



London Borough of Enfield

Report Title	Purchase Card Payment Monitoring
Report to	Finance and Performance Scrutiny Panel
Date of Meeting	31 st October 2023
Cabinet Member	Cllr Tim Leaver
Executive Director	Fay Hammond
Report Author	Julie Barker Julie.barker@enfield.gov.uk
Ward(s) affected	n/a
Classification	<i>Part 1 Public</i>

Purpose of Report

1. This report sets out the current controls in place in relation to purchase card use and spend.

Main Considerations for the Panel

2. It is imperative that all Council purchase and payment processes have robust controls, are vigorously audited, and periodically reviewed.
3. Whilst there have been issues, post-pandemic in relation to purchase card spend and non-compliance, a significant and successful review has been completed.
4. Policies, procedures, and user guidance have been reviewed and rewritten. Rationalisation of purchase cards have reduced the number in circulation by nearly half. The implementation of spend limit categories and data analytics reporting provides robust controls and monitoring of spend.
5. The controls and monitoring outlined in this report ensure improved compliance and control going forward.

Background and Options

6. The Council's Financial Regulations and Contract Procedure Rules set out the guideline's officers must comply with when purchasing goods and services on behalf of the Council.
7. Purchasing goods via the Council's purchasing system, Neptune, and paying invoices against a purchase order is the Council's preferred method to pay for goods and services.
8. Purchase cards are only used where it is not appropriate to use Neptune. Purchase cards do not replace Neptune. They were introduced to enhance the purchase to pay process, providing an easy and flexible alternative for buying small spend items.
9. Purchase cards are primarily used by frontline services to purchase items for clients e.g., Occupational Therapists purchase equipment for clients to assist them with everyday activities, Social Workers use cards to pay for travelling expenses when visiting clients, Housing Services pay for essential items for rough sleepers moving into new accommodation.
10. In August 2022, a review was undertaken to revise and reframe the use of purchase cards across the Council. As a result, the number of purchase cards in circulation was reduced, purchasing limit categories were introduced together with a new application process. Policies and work instructions were also reviewed and updated.
11. As a result of the review, the number of purchase cards in circulation has reduced by 49%. The table below shows the number of purchase cards in circulation in 2021/22 compared to current numbers.

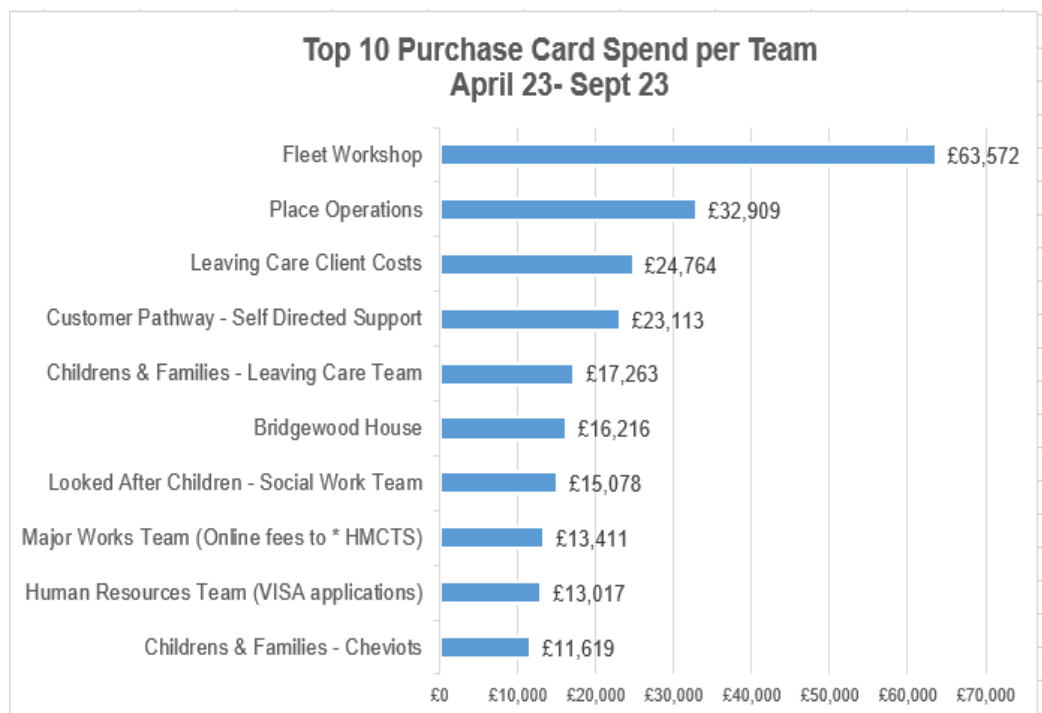
Number of Purchase Cards in circulation		
Departments	2021/22	@ 01.10.2023
People	304	168
Resources	42	16
Place	112	
Chief Exec	31	19
NHS staff	19	6
Enviro & Comms		23
Housing & Regen		29
	<u>508</u>	<u>261</u>

