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Report of: The Head of the Business Support Centre

Report to: The Director of Resources and Housing

Date: 27th April 2020

Subject: Approval to award a contract for the provision of an e-Purchase Card Solution.

Are specific electoral wards affected?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If yes, name(s) of ward(s):	
Has consultation been carried out?	<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
Will the decision be open for call-in?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, access to information procedure rule number:	
Appendix number:	

Summary

1. Main issues

- The Council's current contract for its e-purchase card solution (Pcard) will expire 18th August 2020.
- The current Pcard scheme supports over 1200 card holders across the Council and in its grant maintained schools, providing an important facility to make payment directly for goods and services.
- Over 130,000 transactions are made annually on the Pcard with a total spend in the region of £39m per year.
- The Pcard scheme generates annual income in the region of £390k per year through a rebate from the Pcard provider.
- The procurement of the new contract was undertaken via a mini tender exercise utilising an existing Crown Commercial Services (CCS) framework agreement. Ref RM3828
- The contract value is related to the rebate the Council receives from the purchases made using the Pcards.

2. Best Council Plan Implications (click [here](#) for the latest version of the Best Council Plan)

- The procurement of this contract supports the Best Council Plan 2019/20 to 2020/2021 and the stated ambition to be an efficient, enterprising and healthy organisation. It ensures that the Council spends its money wisely by seeking to achieve the best price possible for the Council. In this respect it relates to the income that the Council receives by way of a rebate from the partnership with a card provider. It supports efficiencies as it reduces the administrative burden and associated cost with the purchase of small value items. It greatly reduces the need to use petty cash and reimburse expenses to those staff who support front line services and by making payment by Pcard the Council ensures that prompt payment is made to its suppliers.

3. Resource Implications

- The combined quality/price scores of the evaluation of the tender submission concluded that the Lloyds Banking Group (Lloyds) presented the highest scoring tender.
- As Lloyds are the current incumbent supplier, there will be no requirement to undertake any changes to the current working practices and the current 1200 plus cardholders will be unaffected by the award of this contract.

Recommendations

The Director of Resources and Housing is recommended to approve the award of a contract for the provision of an e-Purchase card solution for the Council to the Lloyds Banking Group effective from 19th August 2020 for a term of 3 years with the option to extend for a further 12 months.

1. Purpose of this report

- 1.1 The purpose of this report is to provide the Director of Resources and Housing with the relevant information so that they may consider the recommendation and approve the award of the contract for the provision of an e-Purchase card solution to the Lloyds Banking Group.

2. Background information

- 2.1 Leeds City Council currently spends approximately £39m a year on Pcards.
- 2.2 At the current time there are 1240 card holders across all the Council's services and within the Council's grant maintained schools.
- 2.3 During the financial year 2019/20, 133,288 transactions were made using purchase cards. Pcards have proved to be an efficient means of making prompt, secure payments for many goods and services.
- 2.4 The use of the Pcard 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 Pcards has had a positive impact on the Council's legal obligation to pay its suppliers promptly.
- 2.5 In addition the Council has been able to generate revenue through the use of the Pcards. By seeking to maximise this method of payment and take advantage of the rebate that is available from the Pcard Scheme provider, the Council receives an

annual income. Based on the spend made on the cards for the financial year 2019/20 the rebate received will be £397K.

- 2.6 The existing contract arrangements for the provision of the current Pcard solution is due to expire on 18 August 2020.
- 2.7 As the current income derived through this arrangement is likely to exceed £500k over the life of the contract, the decision to procure a new contract is classed as a Key Decision under the Council's delegated decision process.

