

	<h2>CHIEF OFFICER IN CONSULTATION WITH COMMITTEE CHAIRMAN DELEGATED POWERS REPORT</h2>
<p style="text-align: center;"><b>Title</b></p>	<p><b>Procurement of a Prepaid Card Service for clients receiving services arranged or managed by Adults &amp; Communities and Children's &amp; Family Services</b></p>
<p style="text-align: center;"><b>Report of</b></p>	<p>Chairman of the Adults and Safeguarding Committee Strategic Director for Adults, Communities and Health</p>
<p style="text-align: center;"><b>Wards</b></p>	<p>All</p>
<p style="text-align: center;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: center;"><b>Enclosures</b></p>	<p>None</p>
<p style="text-align: center;"><b>Officer Contact Details</b></p>	<p>Gary Johnson Head of Customer Finance 020 8359 2289 <a href="mailto:gary.johnson@barnet.gov.uk">gary.johnson@barnet.gov.uk</a></p>

## Summary

The purpose of this report is to gain authorisation for the procurement of a new prepaid card solution for services that are provided by the council and potentially its local partners.

The council is initially proposing to use prepaid cards to arrange payments for five services, as set out in Table 1 Paragraph 1.2 below, for a total of around two thousand clients. Other services including Barnet Clinical Commissioning Group (CCG) have expressed an interest in using prepaid cards.

### **Current prepaid card provider**

The current prepaid card service within Barnet Council is with a provider called Wirecard UK & Ireland Limited. The current Wirecard contract was novated from the previous provider Citibank Europe PLC in 2017.

<b><u>Cards in issue</u></b>	<b><u>No.</u></b>
Adults Direct Payments	24
Family Services Permanent (excluding Short Breaks)	45
Family Services - Short Breaks	66
Family Services - Instant Issue	250
<b>Total:</b>	<b>385</b>

As set out in the table above, Wirecard currently provide cards to 385 users. The main reason for the low take up (compared to the 1,850 clients the Council is now looking to serve) is that the product does not meet the Council's requirements and is not flexible enough to be used in all cases. This is shown in Barnet's Requirements Specification document within the enclosures, which indicates which requirements can and cannot be met by Wirecard.

From discussions with Wirecard, officers have concluded Wirecard are not able to develop their product to meet all current requirements. The decision has therefore been made to look for an alternative provider capable of meeting all requirements.

Once a decision has been made about a new provider, officers will terminate the contract with Wirecard allowing sufficient time to migrate users to the new solution.

### **Benefits of a new pre-paid card solution**

For those payments where funds are currently provided to clients via external client bank accounts providing an accurate record of payments received and expenditure made is therefore dependent on clients regularly returning bank statements and receipts for goods and services purchased. This is time-consuming and sometimes difficult for clients, and the council does not always receive comprehensive returns. Significant officer time is therefore taken up with the monitoring and chasing of returns, and not all accounts can be regularly monitored given current resource constraints.

Prepaid cards enable on-line access to account statements along with detailed transaction information. Transactions would be fully auditable and allow for surplus funds to be identified and returned to the Council where appropriate. Expenditure on non-eligible care items would also be identifiable. This will allow the Council to make better use of officer time, and recover any unspent or misspent funds.

### **Investigation of prepaid card provider costs**

Officers have investigated the prepaid providers available on two existing framework agreements and developed a cost model showing the maximum and minimum likely costs for each of the services requiring prepaid cards. This shows an estimated total cost of between £350,000 and £490,000 over five years, dependent on which framework and provider is used, and the actual numbers of cards used.

### **Procurement process and recommendations**

To simplify the contractual arrangements and ensure timely implementation and realisation of benefits, officers propose:

- That the Council procures a single prepaid card provider to initially be used across Adults & Communities and Families Services, subject to the provider's solution being able to meet the Council's requirements, and based on the most economically advantageous option.
- To use an existing Prepaid Card Framework Agreement. This is likely to be either: the Surrey, North East Procurement Organisation (NEPO); G-Cloud 10; or Crown Commercial Services Prepaid Card Framework.
- That the term of any contract entered is for an initial period of 3 years, with an option to extend for up to a further 2 years.
- That if a new provider is procured, the current contract with Wirecard is terminated and clients are transitioned over to the new provider.

