

	<p style="text-align: center;">Executive 8th October 2007</p> <p style="text-align: center;">Report from the Director of Finance and Corporate Resources</p>
<p>For Action Wards Affected: ALL</p>	
<p style="text-align: center;">Authority to award contract for Government Procurement Cards</p>	

Appendix 1 and 2 are not for publication

1.0 Summary

- 1.1 This report recommends that the Council moves to using procurement cards to pay selected contractors and requests authority to award a contract for Government Procurement Cards.

2.0 Recommendations

- 2.1 That Members agree that the Council uses Procurement Cards for the payment of selected contractors, subject to the Director of Finance and Corporate Resources being satisfied that the necessary procedures and policies are in place to protect the Council.
- 2.2 That members agree that in due course, Procurement Cards may be issued to selected individual officers subject to robust policies and procedures being developed by the People's Centre and agreed by the Director of Finance and Corporate Resources.
- 2.3 That Members award the contract for the Government Procurement Card (GPC) to Lloyds TSB Bank Plc from 12 October 2007 to 31st January 2010

3.0 Detail

Background

- 3.1 Brent Council in financial year 2005/06 processed 141,455 invoices with trade suppliers; 46,000 of these invoices are accounted for by 50 of the Council's suppliers (see Appendix 1). The aim of this project is to reduce the number of low value invoices that the Council processes by using Government Procurement Cards (GPC) in situations where there are repeat purchasers with established suppliers.
- 3.2 The GPC scheme began in 1997, and now has over 70,000 suppliers enrolled in it. It is endorsed by the National Audit Office and HM Treasury. It enables government bodies to purchase goods via the use of a GPC card, which can be either a physical card or a card number which can also be 'embedded' or lodged with a supplier (removing the need to produce a card each time)
- 3.3 The GPC Visa is a branded Visa Purchasing Card provided to the UK public sector through a framework agreement between OGC buying solutions, Visa and six GPC Visa Banks. The GPC Visa agreement enables all UK public sector organisations, including Central Government, Local Government, NHS, Education, and Emergency Services, together with voluntary organisations to benefit from a pre-negotiated contract that has been fully tendered through the OJEU process. It is fully compliant with all relevant UK and EU legislation, and the membership of the framework agreement was awarded to suppliers submitting the most economically advantageous tenders, taking into account price, quality, capacity and track record.
- 3.4 The aim of this card is to simplify the payment process and reduce the number of individual expense claims.

How it works

- 3.5 The GPC card is essentially a credit or charge card. It can be used over the phone, in person or online, or details can be stored by the supplier and activated on each occasion an order is processed. A bill is sent at the end of every month.
- 3.6 Management Information is supplied via web links to administrators - in Brent's case, the People Centre and Procurement Unit - who can assign charges to relevant cost codes which in turn are approved by the purchaser for reconciliation and to provide clear audit trails.
- 3.7 Suppliers are split into Merchant Levels dependent on the information supplied with each transaction. Level 1 suppliers are defined as credit card capable, i.e. they have a credit card terminal. Level 2 suppliers

have the capability to provide VAT summaries. Level 3 suppliers provide enhanced data including product information and individual VAT amounts.

- 3.8 With embedded cards, instead of paper invoices being produced by a supplier for every single transaction, the invoices are collated on the supplier's computer and printed out as a single monthly statement. For Brent, this would be broken down by service area, showing all transactions processed. This saves paper, and simplifies the reconciliation process.
- 3.9 The supplier is automatically paid by the card provider within two to four days of the initial transaction, increasing their cash flow and frequently producing discounts. In addition, because prompt payment is assured, goods are despatched immediately leading to reduced lead times which, in turn, will lead to reduced stock holding by the authority.
- 3.10 There are a number of security measures imposed by the card provider which prevent maverick expenditure and provide protections against fraud, including limiting the cards to product or category groups or limiting spending to a maximum amount per transaction or a maximum amount per accounting period. On line transactions are subject to the same controls as paper invoices and require authorisation by the appropriate manager.