3. Main issues

- 3.1 The Council already has a mature purchase card programme and supports a large number of purchase card holders. The cards are used in a variety of ways to make payment for the 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 for such as vehicle licensing, television licensing, court fees, professional subscriptions and many more other similar activities.
- 3.2 The Pcard scheme delivers a number 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 and thereby supported the Council in its obligation under the prompt payment regulations to pay its suppliers within 30 days.
- 3.3 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.
- 3.4 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.
- 3.5 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 will shortly be rolled out for online transactions to further prevent misuse and fraud being perpetrated.
- 3.6 By using Pcards 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 Pcard contract the use of this method of payment has increased considerably and an annual rebate of £397,670 has been achieved on the spend transactions for the financial year 2019/20.
- 3.7 The current Pcard contract is due to end on 18th August 2020. As such to ensure that this important payment facility is available to the Council, a further contract needs to be procured.

- 3.8 The current contract was procured under a CCS framework ref RM1095. This framework has now been replaced by CCS framework RM 3828
- 3.9 The approval to procure a new contract under this framework was taken by way of delegated decision taken by the Chief Officer of Shared Services published on 16th November 2018.
- 3.10 In using the CCS framework the Council is able to access the specialist expertise that Crown Commercial Services can provide on procurements of this nature.
- 3.11 The CCS framework includes 4 suppliers from 4 of the UK's major banking institutions and included the Council's current Pcard provider.
- 3.12 The CCS framework provides 2 options for call off from the framework; a direct call off, whereby the pricing, terms and conditions remain as stated in the framework; or by way of a mini tender whereby the pricing and the terms and conditions may be amended if required.
- 3.13 A mini tender exercise was undertaken and the evaluation criteria for the tender exercise was decided by way of administrative delegated decision under the Council delegated decision procedure.
- 3.14 An administrative decision on the tender evaluation split of 30% quality and 70% price mirroring the previous tender, was taken by the Head of the Business Support Centre on 20th November 2019.
- 3.15 Tenders were invited from all 4 of the listed suppliers on the framework via YORTender on 28th November 2019 and closed for submissions on 8th January 2020.
- 3.16 The Council received 2 tender submissions.
- 3.17 The tender evaluation panel was made up of 3 members; The Assistant Head of Financial Services (The Chair) and The Purchase Card Manager, both from the Council's Business Support Centre, and a Financial Manager from the Council's Corporate Finance team. The panel were further assisted by a Solution Architect from the Digital Information Service (DIS) in the evaluation of the information technology application that supports the Pcard scheme and the technical non – functional requirements of the tender.
- 3.18 The technical non - functional requirements were assessed by the DIS colleague on a pass/fail criteria. Both tender submissions passed these requirements.
- 3.19 The remainder of the tender evaluation was undertaken in three parts; for the first part of the evaluation each of the panel members undertook an independent assessment of the method statement submissions. Evaluating each submission against a prescribed scoring matrix, awarding a mark out of 5 for each response to the method statement questions.
- 3.20 The second part was an on-site demonstration by each of the organisations of the management system that would support their Pcard solution. This was evaluated by all 3 panel members and the representative from DIS
- 3.21 The panel members then met to arrive at a consensus mark for each submission in line with the scoring matrix.
- 3.22 The third and final stage being an evaluation of the pricing schedule submissions.
- 3.23 Based on the combined quality evaluation scores and the pricing evaluation scores the Lloyds Banking Group scored the highest and as such are the preferred tender.

- 3.24 The requisite standstill letters were issued to the successful and unsuccessful organisations on 16th April 2020.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 The Procurement Category Manager has supported the procurement activity throughout the process and has been consulted at each stage of the procurement to ensure the appropriate procedures were followed.
- 4.1.2 The Executive Member for Resources has been briefed on the intention to procure a new Pcard supplier contract and on the outcome of the recent procurement activity.
- 4.1.3 DIS representatives have been consulted on the need to procure and a representative from DIS was engaged to provide support and assess the technical non - functional requirements of the tender specification for the systems application that supports the management of the purchase card transactions.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 An equality, diversity, cohesion and integration impact screening has been completed and no impact has been identified with regard to the proposal to award this contract a copy is appended to this approval to procure report.
- 4.2.2 A Data Protection Impact Assessment Screening was conducted ahead of the procurement, this has been reviewed and there remains no change and no further issues with regards to data protection. A copy of the screening is attached to this report.

