

<b>Committee:</b>	<b>Date:</b>
Finance Committee	18 October 2016
<b>Subject:</b> Review of the Corporate Purchase Card Policy after 12 months	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Chris Bell and Geoff Parnell, Chamberlain's Department	

### **Summary**

The report provides Members with a review of the City of London Purchase Card (P-card) Policy one year after it was approved.

The P-card Policy came into effect on 1 October 2015. Since the Policy went live, City Procurement has received feedback from a number of departments and as part of the annual review several amendments to the Policy were approved at June 2016's Finance Committee. Over the last year the P-card Policy has given the 826 cardholders and 200 approvers much improved guidance on how P-cards should be used.

#### **Main impacts since introduction of the P-card Policy:**

- a) A reduction in the number of cardholders from 900 down to 826
- b) Increased mitigation against potential card misuse
- c) Improved guidance and information on P-card usage
- d) A new P-Card Management System (CityCard) launched
- e) A new quarterly Chief Officers P-card Report giving a holistic view on P-card spend and compliance by department
- f) An annual review process of cardholders and their credit limits
- g) A plan for further Improvement initiatives in relation to P-card use.

### **Recommendation**

Members are asked to:

- a) Note the impact of the P-card Policy
- b) Note the analysis of the cardholder community and credit limits
- c) Note the proposed trial to re-route purchases of less than £100 to a P-Card to review potential efficiencies, savings and investigate risks of a permanent intervention of this nature.

### **Main Report**

#### **Background**

1. The P-card Policy came into effect on 1 October 2015 after being approved at September 2015 Finance Committee. The new Policy was developed to provide Corporation Officers clarity on the rules of P-card use developed in line

with industry best practice. There was no corporate P-card policy in place prior to October 2015.

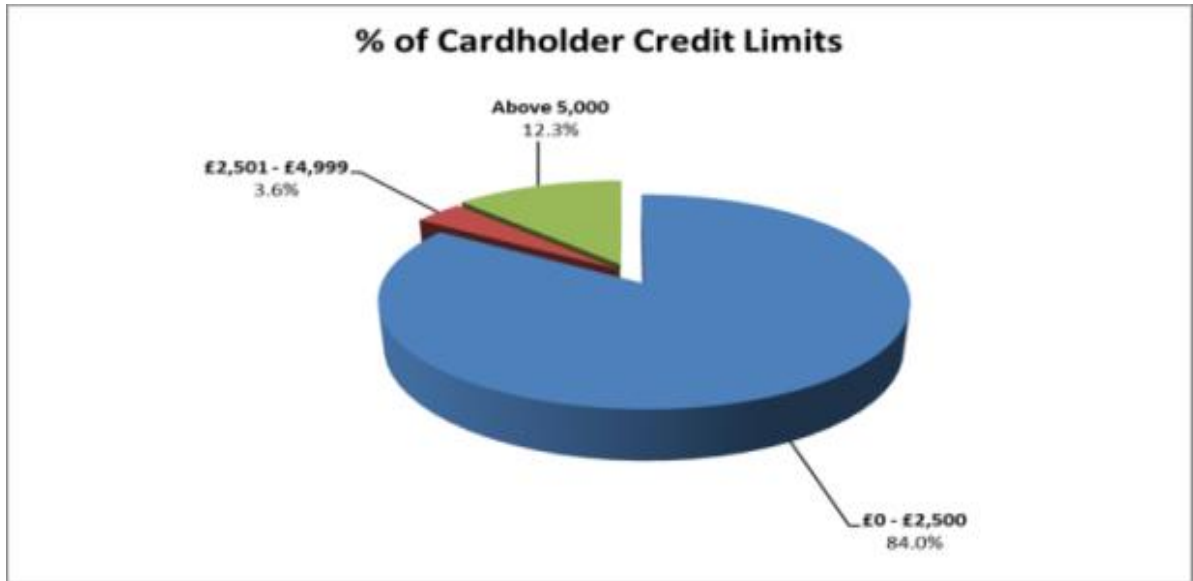
2. P-cards are mainly used to buy goods or services, online or by telephone, that cannot be purchased easily by traditional purchase order methods, such as business travel, low value one-off purchases and other ad hoc expenses.
3. CityCard, a completely new P-card management system, was developed with Lloyds Bank and went live for Corporation staff in January 2016.
4. When the Policy was introduced in October 2015 there were circa 900 cardholders, but a focus on justification of cardholders against business need since that time has resulted in a reduction in the number of cardholders to 826.
5. For the period of January 2016 - August 2016 the total P-card spend was £2.6 million through 27,443 individual transactions with an average spend per transaction value of £94.

