

Report of Head of Financial Services, Business Support Centre

Report to Chief Officer Shared Services

Date: 15th September 2014

Subject: Waiver to Contract Procedure Rules 9.1 and 9.2 to award a short term contract for 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 type="checkbox"/> Yes	<input checked="" 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. A short term contract was awarded until 9th October 2014, pending the completion of a multi lot procurement process for an e Purchasing Card Solution (ePCS) by Crown Commercial Services.
2. Crown Commercial Service completed the multi lot procurement process for the e Purchasing Card Solution (ePCS) on 18th August 2014. This has resulted in a framework contract from which the UK Public Sector, including Local Government, are able to award contracts for ePCS.
3. In accordance with the Council's decision making processes, the approval to procure via a mini competition process from this Framework Contract was taken as a Key Decision and included on the List of Forthcoming Key Decisions on 15th August for a period of 28 days. This Key Decision is subject to Call In.

4. The Terms and Conditions of the Framework Contract allowed for either direct call off from the framework or award via a mini competition exercise. Further to discussions with Procurement, it was agreed to make a direct award. However, following an initial evaluation on both price (70%) and quality (30%), it is apparent that there is little to differentiate between the suppliers on quality, while the best priced supplier is offering only a marginal improvement on the rebate rates that the Council currently receives.
5. It is therefore proposed that the Council tests the competitiveness of the suppliers under a mini competitive process. This will be conducted in line with the terms and conditions of the framework agreement. Following the award of the contract under this mini competition process, a period of transition will be required in order to exit from one supplier and migrate to the new supplier. It is therefore proposed that a further short term contract is awarded to Barclays from 10th October 2014 to 31st March 2015 to allow for this transition to be carried out in a planned way, ensuring that ICT issues are addressed and that there is sufficient time to train and communicate with card users across the council.

Recommendations

6. It is recommended that Contract Procedure Rules 9.1 and 9.2 are waived to allow the Council to enter into a short term contract, on the same terms and conditions as the current contract with Barclaycard Spend Management from 10th October 2014 until 31st March 2014. This will allow for a period of transition should there be a change in card provider following a mini competition process that is to be conducted in line with the terms and conditions of the framework agreement.

1. Purpose of this report

1.1. This report is to seek approval for the waiver of Contract Procedure Rules 9.1 and 9.2 for high value contracts (over £100,000) to enter into a short term contract from 10th October 2014 to 31st March 2015, on the same terms and conditions as the current contract with Barclaycard Spend Management to ensure a smooth transition from one supplier to another following the conclusion of a mini competition process.

2. Background information

2.1. 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. A short term contract was awarded until 9th October 2014, pending the completion of a multi lot procurement process for an e Purchasing Card Solution (ePCS) by Crown Commercial Services.

2.2. Crown Commercial Service completed the multi lot procurement process for the e Purchasing Card Solution (ePCS) on 18th August 2014. This has resulted in a framework contract from which the UK Public Sector, including Local Government, are able to award contracts for ePCS.

2.3. 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.

3. Main issues

Reason for Contracts Procedure Rules Waiver

3.1. Further to the previous waiver report dated 22nd July 2014, the Council issued a short term contract to Barclaycard Spend Management until 9th October 2014. This would allow sufficient time following the award of the Crown Commercial Services framework contract for a contract to be awarded, having evaluated the suppliers on both price and quality.

3.2. In accordance with the Council's decision making processes, the approval to procure via a mini competition process from this Framework Contract was taken as a Key Decision and included on the List of Forthcoming Key Decisions on 15th August for a period of 28 days. This Key Decision is subject to Call In.

3.3. The Terms and Conditions of the Framework Contract allowed for either direct call off from the framework or award via a mini competition exercise. Further to discussions with Procurement, it was agreed to make a direct award. However, following an initial evaluation on both price (70%) and quality (30%), it is apparent that there is little to differentiate between the suppliers on quality, while the best priced supplier is offering only a marginal improvement on the rebate rates that the Council currently receives.