12. The reduction to the number of cards in circulation has reduced spend. The tables below show purchase card spend in the last 6 months: March 2023 to August 23, compared with the same 6 months in 2022.

6 month period- Mar 23 to Aug 23	
Transactions	Spend
5645	£ 614,928.62

6 month period- Mar 22 to Aug 22	
Transactions	Spend
7391	£ 1,249,330.29

13. Whilst the tables above show a 51% reduction in spend, the number of purchases has only reduced by 24%. Review of spend shows that cards are primarily being used to purchase small spend items whereby previously high value items were purchased.
14. The table below shows the 'Top 10' purchase card spend, split per team, April 2023 to Aug 2023. This data provides some insight into the services using purchase cards.



* His Majesty Courts & Tribunal Service

15. The majority of spend shown in the table above relates to clients and on-line payments for fees and charges. In relation to 'Fleet Workshop' spend, this primarily relates to road tax for council owned vehicles and specialist repairs and parts. In relation to spend against 'Place Operations', this relates to emergency and temporary accommodation.

16. A maximum spend category has been introduced and is applied to cards to control the amount of spend and to ensure consistency across services.
17. The table below shows 5 maximum spend categories purchase cards are allocated to. The category applied to cards, is based on service requirement.

18.

Monthly Maximum Spend Limit	Single Transaction Limit	Category	Description
£1,000	£250	Category 1	Frontline worker/service who need a purchase card to carry out daily duties. The purchase card is used only for Council business related spend e.g. social worker travel, meeting clients, client activities/equipment etc.
£3,000	£500	Category 2	Frontline worker/service who needs a purchase card to carry out daily duties where there is a need for higher value purchases. The purchase card is also used to make purchases on behalf of colleagues/team, eg pooled cardholder
£5,000	£3,000	Category 3	Council officers who are purchasing higher value items or services required to ensure continuity of service across multiple teams, e.g. paying online for services
£20,000	£5,000	Category 4	Higher limits will require a business case for consideration by the Head of Exchequer Services, for exceptional payments only
£50,000	£50,000	Category 5	Directors & Executive Directors who are on the Emergency Response Rota and Emergency Planning Officers

spend and compliance to the Purchase Card Policy is monitored monthly by Exchequer Services. Directors are issued with a monthly report which itemises spend across their service together with non-compliance information.

19. Non-compliance by a purchase cardholder applies when purchases are not reviewed, VAT is not recorded or a receipt is not loaded on to the system, within agreed timescales.
20. The table below shows the improvement in compliance by purchase cardholders in the last 6 months (March 2023 to August 2023) compared to the same 6 months in 2022.

March 2022 to August 2022

Purchase card spend reviewed

Compliance	Total Value	Transactions	Percentage
N	£ 220,813.24	1048	17.67%
Y	£ 1,028,517.05	6343	82.33%
Grand Total	£ 1,249,330.29	7391	

March 2023 to August 2023

Purchase card spend reviewed

Compliance	Total Value	Transactions	Percentage
N	£ 40,090.04	506	6.52%
Y	£ 574,838.58	5139	93.48%
Grand Total	£ 614,928.62	5645	

21. Whilst compliance has improved, it is not 100% compliant within agreed timescales. All non-compliance spend is reviewed by Exchequer Services and cardholders are contacted and

retrospectively required to provide receipts. Non-compliant transactions split by Department is collate in Appendix A.

22. Non-compliance by a manager applies when spend made against cards they act as an approver for, are not approved within agreed timescales.
23. The table below shows the improvement in compliance by managers, approving spend in the last 6 months (March 23 to Aug 23) compared to the same 6 months in 2022.