#### **Profile of current P-card Holders and spend since January 2016.**

6. A review of P-card holders shows that we currently have 826 active cardholders with 665 users having made purchases during the first quarter of 2016/17. During that period the average transaction amount was £94.
7. The City of London Police is the most substantive users of P-cards with 330 cardholders accounting for 40% of the cardholder population. Other departments that hold a significant number of cardholders are Open Spaces (11%), The Barbican Centre (9.5%) and Town Clerk's (6%). A breakdown of the cardholder by department can be found at Appendix 2.
8. The total spend in 2016 so far via P-cards is £2.6M, with the main spenders being the City of London Police spending £494k (19%), Barbican Centre £444k (17%), GSMD £273k (11%), Mansion House £214k (8%) and Open Spaces £169k (7%). A full list and breakdown of spend can be found at Appendix 1.

#### **Analysis of existing Cardholder spend limits**

9. City Procurement's recommended individual and default cardholder limit is £2.5k. Currently 84% of individual cardholder's limit is this amount or below.
10. There are currently 12% of cardholders with a credit limit of £5,000 or above amounting to 102 users who have higher spend limits, these have been set by the Chief Officer of the individual cardholder.



11. City Procurement will produce a report sent to Heads of Finance and Chief Officer detailing all active cardholders within his/her area of responsibility, their existing credit limit and the total spent on each card. Departments will be required to review the report and advise if there are any cards to be cancelled or credit limits lowered to reduce financial exposure.

#### **Impact to date of the City of London Purchasing Card Policy**

12. The aim of the Policy was to improve compliance and minimise misuse, thereby mitigating the risk of fraud, poor value for money and reputational damage. The impacts below are evidenced from monitoring, report tracking, analysis, user feedback and observations during the last twelve months since:

##### **a) Mitigation of potential card misuse**

- i. The first time a cardholder or approver logs onto CityCard they are required to read and agree to the P-card Policy before they can proceed.
- ii. Each P-card now has the ability to be limited to certain specific types of spend.
- iii. The Policy links P-card misuse to the Corporation's Code of Conduct and disciplinary procedure.
- iv. A mechanism is in place to recoup spend classified as misuse, from the officer via payroll.

##### **b) Improved guidance and information for P-card holders, approvers and Chief Officers**

- i. The P-card Policy provides officers with detailed guidance on legitimate use of a P-card.
- ii. The responsibilities of cardholders and approvers are clearly outlined. If cardholders misuse their card and make a purchase

outside the Policy the P-card Policy states that these actions can be referred to relevant HR policies that deal with misconduct.

- iii. Chief Officers are also given specific guidance in the Policy supported by a new quarterly Chief Officers' P-card Report which provides visibility to each Chief Officer of his/her department's P-card spend and highlights potential non-compliance with the Policy.

### **c) The introduction of a new P-card Management System (CityCard)**

CityCard, a new P-card management system developed with Lloyds Bank went live in January 2016. Below are some of the key benefits of CityCard:

- i. **Online Approval Workflow** - An electronic approval process replacing paper expense reports. This reduces risk of misuse, fraudulent signatures, lost receipts and unauthorised spend going unchallenged.
- ii. **The upload of Receipts and Invoices** - Receipts and invoices are now required to be uploaded and stored electronically for each transaction. Since CityCard was introduced in January cardholders have improved attaching valid VAT receipts by a volume of 20%.
- iii. **An Image Library facility** - Receipts and invoices can be emailed directly to a user's personalised image library so that they can be attached to a transaction when coding and submitting a claim.
- iv. **Clearer VAT Options** - VAT is automatically calculated and there are clearer VAT options for users to ensure correct coding.
- v. **Improved Business Rules** - System Rules ensure mandatory fields are completed.
- vi. **Improved Reporting and Monitoring options** – Bespoke reporting available to officers for analysing spend on card transactions.
- vii. **VAT reclamation** - The introduction of CityCard has seen a 10% increase in the amount of VAT claimed since January 2016.

### **Further Improvement initiatives in relation to P-card use**

13.A P-card e-learning module has been developed and is currently being trialled will be rolled out to all cardholders and approvers with the module being mandatory training.

14. A Chief Officers' P-card Report which provides each Chief Officer with an overall view of spend on P-cards within their department. These reports provide details of transactions that Chief Officers should review for potential misuse.
15. City Procurement will undertake a trial to use P-cards for all spend under £100. The purchase-to-pay (P2P) average cost to process an invoice is around £25 while the cost of a P-card transaction is £5. The trial will see P-cards used as default for spend under £100 instead of purchase orders. Appendix 2 shows based on last year's volume we could have saved circa £183k on processing costs alone, minus any rebate negotiable with Lloyds.