4.3 Council policies and the Best Council Plan

- 4.3.1 The procurement of a new contract for the provision of a PCard solution contributes to the Best Council Plan by ensuring that the Council is able to access the most efficient and modern methods of payment. 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. It further supports the stated ambition to be an efficient, enterprising and healthy organisation and ensuring 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.

Climate Emergency

- 4.3.2 This contract does not have any direct impact on the climate emergency issues. The contract however does bring 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.

4.3.3 There are further technological advances being brought to the market in the coming months that will further enhance the way these cards can be used in conjunction with smart phones. This will enable the capture of receipts, the coding of transactions or authorisation of payments on the go, which will further reduce the administrative burden that may be associated with the recording and the authorisation of these payments and reduce the movement of paper records and receipts that support these payments.

4.4 Resources, procurement and value for money

- 4.4.1 The Pcard 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.
- 4.4.2 All transactions made by Pcard 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.
- 4.4.3 The Council received 2 tenders from the 4 listed suppliers on the CCS framework. The preferred bidder has tendered a rebate price comparable to the current Pcard scheme which ensures that should the Council maintain the level of spend on the Pcards, then the level of income that will be generated will remain in line with that currently being received and there is potential for further expansion in the use of Pcards and therefore growth in the income received.
- 4.4.4 The contract value is based on the income the council can potentially generate from the rebate it receives and this is anticipated to be in the region of £390K per year, if current spend on the card remains at the current level. As such over the full 4 year term of the contract, including any potential extension, the income from this contract is estimated to be £1.5m.

4.5 Legal implications, access to information, and call-in

- 4.5.1 The decision to award a new contract for the provision of a Pcard solution is a key decision, due to the level of the anticipated annual income to the Council and therefore is subject to call in.
- 4.5.2 The intention to take this key decision was published on the list of forthcoming key decisions on 27th January 2020.
- 4.5.3 Under the Council's scheme of delegation The Director of Resources and Housing may take such key decisions and as such is able to approve the decision to award the contract as recommended in this report.

4.6 Risk management

- 4.6.1 The current Pcard scheme supports over 1200 card holders across the Council managing over 130,000 transactions annually. The Pcard has therefore become an important business tool for many services. Allowing the current contract to lapse,

- without a new contract to replace this important payment facility could severely hinder some services ability to function effectively.
- 4.6.2 The current Pcard scheme generates an annual income of approximately £390K per year. The loss of this income to the Council would be significant
 - 4.6.3 The Council has a statutory obligation to make payment to its suppliers in 30 days. The use of the Pcard 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 in the accounts payable function and result in the need for additional resources to process the additional invoice numbers to meet the payment obligation.
 - 4.6.4 In consideration of the effects of Covid-19 and the risks associated with disruptions to the supply of key products then the ability to make purchases by Pcard has been invaluable. The loss of this key payment facility could therefore have a serious impact on the Council's ability to function effectively if a similar crisis was to occur.
 - 4.6.5 As the preferred supplier has been selected under the Council's procurement policy and procedure, by way of a competitive tender, then there is a reasonable expectation that they will be awarded the contract they have been successful in tendering for. As such if the award is not approved or unreasonably delayed, then there is a risk that the preferred supplier may seek clarification and/ or challenge the process, resulting in potential damages being claimed and the associated reputational impact on the Council.

5. Conclusions

- 5.1 The procurement of the new contract for the provision of a Pcard solution has been conducted in accordance with the Council's stringent procurement procedures following a mini competitive tender approach using an existing CCS framework ref. RM3828.
- 5.2 The combined quality/price scores concluded that Lloyds Banking Group presented the highest scoring tender.

6. Recommendations

The Director of Resources and Housing is recommended to approve the award of a contract for the provision of an e-Purchase card solution for the Council to the Lloyds Banking Group effective from 19th August 2020 for a term of 3 years with the option to extend for a further 12 months.

7. Background documents¹

- 7.1 None.

¹ 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.