March 2022 to August 2022

Purchase card spend approved

Compliance	Total Value	Transactions	Percentage
N	£ 431,347.21	2334	34.53%
Y	£ 817,983.08	5057	65.47%
Grand Total	£ 1,249,330.29	7391	

March 2023 to August 2023

Purchase card spend approved

Compliance	Total Value	Transactions	Percentage
N	£ 120,178.87	1289	19.54%
Y	£ 494,749.75	4356	80.46%
Grand Total	£ 614,928.62	5645	

24. Whilst compliance has improved, it is not 100% compliant within agreed timescales. All spend is however retrospectively reviewed and approved by the relevant manager.
25. A two-strike approach is followed in relation to non-compliance:
 - i. a written warning is issued in response to the first instance of non-compliance, reminding the cardholder and approver of their duties and responsibilities and the requirements of the policy.
 - ii. the purchase card is suspended on the second instance of non-compliance.
26. Purchase cards suspended for non-compliance will only be reinstated in exceptional circumstances.
27. On a monthly basis, spend is reviewed and transactions investigated by Exchequer Services. Officers and managers are contacted if purchase cards are being used inappropriately i.e., purchases should have been made via Neptune and payments made against a purchase order.
28. If misappropriation is suspected, a referral to the Counter Fraud Team is made and cases are investigated.

Additional Improvements

29. In June 2023 Exchequer Services set up a business account with Amazon. The account improves spend transparency and provides automation of VAT receipts (maximising VAT recovery). The Council also benefits from cheaper items and 'public sector' discounts as well as free and quick delivery. Exchequer Services acts as the administrator and thus can control purchases made by restricting and blocking items where appropriate.
30. The Business account can only be used by purchase cardholders for small spend items and where existing contracts are not in place.
31. In October 2022 Exchequer Services set up a Travelodge Business Account which assists the Temporary Accommodation Team with the purchasing and control of spend in relation to temporary accommodation. The Council receives a 5% discount on bookings made via the business account.
32. In December the Council will be rolling out a new purchase card system. This will improve transparency of spend with real-time reporting and spend dashboards. It will maximise VAT recording and recovery and will provide cardholders with a user-friendly system which is easily accessible for staff whilst working off site. Access via a mobile app will make it quicker and easier to upload receipts and review purchases and thus will improve compliance.

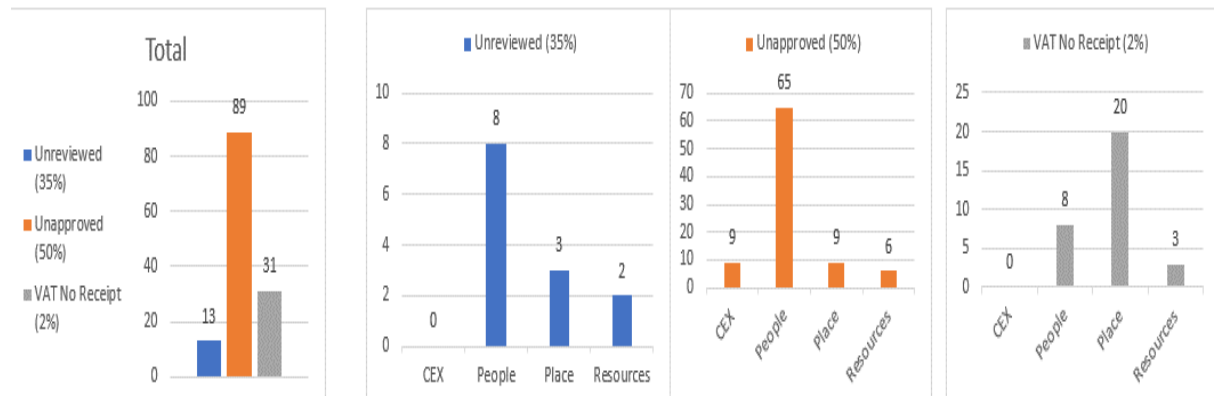
Relevance to Council Plans and Strategies

33. Purchase cards are a useful and agile ancillary payment option within a modern council, working primarily for the purchase of small spend items and as an emergency payment method. Purchase cards are mostly used by frontline services.
34. It is imperative that we operate systems that have robust controls in place, ensuring value for money and protecting the public purse.