### **Conclusion**

16. City Procurement implemented the P-card Policy a year ago providing cardholders, approvers and Chief Officers with clear guidance on P-card usage and the associated responsibilities. The clarity provided by the Policy, together with the improved system functionality, controls, an e-learning module and greater visibility of has increased compliance and minimised the risk of maverick spend, misuse and reputational damage to the Corporation. There are continued improvement projects underway to further enhance risk mitigation and to explore commercial opportunities.

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## Appendix 1

### Cardholders and spend by Department

Department	No. of Cardholders	% of Cardholders	Spend between 19th Jan - 17th Aug (£)	% of Spend
City of London Police	330	40.0%	494,058.21	19.0%
Open Spaces	89	10.8%	169,910.61	6.5%
Barbican Centre	78	9.4%	444,322.14	17.1%
Town Clerk's	47	5.7%	151,849.71	5.8%
CoL Freeman's School	40	4.8%	138,892.75	5.3%
Guildhall School	39	4.7%	278,782.80	10.7%
Community and Children's Services	38	4.6%	65,433.31	2.5%
Markets & Consumer Protection	33	4.0%	72,033.01	2.8%
CoL School for Boys	25	3.0%	134,631.63	5.2%
CoL School for Girls	19	2.3%	126,253.66	4.8%
Culture, Heritage & Libraries	18	2.2%	53,435.08	2.1%
Chamberlain's	18	2.2%	23,694.73	0.9%
Built Environment	16	1.9%	44,075.72	1.7%
Mansion House	9	1.1%	214,239.26	8.2%
Tower Bridge	8	1.0%	60,101.74	2.3%
City Surveyor's	6	0.7%	28,359.42	1.1%
Remembrancer's	5	0.6%	35,231.81	1.4%
Central Criminal Court	4	0.5%	16,202.77	0.6%
Comptroller & City Solicitor's	2	0.2%	6,287.08	0.2%
Sir John Cass School	1	0.1%	29,222.78	1.1%
London Councils	1	0.1%	18,911.58	0.7%
<b>Total</b>	<b>826</b>	<b>100%</b>	<b>2,605,929.80</b>	<b>100%</b>

## Appendix 2

### Annual transactions processed by purchase order under £100

Month	Total No of Orders under £100	Total Value of Orders under £100	Total No of Orders over £100	Total Value of Orders over £100	Total No of Orders	Total Value of Orders	P-card Transaction Cost (On average £5 per transaction)	P2P Transaction Cost (On average £25 per transaction)	Potential Savings
Sep-15	791	£37,738	2,785	£16,775,591	3,576	£16,813,329	£3,955	£19,775	£15,820
Oct-15	868	£39,209	3,162	£21,499,737	4,030	£21,538,946	£4,340	£21,700	£17,360
Nov-15	809	£38,235	2,851	£17,847,288	3,660	£17,885,523	£4,045	£20,225	£16,180
Dec-15	599	£26,961	2,304	£10,504,962	2,903	£10,531,924	£2,995	£14,975	£11,980
Jan-16	805	£38,236	2,804	£10,175,672	3,609	£10,213,908	£4,025	£20,125	£16,100
Feb-16	827	£38,457	3,081	£10,215,389	3,908	£10,253,846	£4,135	£20,675	£16,540
Mar-16	761	£37,168	3,739	£17,974,676	4,500	£18,011,844	£3,805	£19,025	£15,220
Apr-16	773	£35,920	3,126	£29,235,508	3,899	£29,271,427	£3,865	£19,325	£15,460
May-16	776	£36,589	3,035	£19,091,143	3,811	£19,127,731	£3,880	£19,400	£15,520
Jun-16	795	£37,821	2,926	£27,898,034	3,721	£27,935,855	£3,975	£19,875	£15,900
Jul-16	753	£36,485	3,213	£16,448,818	3,966	£16,485,303	£3,765	£18,825	£15,060
Aug-16	603	£29,087	2,502	£17,067,123	3,105	£17,096,210	£3,015	£15,075	£12,060
<b>Grand Total</b>	<b>9,160</b>	<b>£431,906</b>	<b>35,528</b>	<b>£214,733,941</b>	<b>44,688</b>	<b>£215,165,847</b>	<b>£45,800</b>	<b>£229,000</b>	<b>£183,200</b>