- 3.4. It is therefore proposed that the Council tests the competitiveness of the suppliers under a mini competitive process. This will be conducted in line with the terms and conditions of the framework agreement. Following the award of the contract under this mini competition process, a period of transition will be required in order to exit from one supplier and migrate to the new supplier.
- 3.5. It is therefore proposed that a further short term contract is awarded to Barclays from 10th October 2014 to 31st March 2015 to allow for this transition to be carried out in a planned way, ensuring that ICT issues are addressed and that there is sufficient time to train and communicate with card users across the council.
- 3.6. Furthermore, Leeds City Council has been involved in the tender evaluation for Lot 1 of the contract (Wider Public Sector). This provides assurance that as and when the framework contract is in place, it will meet the requirements of the Council.
- 3.7. 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. Significant officer time would be required in order to carry out a procurement exercise and award a contract, to which there is an associated cost.
- 3.8. Therefore a waiver to Contract Procedure Rules 9.1 and 9.2 is sought and the Council enters into a short term contract, on the same terms and conditions as the current contract with Barclaycard Spend Management from 10th October 2014 to 31st March 2015. This will allow purchasing card holders within Leeds City Council to continue purchasing goods and services with purchasing card enabled suppliers.

Consequences if the proposed action is not approved

- 3.9. 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. It is important to ensure there is no interruption in this service as this may jeopardize the ongoing success of this project.
- 3.10. In addition, there would be significant resource implications if the Council were to commence a procurement process for a purchasing card supplier at this stage. Based on the award of a previous contract, a period of at least 9 months would be required to procure the service, with a further period of transition in order to re-issue replacement cards to card holders and put a new back office system in place.
- 3.11. 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.

3.12. 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.

Advertising

3.13. 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. The Council does not pay Barclaycard Spend Management for this contact, but instead receives cashback based upon the value of spend on purchasing cards. Therefore there are no financial costs of 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.

4.5.3. The financial implications of not extending the contract for a period of 6 months are as set out in paragraphs 3.9-3.12 above.

4.6. Legal Implications, Access to Information and Call In

- 4.6.1. In accordance with the Council's decision making processes, the approval to procure a new card supplier via a mini competition process from this Framework Contract was taken as a Key Decision and included on the List of Forthcoming Key Decisions on 15th August for a period of 28 days. This Key Decision is subject to Call In
- 4.6.2. Based upon the 2013/14 financial year, the value of the rebate that will be received in the period from 10th October 2014 to 31st March 2015 is estimated to be around £160k. Therefore the award of a short term contract to the current card supplier would be a Significant Operational Decision and would not be subject to call in. There is no payment to Barclaycard Spend Management for providing the purchasing card contract.

4.7. Risk Management

- 4.7.1. The Crown Commercial Service have awarded a multi lot procurement process for the e Purchasing Card Solution (ePCS), on 18th August 2014. This has resulted in a framework contract from which the UK Public Sector, including Local Government, will be able to award contracts for ePCS.
- 4.7.2. 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.
- 4.7.3. 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 meets the requirements of the Council.
- 4.7.4. As such, the Council deemed that in the interests of value for money, it would award a contract from the framework contract in place for ePCS.
- 4.7.5. Not entering into a short term contract with the current purchasing card provider 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.
- 4.7.6. 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.
- 4.7.7. 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.

4.7.8. In addition, there would be significant resource implications if the Council were to commence a procurement process for a purchasing card supplier at this stage. Based on the award of a previous contract, a period of at least 9 months would be required to procure the service, with a further 12 months in order to re-issue replacement cards to card holders and put a new back office system in place.

5. Conclusions

5.1. In light of the decision to undertake a mini competition process, a waiver of CPR 9.1 and 9.2 is sought in order to enter into a short contract with the Council's existing purchasing card provider from 10th October 2014 to 31st March 2015.

6. Recommendations

6.1. It is recommended that the Council enters into a short term contract with Barclaycard Spend Management for a purchasing card provider, on the same terms and conditions as the current contract with Barclaycard Spend Management from 10th October 2014 until 31st March 2014 to allow a transition period following any change in supplier.