

Report of Head of Financial Services, Business Support Centre

Report to Chief Officer, Business Support Centre

Date: 12th August 2014

Subject: Approval to Procure a Purchasing Card Provider

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. The contract for a purchasing card provider was awarded to Barclaycard Commercial from 1st October 2010 for a period of 3 years and 4 months until 31st January 2014 with no extension periods.
2. The Crown Commercial Service commenced a multi lot procurement process for the e Purchasing Card Solution (ePCS), and this was due to have been completed in October 2013. This will result in a framework contract from which the UK Public Sector, including Local Government, will be able to award contracts for ePCS. However, this process has not yet been completed. A waiver has therefore been approved and a short term contract has been awarded to the current supplier until 9th October 2014, by which point the framework contract will have been awarded by Crown Commercial Services. Once the framework contact is in place the council will then be able to undertake a mini competition process in order to award a contract to a preferred supplier.

3. Therefore, this report seeks approval to procure a Purchasing Card supplier in a mini competition process from the Framework Contract.
4. It should be noted that Leeds City Council has been involved in the tender evaluation process for the framework contract. This provides assurance that the framework contract meets the requirements of the Council.

Recommendations

5. It is recommended that approval to procure be given for a purchasing card supplier in a mini competition process from the Crown Commercial Services Framework Contract.

1. Purpose of this report

1.1. The purpose of this report is to seek approval to procure a Purchasing Card supplier in a mini competition process from the Framework Contract.

2. Background information

2.1. The current contract for a purchasing card provider was awarded to Barclaycard Commercial from 1st October 2010 for a period of 3 years and 4 months until 31st January 2014 with no extension periods. The contract was awarded following a tender exercise to call off from the Office of Government Commerce (OGC) Buying Solutions Government Procurement Card III (GPCIII) framework contract.

2.2. The OGC Buying Solutions which latterly was known as the Government Procurement Service is now part of the Crown Commercial Service. The role of the Crown Commercial Service is to provide an integrated commercial and procurement service for Government and the UK Public Sector, including Local Government.

2.3. The Crown Commercial Service commenced a multi lot procurement process for the e Purchasing Card Solution (ePCS), and this was due to have been completed in October 2013. This will again result in a framework contract from which the UK Public Sector, including Local Government, will be able to award contracts for ePCS.

2.4. However, this process has not yet been completed. A waiver has therefore been approved and a short term contract has been awarded to the current supplier until 9th October 2014, by which point the framework contract will have been awarded by Crown Commercial Services. Once the framework contract is in place the council will be able to undertake a mini competition process in order to award a contract to the preferred supplier

3. Main issues

3.1. Crown Commercial Services are undertaking a procurement exercise to award a Framework Contract to suppliers of Purchasing Cards. Crown Commercial Services have a dedicated contract management, legal and personnel team who negotiate the best available deals and meet regularly with providers to ensure best practice.

3.2. Furthermore, Leeds City Council has been involved in the tender evaluation for Lot 1 of the contract (Wider Public Sector). This provides assurance that the framework contract will meet the requirements of the Council.

3.3. It should also be noted that significant costs would be incurred by the Council in undertaking a procurement exercise of its own rather than use the Crown Commercial Services framework contract.

3.4. Therefore approval to procure from the framework contract is sought, and a mini competition process will be undertaken in order to secure a value for money solution for the council.

3.5. While there is no payment for this contract, the contract will include a cashback payment from the supplier to the council based upon levels of spend. This cashback has therefore been taken as consideration in determining which Contract Procedure Rules should be followed. In light of current trends of spend on purchasing cards in the council and the level of cashback in the current contract, this level of consideration is expected to be greater than £300k per annum for 2014/15.

Consequences if the proposed action is not approved

3.6. The project to roll our purchasing cards across Leeds City Council has been ongoing for a number of years. In addition, work is ongoing to roll out similar cards for expenditure of a capital nature. Given the success in the rollout of the purchasing cards across the council, a further purchasing card contract is therefore required.