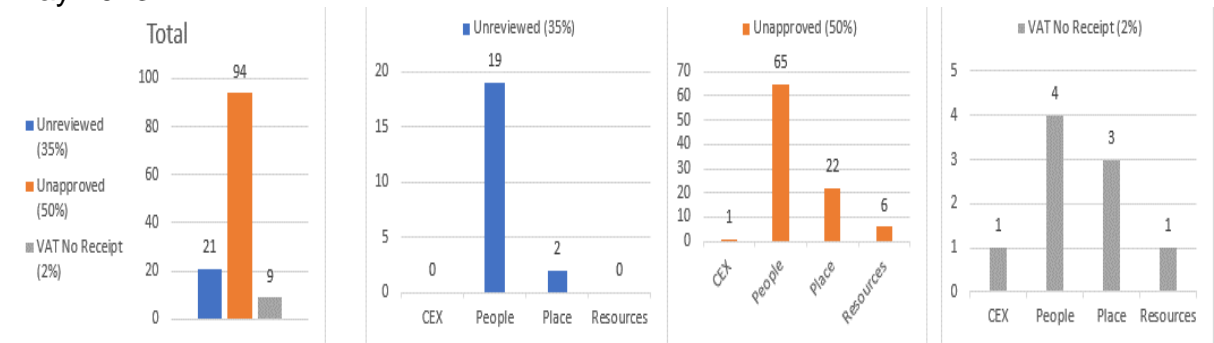
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Appendix A – Non-Compliant Transactions by Department (April 2023 – August 2023)

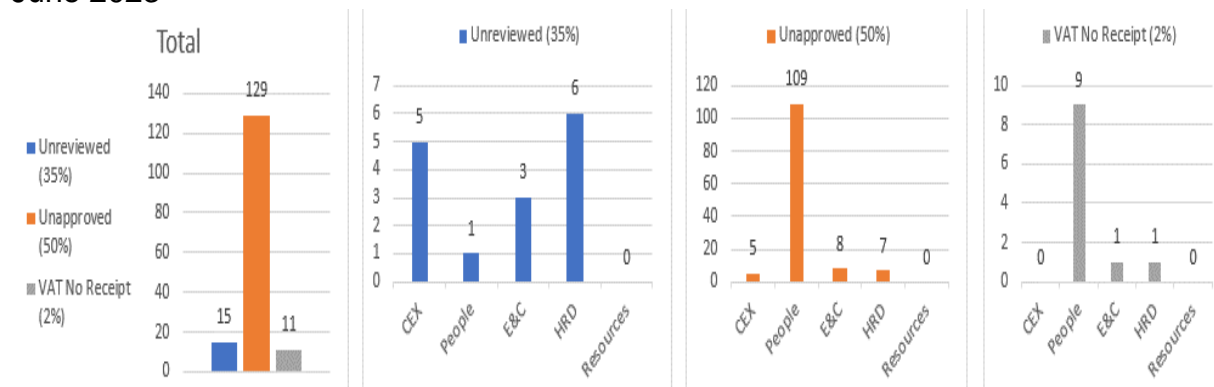
April 2023



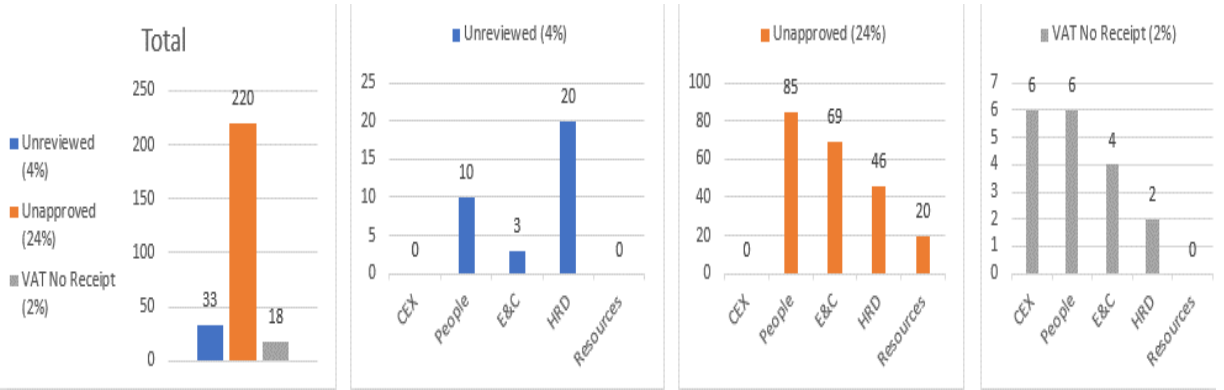
May 2023



June 2023



July 2023



August 2023

