customers as identified under the Financial Implications section in Part 2 report.

## **6. COMMENTS FROM OTHER DEPARTMENTS**

### **6.1 Financial Implications**

See Part 2 report

### **6.2 Legal Implications**

6.2.1 Section 111 of the Local Government Act 1972 gives a local authority power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. The matters outlined in this report are incidental to the functions of the Council's departments and are intended to help ensure an effective service.

6.2.2 The Council also has a general power of competence in section 1(1) of the Localism Act 2011. This states that a local authority has the power to do anything that individuals generally may do provided it is not prohibited by legislation.

6.2.3 The Council's Constitution, in particular the Contract Procedure Rules ("CPR's") permit the Council to procure services from an existing legally compliant framework as long as the framework terms permit such and the framework is accessible by the Council.

6.2.4 The Council's Corporate Procurement Service should conduct due diligence on the use of the Framework and must be satisfied the Council may procure these services in accordance with the Framework Agreement. The Call Off is to be by Direct Award and must be undertaken strictly in accordance with the terms of the Framework

6.2.5 The Council must comply with its obligations relating to obtaining best value under the Local Government (Best Value Principles) Act 1999.

Legal Implications provided by Lynn Shepherd on 9<sup>th</sup> July 2019 based on a Report circulated on 5<sup>th</sup> July 2019

### **6.3 Procurement Implications**

- 6.3.1 Any procurement must be undertaken in accordance with the Councils Contract Procedure Rules (CPR's) and the Public Contracts Regulations (2015).
- 6.3.2 The award of the contract, including evidence of authority to award, promoting to the Councils Contract Register, and the uploading of executed contracts must be undertaken on the London Tenders Portal including future management of the contract.
- 6.3.3 All awarded projects must be promoted to Contracts Finder to comply with the Government's transparency requirements. Or where procurement did not take place in the LTP, all documentation provided to the P&C Hub to create a contract register.
- 6.3.4 Two frameworks; PFH and G-Cloud have been identified as frameworks that deliver the business requirements. Three contractors are on G-Cloud; which includes PayPoint. The remaining suppliers are service providers of IT systems and do not meet requirements.
- 6.3.5 PayPoint costs were evaluated against the other suppliers and other framework to demonstrate VFM, and provide the largest coverage for ease of use for customers.
- 6.3.6 The P&C Hub will support the service to select the relevant framework, and carryout the procurement in line with the framework rules. Either will be a direct award as both frameworks allow for this.
- 6.3.7 The project and contract register reference is: **DN411723**. As this is a call off from a framework it is vital that the service provide all contracts and final copies of DAR's to the P&C hub to complete the contract registration.

*Implications provided by C E Reilly 02/07/19*

### **6.4 ICT IMPLICATIONS**

- 6.4.1 Review of all systems that will receive income from PayPoints instead of Cashiers for the following:
  - a. Existing Configuration for Cashiers will work without change for PayPoint
  - b. Amendment of any output to public including data files to reflect PayPoints
  - c. Amendment of any print templates to reflect PayPoints and remove cashiers
- 6.4.2 Review of existing interfaces into Cash Receipting and process to receive external files

- a. Creation of new interface to receive PayPoint files
  - b. Testing that existing interfaces from cash receipting into receiving systems still function after pay points
- 6.4.3 Requirement to output PayPoint compatible 'bar codes' from each system paying at PayPoints
  - a. To check with each supplier if there is a compatible configuration
  - b. If not, to identify product or tool to convert data
  - c. Amend output files to include requirement
  - d. Amend Printing to include
- 6.4.4 Review of IPO to ensure still functions for PayPoints
- 6.4.5 Update of all documentation and service catalogue to incorporate new pay types
- 6.4.6 Decommission Kiosks and Support Contract (Currently Banking Automation but soon to be Cammax).