Project

- 3.11 If members agree to the use of GPC, in accordance with recommendations 2.1 and 2.2 of this report, the project will be rolled out in 4 stages, as follows:
 - Stage 1: Roll out payment card to Office Depot Contract (Stationery Contract) in December 2007.
 - Stage 2: February 2008, roll out to other suitable contracts, most likely five embedded cards. Suppliers will be assessed by the Procurement Unit, in consultation with the People Centre and Finance for suitability based upon their 'Merchant VAT Level' and whether a secondary discount is available.
 - Stage 3: Quarter One 2008. Roll out to the People Centre to order travel for the whole Council in conjunction with the Travel Services Tender and remainder of embedded cards rolled out.
 - Stage 4: Quarter Four 2008. Roll out to specialist roles and individuals where a business case has been approved by Finance.

Prior to the project being rolled out officers will develop and put in place appropriate procedures and controls to protect the Council. In addition, OGC buying solutions have offered free of charge some additional

support with the roll out. The amount of this resource will be agreed with the OGC.

- 3.12 The People Centre will run the day to day administrative functions for the cards and will develop policies for use in conjunction with Corporate Finance and Human Resources. Audit will be fully involved to ensure that the process is seamless and that the correct audit trails are introduced prior to the commencement of the scheme.

The Award of Contract

- 3.13 It is intended that the contract will be let under the OGC buying.solutions framework agreement for GPC. As stated in paragraph 3.3, the framework agreement has been fully tendered through the OJEU process and is fully compliant with all relevant UK and EU legislation. The framework is available for the Council to call-off and removes the need for the Council to undertake a separate tendering exercise for a GPC supplier. OGC buying.solutions framework has 6 suppliers of GPC as follows:

- Barclaycard Business
- The Co operative Bank PLC
- The Royal Bank of Scotland
- Lloyds TSB
- Natwest
- Ulster Bank Limited

- 3.14 The Council undertook a mini-competition to determine which of the above suppliers would provide the most economically advantageous offer to the Council. All of the above suppliers were issued with an invitation to tender on 13th August and Tenders were due back on 21st August and were opened the same day. Both Natwest and Ulster Bank are now part of The Royal Bank of Scotland group and therefore only one joint bid was submitted by them.

- 3.14 Officers from the Procurement Unit, Finance and the People Centre have undertaken an evaluation of the four bids received. The Evaluation Panel recommends that the contract be awarded to Lloyds TSB Bank Limited (supplier 4)¹ as the highest scoring tenderer. A full breakdown of the evaluation criteria and of each bank's score against the evaluation criteria is set out in Appendix 3. The narrative below

¹The analysis and evaluation of individual suppliers, other than the successful supplier, is on an anonymous basis in the body of this report . Appendix 2, which is below the line, identifies the suppliers).

provides a comparison of the bids:

- All four banks offered identical methods of security, namely maximum spend controls, on line verification, category limitations and maximum single transaction limits.
- Each bank provided cover of £50,000 for fraudulent transactions per card and a maximum of £1.5 million corporate cover for fraud.
- It is not envisaged Brent would activate facilities such as cash withdrawals, cheque facilities and foreign exchange other than in emergencies; however very similar rates were applicable to all four bids.
- All bidders were satisfied that the scheme could be implemented within 12 weeks as set out in the specification and produced examples of previous implementation plans for similar sized organisations.
- Environmental policies were submitted and assessed, again there was little to choose between the four bids. At least one reference per bank was obtained and no concerns about service provision were raised. Similarly each bank had a Service Centre available for support and provision to cancel credit cards 24 hours a day.
- Supplier 2 seemed to have the best supplier development plans with large numbers of Level 2 and Level 3 suppliers (58%) signed to their Cardnet scheme. All suppliers offered seminars for supplier development and other initiatives such as direct mail etc to encourage suppliers to accept payments via GPC and again associated costs were almost identical.
- Supplier 4 is developing new initiatives shortly to be rolled out. In the case of low volume of transactions. It is anticipated suppliers would be reluctant to pay for the associated costs of having card taking facilities; this is particularly true of SMEs who may supply the Council two or three times a year. However, Supplier 4 are trialling a scheme where payment can be made via a 3rd party in a similar manner to the Paypal scheme. Slightly higher charges are incurred than the usual merchant fee but, conversely, the companies do not have to meet joining costs or the costs of maintaining a credit card terminal.
- Supplier 4 are also developing a system for one use credit cards. These cards do not exist physically but details can be passed to the supplier for a specific transaction amount on a specific date, and the user can turn up and collect the product. Such a scheme could be operated, for example, by social care, staff to pay for train travel for clients.