3.7. In addition, the council receives a cashback payment from the purchasing card supplier. The level of cashback is determined by the level of spend on the cards. It is anticipated that should spend increase in line with current projections to £45m, cashback will exceed £300k per annum for 2014/15. This income stream would cease if approval to procure was not given.

Advertising

3.8. Crown Commercial Services advertised the letting of Lots 1 and 2 in accordance with EU procurement rules. As such, the contracts were advertised via the Tenders Electronic Daily (TED) website on 12th December 2012 (OJ/S S239 394235-2012-EN) and again on 9th April 2014 (070-120810 2014/S).

4. Corporate Considerations

4.1. Consultation and Engagement

4.1.1. While a consultation and engagement process was undertaken prior to the contract being awarded in October 2010, no further consultation and engagement has taken place subsequently.

4.2. Equality and Diversity / Cohesion and Integration

4.3. The equality and diversity issues that were originally considered when the contract was awarded in October 2010 are still valid.

4.4. Council Policies and City Priorities

4.4.1. One of the Council's Values which underpins the Best Council Objectives is Spending Money Wisely, as set out in the Best Council Plan.

4.5. Resources and Value for Money

4.5.1. As set out in 3.4, the Council does not pay Barclaycard Spend Management for this contract, but instead receives cashback for any spend on purchasing cards. Therefore there are no financial costs of not extending this contract.

4.5.2. In addition, increasing the number of transactions on purchasing cards reduces the number of invoices that are required to be processed by the Central Payments Service, allowing staff savings to be realised. Since the Central Payments Service was established in 2008, a number of Key Performance Indicators have been established to monitor the efficiency of the service. Since 2009/10 to 2012/13, staff numbers have reduced from 38 to 30; the number of invoices processed has reduced from 563,850 to 291,231 while purchasing card transactions have increased from 28,758 to 102,979. Furthermore, the cashback benefits to the Council are around £245k per annum and will increase to a maximum of £375k should expenditure reach £50m.

4.5.3. The financial implications of approval to procure not being granted are set out in **Error! Reference source not found.** above.

4.6. Legal Implications, Access to Information and Call In

4.6.1. Approval to procure would be subject to call in. While there is no payment for this contract, the contract will include a cashback payment from the supplier to the council based upon levels of spend. This cashback has therefore been taken as consideration. As the anticipated level of consideration will be in excess of £300k, this decision is subject to call in.

4.7. Risk Management

4.7.1. The Crown Commercial Service commenced a multi lot procurement process for the e Purchasing Card Solution (ePCS), and this was due to have been completed in October 2013. This will again result in a framework contract from which the UK Public Sector, including Local Government, will be able to award contracts for ePCS. Crown Commercial Services have a dedicated contract management, legal and personnel team who negotiate the best available deals and meet regularly with providers to ensure best practice.

4.7.2. Furthermore, Leeds City Council has been involved in the tender evaluation for Lot 1 of the contract (Wider Public Sector). This provides assurance that the framework contract will meet the requirements of the Council.

4.7.3. Not granting approval to procure would result in purchasing card holders within Leeds City Council being unable to continue purchasing goods and services with purchasing card enabled suppliers until an alternative contract was in place. Furthermore, any break in availability of a purchasing card system may result in existing card holders reverting to raising orders in order to purchase goods and services. This would have an impact on resources both in services where they would be required to raise, authorize and goods receive orders, and in the Central Payments Team where they would be required to process invoices for payment and investigate additional invoices in query. As this could not be accommodated from within existing resources, there would be a financial impact to this.

4.7.4. In addition, any break in availability of a back office system would result in purchasing card expenditure not being posted into FMS. This could have

significant consequences in terms of the integrity of FMS and budget monitoring information and in year budget projections.

5. Conclusions

5.1. In light of the Crown Commercial Services procurement process for a purchasing card framework contact for the UK Public Sector, approval to procure via a mini competition exercise is therefore sought.

6. Recommendations

6.1. The Chief Officer (Shared Services) is recommended to approve the procurement of a purchasing card provider from the Crown Commercial Services framework contract via a mini competition process.