## 7. KEY RISKS

- 7.1 **Letters still signposting customers to pay via Cashier Counter/Kiosk on closure:** There is a risk that on closure of the cashier counter and auto pay kiosks, a payment letter/ notice is issued to a customer that still show these channels as available payment options and will lead to a bad customer experience and potentially a complaint. **Mitigation:** There is some analysis underway for miscellaneous payments taken at the cashier's counter to identify those letters that signpost customers to pay at the cashier counter and auto pay kiosk so that the appropriate changes are made prior to their closure.
- 7.2 **Communication:** We fail to inform our customers and all relevant stakeholders of the changes and we do not have the support and signposting required to assist our customers with queries which could lead to complaints and ability to accept payments. **Mitigation:** A communication plan is being created and will be signed off. It will set out the objectives and identify all stakeholders that require communication, along with stakeholder interest in the project and key messages being delivered. Councillor endorsement has already been received for this proposal.
- 7.3 **Timescales:** We fail to incorporate changes to billing information in time for when they are prepared and issued in December'19 to our customers (i.e. main Council Tax bills etc) using the Cashiers office and Autopay kiosks informing them of the changes to how payment can be made and detailing their nearest PayPoint location. **Mitigation:** PayPoint have advised they can help support wording on these letters by identifying customers nearest locations to include this information in their billing

letter. There is enough time to complete this work and communication is going out early to these services and printing suppliers to ensure they are aware of these changes.

- 7.4 **Project delays:** An element of delivery of this project is dependent on ICT resource. If appropriate ICT resource is not assigned to this project, this may delay delivery and fail to meet predicted time scales.

**Mitigation:** All ICT elements will be factored into a resource plan, so they are resourced appropriately at the outset. These costs are included in the funding being sought.

## **8. IMPACT ON COUNCIL PRIORITIES – CREATING A LIFETIME OF OPPORTUNITIES IN ENFIELD**

### **8.1 Good homes in well-connected neighbourhoods**

N/A

### **8.2 Sustain strong and healthy communities**

N/A

### **8.3 Build our local economy to create a thriving place**

The introduction of PayPoint outlets across the Borough will support small businesses in Enfield, increasing footfall in town centres and in small & local retailers.

## **9. EQUALITIES IMPACT IMPLICATIONS**

Local authorities have a responsibility to meet the Public Sector Duty of the Equality Act 2010. The Act gives people the right not to be treated less favourably because of any of the protected characteristics. It is important to consider the needs of the diverse groups with protected characteristics when designing and delivering services or budgets so people can get fairer opportunities and equal access to services.

The Council aims to serve the whole borough fairly, tackle inequality and protect vulnerable people. The Council will promote equality of access and opportunity for those in our communities from the protected characteristic groups or those disadvantaged through socio-economic conditions.

A Predictive EQIA has been undertaken on the proposals and it has highlighted no negative impact on residents from the protected characteristic groups. The Payments Programme will run Parallel with existing channels and ensure a phased closure of cashier's counter and

kiosks to ensure maximum signposting, communication and support is offered to residents and customers.

#### **10. PERFORMANCE AND DATA IMPLICATIONS**

The impact of this change will continue to be assessed by monitoring the transactions and volumes of payments that go through the PayPoints. We will be in a position to assess how this impacts different demographics and the take up between different wards within the borough.

#### **11. HEALTH AND SAFETY IMPLICATIONS**

N/A

#### **12. HR IMPLICATIONS**

The implication of closing the face to face counter payment service is the deletion of two currently posts within the Payment & Revenue service.

There are no employees at risk and, therefore, no associated redundancy costs as both these posts are currently filled by agency workers.

Existing job descriptions should be reviewed to ensure that they reflect that we will no longer be offering a face to face service and incorporate any changes to the task and accountabilities of the team as result of this.

I would advise consultation with the unions as this is a change to the service offered by the LBE Exchequer service.

#### **13. PUBLIC HEALTH IMPLICATIONS**

N/A

#### **14. Background Papers**

N/A