

# Approval to award a contract to Lloyds Bank Plc for the provision of the e-purchasing card solution.

Date: 20 March 2024

Report of: Assistant Head of Shared Services

Report to: Director Strategy & Resources

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

## Brief summary

1. The current contract is with Lloyds Bank Plc for the provision of an e-purchasing card solution. The current contract is due to expire on 18<sup>th</sup> August 2024 and has no further provision to extend the contract.
2. The current e-purchasing card scheme supports over 1500 card holders across the Council and grant-maintained schools, providing an important facility to make payment directly for goods and services.
3. Over 160,000 transactions are made annually on the e-purchasing cards with a total spend in the region of £43m per year.
4. The e-purchasing card scheme generates annual income in the region of £500k per year through a rebate from the provider.
5. The impending implementation of a new financial management system and the considerable impact of such an undertaking, it is deemed that it would be a significant risk to the Council to change the e-purchasing card provider at this time.

## Recommendations

- a) It is recommended that the Director Strategy and Resources, approves a direct award to Lloyds Bank Plc for the provision of the e-purchasing card solution for a period of 3 years with the option of a 12 month extension, utilising Crown Commercial Services (CCS) framework; Lot 1 of the RM6248.
- b) The direct award to Lloyds Bank Plc extension will commence on 19<sup>th</sup> August 2024 with an anticipated value of £500k per annum. The contract value is related to the rebate the Council receives from the purchases made using the e-purchasing cards.

### 1. What is this report about?

- 1.1 The purpose of the report is to obtain approval from the Director Strategy and Resources to directly award a contract for the e-purchasing card solution for a period of 3 years with the option of a 12 months extension, to Lloyds Bank Plc, utilising Crown Commercial Services (CCS) framework Lot 1 of the RM6248.

- 1.2 The procurement of the current contract was undertaken via a mini tender exercise utilising an existing Crown Commercial Services (CCS) framework agreement. Ref RM3828.
- 1.3 The Council is implementing a new Financial Management System, Microsoft Dynamics, which is scheduled to be implemented in October 2024. The implementation of this product is coming at a huge investment of time from colleagues across the Council. As part of this implementation, integration with the Lloyds Banking Group application, CCDM, that supports the e-purchasing card transactions is taking place to ensure continuity of service of the e-purchasing card solution.
- 1.4 Leeds City Council currently spends approximately £43m per annum using e-purchasing cards.
- 1.5 At the current time there are 1,593 card holders across all the Council's services and within the Council's grant-maintained schools.
- 1.6 During the financial year 2022/23, 167,809 transactions were made using e-purchasing cards, which have proved to be an efficient means of making prompt, secure payments for many goods and services.
- 1.7 The use of e-purchasing cards has enabled safe and secure payment to be made online when this is needed, drastically reducing the reliance on petty cash and greatly reducing the number of invoices being received for payment. The use of e-purchasing cards has had a positive impact on the Council's legal obligation to pay its suppliers promptly.
- 1.8 In addition, the Council has been able to generate revenue through the use of the e-purchasing cards. By seeking to maximise this method of payment and take advantage of the rebate that is available from the e-purchasing card scheme provider, the Council receives an annual income. Based on the spend made on the cards for the financial year 2022/23 the rebate received was £518,572.56.
- 1.9 The existing contract arrangements for the provision of the current e-purchasing card contract is due to expire on 18<sup>th</sup> August 2024.

By using e-purchasing cards the Council has been able to take advantage of the revenue that this type of spend can generate via the rebate that card providers are willing to pay for processing payments in this manner. Over the term of the current contract the use of this method of payment has increased considerably and the annual rebate has increased by over £100k during the current contract.

## **2. What impact will this proposal have?**

- 2.1 The Council already has a mature e-purchasing card programme and supports a large number of card holders. The cards are used in a variety of ways to make payment for goods and services. This ranges from supporting social workers in their contacts with vulnerable adults and children, purchasing ITC technical hardware and software, purchasing office consumables and furniture, and also enabling safe and secure payments to be made online such as vehicle licensing, television licensing, court fees, professional subscriptions and many more other similar activities.
- 2.2. The e-purchasing card scheme delivers a number of benefits; it enables Council and School staff to make purchases relatively easily for small value items, making sure that

there are proper checks and authorisations in place for this type of spend and ensures a full audit trail is maintained; it has greatly reduced the reliance on petty cash or staff reclaiming expenses for business related spend; it has enabled staff to safely transact online; it has greatly reduced the volume of invoices that require processing thereby reduced the costs associated with invoice processing and supported the Council in its obligation under the prompt payment regulations to pay its suppliers within 30 days.