- 3.15 The financial benefit of each individual scheme was assessed on forecast of total spend over three years and the rates offered for rebates by each individual bank demonstrated in the table below. Rebates are paid annually by the card provider. Details are in Table 1 below.

Table 1 Cash rebates by card suppliers

	Year 1	Year 2	Year 3	Total
Expenditure	2 Million	5 Million	10 Million	
No. of cards	5	15	100	
Spend per card	400,000	333,333	100,000	
Supplier 1²	3,920	10,050	25,300	39,270
Supplier2	3,000	10,000	25,000	38,000
Supplier 3	2,000	5,000	20,000	27,000
Supplier 4	2,000	7,500	25,000	34,500

- 3.16 These cash rebates are offset in some instances by costs charged for provision of management information systems. Table 2 below incorporates the cost of Management Information systems against cash rebates attainable.

Table 2 Rebates net of cost of management information

	Cash Rebate	MI Cost over 3 years	Total Benefit
Supplier 1	39,270	20,000	19,720 ³
Supplier2	38,000	20,000	18,000
Supplier 3	27,000	25,000	2,000
Supplier 4	34,500	-	34,500

- 3.17 The new contract will be let for a period from 12 October 2007 to 31 January 2010 and will be on the terms and conditions set by the OGC buying.solutions framework agreement for the Government Procurement Card.

4.0 Financial Implications

- 4.1 The Council's Contract Standing Orders state that contracts for

² Supplier 1 also offer a £10,000 bonus for signing up, but, this can be reclaimed if less than £4 million is spent in Year One.

³ This excludes the £10,00 potential bonus.

supplies and services exceeding £500k or works contracts exceeding £1million shall be referred to the Executive for approval of the award of the contract. In this case the potential charges by the banks to the suppliers – which range from 2-3% of cost – could take the value of the contract to the card supplier to over £500k

- 4.2 There will be a cost to administering the scheme within the People Centre. This will be funded by retention centrally of the cash rebate and an element of discounts negotiated with suppliers.
- 4.3 Savings will be made on top of this cost by:
- Discounts retained by departments;
 - The reduced administrative burden of processing invoices; and
 - The use of additional management information on supplies to target waste and enable more effective procurement.
- 4.4 The reduction in workload from reduced numbers of invoices could be significant. Moreover, this is on top of reductions in workload as a result of the introduction of the Eden Brown contract for agency staff and the planned introduction of self-service for HR transactions as part of the new HR and payroll system. The potential for cashable savings from these reductions in work-load are being reviewed as part of the 2008/09 budget process.

5.0 Legal Implications

- 5.1 The estimated value of this contract over the lifetime is higher than the EU threshold for Services and consequently the contract is governed by the EU procurement rules. The award is also subject to the Council's own Standing Orders in respect of High Value contracts and Financial Regulations.
- 5.2 The contract is being procured under a Framework Agreement set up by the OGC buying.solutions. The EU procurement rules allow the use of framework agreements (call-off contracts) and prescribe rules and controls for their procurement. Contracts may then be called off under such framework agreements without the need for them to be separately advertised and procured through a full EU tendering process.
- 5.3 The Council's Contract Standing Orders state that no formal tendering procedures apply where contracts are called off under a Framework Agreement established by another contracting authority, where call off under the Framework Agreement is recommended by the relevant Chief Officer. However, this is subject to the Borough Solicitor advising that participation in the Framework Agreement is legally permissible and approval to participate in the Framework being obtained from the Director of Finance and Corporate Resources. The Borough Solicitor

and the Director of Finance and Corporate Resources have given the necessary approval.

- 5.4 As a formal tendering exercise is not being undertaken officers did not need Executive approval prior to commencing this procurement. However, Executive approval is required for the award of contract as the estimated value of the contract is in excess of £500,000.
- 5.5 As this contract will be awarded via a framework contract, set up by OGC buying.solutions the mandatory minimum 10 calendar day standstill period does not apply to this contract.