- 2.3. Payment by card also provides concise data on the spend activity, providing detailed management information on the amount being spent, where the money is being spent and by whom. Spend on the cards is fully auditable, the amount that can be spent by any one individual is controlled and monitored.
- 2.4. The council receives the same level of protection from fraud as with any personal credit card. The card suppliers, working in conjunction with Visa and Mastercard, go to great lengths to tackle fraud by monitoring trends and transactions of the card user to identify unusual activity.
- 2.5. Credit limits are set at individual levels agreed by managers and budget holders and can be adjusted very quickly and simply by approved authorisations. Lost or stolen cards can be stopped instantly to prevent misuse and Strong Customer Authentication has been rolled out for online transactions to further prevent misuse and fraud being perpetrated.
- 2.6. Due to the impending implementation of a new financial management system and the considerable impact of such an undertaking, it is deemed that it would be a significant risk to the Council to change the e-purchasing card provider at this time.
- 2.7. Whilst implementing a new system it would be prudent to have an established alternative method to pay suppliers to mitigate any potential risks with payment of invoices.

### **3. How does this proposal impact the three pillars of the Best City Ambition?**

Health and Wellbeing                       Inclusive Growth                       Zero Carbon

- 3.1. It enables those staff that need to transact online to do so securely and safely and for those staff out in the communities to be able to pay electronically for the products they need in the course of their business. Ensuring that staff feel confident using the e-purchasing card securely and safely supports their health and wellbeing.
- 3.2. The e-purchasing card scheme ensures that service areas can respond quickly to the needs of vulnerable service users ensuring that their health and wellbeing is protected.
- 3.3. Having the facility to pay suppliers promptly with e-purchasing cards ensures inclusive growth for all suppliers who interact with the Council.
- 3.4. The e-purchasing card scheme ensures that the Council spends its money wisely by ensuring these transactions, where possible, reduce or remove some of the administrative burden associated with purchasing small value items, that there is appropriate governance around such purchases and a clear audit trail. It also ensures that the Council takes advantage of the rebate that is on offer and receives an appropriate income related to the use of these cards to make payment.
- 3.5. This contract does not have any direct impact on the climate emergency issues. The contract however has brought greater automation to the payment of goods and

services and better supports remote working and home working through the management systems that support the use of the cards.

- 3.6. Technological advances since the original contract was awarded has enhanced the way these cards can be used in conjunction with smart phones. It has enabled the capture of receipts, the coding of transactions or authorisation of payments on the go, which has further reduced the administrative burden that may have been associated with the recording and the authorisation of these payments. Thus this has reduced the movement of paper records and receipts that support these payments.

#### 4. What consultation and engagement has taken place?

Wards affected: All wards

Have ward members been consulted?       Yes                       No

- 4.1. The intention to re-procure an e-purchasing card solution for a period of 3 years plus the option of a 12 month extension has been placed on the list of forthcoming key decisions on 21<sup>st</sup> December 2023.
- 4.2. Engagement has taken place with colleagues in Procurement and Commercial Services who have provided support and guidance on the approach recommended of a direct award to Lloyds Bank Plc.
- 4.3. Consultation has taken place with colleagues working on the Core Business Transformation Team who recognise the risks associated with a possible change in e-purchasing card provider at this time and are supportive of recommendations of this report.
- 4.4. As this will be a direct award to the current supplier, service users will not experience any change as they will continue to pay for goods and services in the same way.

#### 5. What are the resource implications?

- 5.1. The e-purchasing card enables payment to suppliers to be made at the point of sale. However, the Council only settles the balance of the spend on the cards on a monthly basis and is therefore able to make payment promptly to its suppliers without severely impacting on cash flow.
- 5.2. All transactions made by e-purchasing cards are fully auditable. Where transactions are made with contracted suppliers and level 3 line item detail is available, this data flows in to the management information system automatically and any VAT accounted for without additional resources required. Where there is only level 1 or 2 data available from the supplier, then the transaction is still auditable and the coding of any spend is required in line with financial procedure rules so that the Council's financial management system can be accurately updated.
- 5.3. The e-purchasing card makes a significant positive contribution to the Council's financial challenge as a rebate is provided by the provider, Lloyds Banking Plc. Based on the spend made on the cards for the financial year 2022/23 the Council received a rebate of 1.2% totalling £518,572.56. The same rebate rate would continue on any new contract under the proposed direct award. As the level of the rebate going forward, should spend remain at the same level should be retained. There is scope for further transactions to be made by e-purchase card and the level of the rebate increased.

5.4. The existing contract is managed within Central Payments and this arrangement will continue under the extended contract. Therefore, there are no additional resource implications connected with this contract.

## **6. What are the key risks and how are they being managed?**

6.1. The impending implementation of a new financial management system and the considerable impact of such an undertaking, it is deemed that this would be a significant risk to the Council to change the e-purchasing card provider at this time.

6.2. A new provider would mean duplicate integration at a time when resources are already stretched within the BSC and IDS with the implementation of Microsoft Dynamics.

6.3. Whilst implementing the new financial management system it would be prudent to have an established alternative method to pay suppliers to mitigate any potential risks with payment of invoices.

6.4. Introducing Microsoft Dynamics will be a huge period of change for all areas of the Council, whilst staff are adjusting to this significant change, it would be a risk to implement a new e-purchasing card provider.

6.5. The task of re-issuing 1,500 new cards for a new provider to users would be a significant undertaking and at a time when there is already considerable disruption and change taking place.

6.6. In the financial year 2022/23 the current e-purchasing card scheme supported 1593 card holders across the Council manage 167,809 transactions. The purchase card scheme has therefore become an important business tool for many services.

6.7. There are currently 22 embedded virtual cards placed with approved contractors, in the financial year 2022/23 these enabled 24,970 transactions amounting to over £14 million. Embedded virtual cards drastically reduce the administration of transactions and this would be a large administration burden if this was not available.

6.8. The current e-purchasing card scheme generates an annual income of approximately £500K per year. The loss of this income to the Council would be significant.

6.9. The Council has a statutory obligation to make payment to its suppliers in 30 days. The use of the e-purchasing card ensures that those suppliers paid in this way are paid well within this term and with little to no impact on the Council's cash flow. The loss of this facility would impact greatly on the accounts payable function and other business admin support functions, and result in the need for additional resources to process the additional invoice numbers to meet the payment obligation.

## **7. What are the legal implications?**

7.1. As the decision to directly award a new contract for an e-purchasing card solution is a Key Decision this has been placed on the list of forthcoming key decisions on 21<sup>st</sup> December 2023 and has been open for a period of 28 days for call-in.

7.2. Under the Council's scheme of delegation, The Direct of Strategy and Resources is able to approve the decision to directly award the contract as recommended in this report.

7.3. The procurement of the contract will be utilising an existing Crown Commercial Services (CCS) framework agreement. Ref RM6248.

- 7.4. An Equality, Diversity, Cohesion and Integration Impact screening was completed and appended to the Approval to Procure report and Approval to Award report. This has been reviewed and no impact has been identified with regards to the proposal to directly award a further contract.
- 7.5. A Data Protection Impact Assessment Screening was conducted ahead of the Approval to Procure and Approval to Award the current contract. This has been reviewed with no amendments. A copy is attached to this report.

## **Options, timescales and measuring success**

### **8. What other options were considered?**

- 8.1. If the contract is not directly awarded to Lloyds Bank Plc then Council would no longer have an established e-purchasing card solution to mitigate the risks surrounding implementing a new financial management system.
- 8.2. A mini competitive tender exercise could have been undertaken using the Crown Commercial Services Framework, however, this may have resulted in a change of provider which would have considerably increased the risk of implementing a new financial management system.

### **9. How will success be measured?**

- 9.1. The Purchasing Card team within Central Payments will continue to manage the contract and they will liaise with Lloyds Bank Plc via monthly performance meetings to discuss any issues.

### **10. What is the timetable and who will be responsible for implementation?**

- 10.1. As this is a direct award with the current supplier there is no implementation as the current services will continue. The new contract with Lloyds Bank Plc will commence on 19th August 2024.

### **11. Appendices**

- Equality, Diversity, Cohesion and Integration Impact screening
- Data Protection Impact Assessment

### **12. Background papers**

- None