6.0 Diversity Implications

- 6.1 The proposals in this report have been subject to screening and officers believe that there are no diversity implications other than Supplier 4's new product development which should enable local SMEs to more easily do business with Brent.

7.0 Staffing/Accommodation Implications (if appropriate)

- 7.1 This is a new service and there are no implications for Council staff arising from the contract. Procurement will be responsible for the contract set up and deal with any major issues. The People Centre will manage the day to day administration and contractual issues.
- 7.2 The efficiency savings gained will be dealt with as part of the wider Finance Review.

8.0 Sustainability Issues

The introduction of this system would lead to a significant decrease in the consumption of paper for the Council, their suppliers and the card provider, for example GPC Visa estimates that it saves 1,000,000 sheets of A4 per month as a result of this system.

GPC also contributes to the Government's efficiency agenda. It is also an integral part of the e-government agenda and provides immediate opportunity for effective migration towards e- procurement.

9.0 Background Papers

- 9.1 None

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Evaluation of suppliers

Supplier 1

Evaluation criteria		Un-acceptable	Poor	Acceptable	Good	Excellent	Score
	Weight	0	1	2	4	5	
Financial Competitiveness and Affordability							
Financial benefits to the council	25			○			10
Quality							
Ability to meet the requirements of the Specification	10				○		8
Environmental matters	5					○	5
Numbers of level 1, 2 & 3 suppliers and details of supplier development schemes	10				○		8
Quality control and assurance	10				○		8
Technical competencies and associated service provision, including past experience and experience of staff	10				○		8
Customer Care, including references	10				○		8
Fraud Prevention measures both internal & external	10				○		8
Ability to meet the Council's timescales incl outline project plan	5					○	5
Ability to ensure smooth and seamless implementation	5				○		4
Total score							72

Supplier 2

Evaluation criteria		Un-acceptable	Poor	Acceptable	Good	Excellent	Score
	Weight	0	1	2	4	5	
Financial Competitiveness and Affordability							
Financial benefits to the council	25			○			10
Quality							
Ability to meet the requirements of the Specification	10				○		8
Environmental matters	5		○				1
Numbers of level 1, 2 & 3 suppliers and details of supplier development schemes	10			○			4
Quality control and assurance	10				○		8
Technical competencies and associated service provision, including past experience and experience of staff	10				○		8
Customer Care, including references	10				○		8
Fraud Prevention measures both internal & external	10				○		8
Ability to meet the Council's timescales incl outline project plan	5					○	5
Ability to ensure smooth and seamless implementation	5				○		4
Total score							64

Supplier 3

Evaluation criteria		Un-acceptable	Poor	Acceptable	Good	Excellent	Score
	Weight	0	1	2	4	5	
Financial Competitiveness and Affordability							
Financial benefits to the council	25	○					0
Quality							
Ability to meet the requirements of the Specification	10			○			4
Environmental matters	5				○		4
Numbers of level 1, 2 & 3 suppliers and details of supplier development schemes	10	○					0
Quality control and assurance	10		○				2
Technical competencies and associated service provision, including past experience and experience of staff	10			○			4
Customer Care, including references	10			○			4
Fraud Prevention measures both internal & external	10			○			4
Ability to meet the Council's timescales incl outline project plan	5			○			2
Ability to ensure smooth and seamless implementation	5			○			2
Total score							26

Supplier 4

Evaluation criteria		Un-acceptable	Poor	Acceptable	Good	Excellent	Score
	Weight	0	1	2	4	5	
Financial Competitiveness and Affordability							
Financial benefits to the council	25				○		20
Quality							
Ability to meet the requirements of the Specification	10					○	10
Environmental matters	5		○				1
Numbers of level 1, 2 & 3 suppliers and details of supplier development schemes	10					○	10
Quality control and assurance	10					○	10
Technical competencies and associated service provision, including past experience and experience of staff	10					○	10
Customer Care, including references	10				○		8
Fraud Prevention measures both internal & external	10					○	10
Ability to meet the Council's timescales incl outline project plan	5					○	5
Ability to ensure smooth and seamless implementation	5					○	5
Total score							89