## **Decisions**

- 1. To give formal permission to commence procurement for a contract with a single prepaid card provider that best meets our requirements in terms of functionality and costs for Adults & Communities and Families Services, with a budget of up to £490,000 over the term of the proposed contract**
- 2. Agree that any procured contract is entered in to for an initial period of 3 years, with the option to extend for up to 2 further years.**

## 1. WHY THIS REPORT IS NEEDED

- 1.1 This report is required for the formal agreement and permission to procure a prepaid card service on the terms outlined within the summary section of this report.
- 1.2 Barnet currently runs several services where there is a requirement to deliver cash directly to service users (see Table 1 below).

Table 1

No.	Service Area	Service Description	Est. No. of Clients
1.	Adults and Communities	Direct Payment Services	1,050
2.	Families	Direct Payment Services	118
3.	Families	No Recourse to Public Funds (ongoing payments)	168
4.	Families	No Recourse to Public Funds (emergency payments)	361
5.	Families	Short Breaks	130
		<b>Total</b>	<b>1,850</b>

- 1.3 The current processes used to deliver cash to clients are outdated and difficult to audit in real time.
- 1.4 Prepaid cards are currently used on a very small scale in the five services outlined above. The reason for the current small-scale use (approx. 300 cards in total) of the existing prepaid card service, is that the offering from the incumbent provider has limited functionality that does not meet the revised requirements specification of Barnet Council.
- 1.5 Approval is being sought to procure a new prepaid card service from a provider that can meet the Council's requirement specification.
- 1.6 The Council will make prepaid cards the default option for all of the services outlined within this report and where appropriate will offer other payment and service delivery options where prepaid cards may not be practical or appropriate.
- 1.7 There is evidence from over 100 authorities across England, that deploying prepaid cards as part of the approach to managing Direct Payments and other cash based services, provides many significant benefits. The benefits to the Council have been highlighted in the points below:

- a) Complete transparency of all financial transactions in real time
- b) A substantial reduction in the volume of paper based monitoring documentation inherent to non- prepaid card DP / cash delivery schemes
- c) The ability to instantaneously compare and analyse planned spend (i.e. spend based on current support plans), against actual spend, over a specified period
- d) The ability to immediately identify underspending, overspending, misspending and cases where spending is sporadic or non-existent
- e) The ability for clients to load their own funds (client contributions) directly onto their prepaid card
- f) The ability to quickly identify and retrieve surplus funds that have not been used by the client
- g) The ability to quickly identify unauthorised spending that should be regularised and where appropriate, repaid back into the prepaid card account and / or back to the Council
- h) The ability to provide practitioners with a clear detailed summary of direct payment spending on a client by client basis to assist the social care review process
- i) The ability to quickly identify and categorise high, medium and low risk DP cases with regards to spending patterns and to allocate monitoring resources more intelligently based on risk
- j) The ability (through on-line tools), to limit spending in various ways.

## **2. REASONS FOR SEEKING PERMISSIONS**

- 2.1 Agreeing to the requests within this report will significantly improve the way in which various cash based services are delivered and managed across Barnet Council.
- 2.2 Setting up Direct Payments using prepaid cards would be a more streamlined and efficient process.
- 2.3 Many prepaid card case studies have evidenced the cash savings that can be derived from implementing prepaid cards, particularly in the case of Direct Payment services. A cost benefits analysis has been carried out on the impact of introducing prepaid cards and within Adults & Communities alone the likely savings would significantly exceed the cost of the cards and their administration.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 There were two alternative options that were considered and not recommended as follows:
  - Make no changes and continue with existing processes for cash based systems

- Expand the use of the existing prepaid card provider (Wirecard) to more DP users and to Personal Budget users.

3.2 Existing processes are largely paper based and administratively labour intensive. Conversely, services based on prepaid cards are based on electronic reports and require less administrative support to carry out monitoring processes.

3.3 As outlined above, the option of continuing to use the existing prepaid card provider is not a viable one as the functionality of the current product is severely limited.

#### **4. POST DECISION IMPLEMENTATION**

4.1 If the recommendations are approved then following the procurement process a separate DPR report will be submitted requesting permission to formally award the Contract to the provider that best meets Barnet's requirements in terms of cost and quality.

4.2 Following this, the prepaid card project team will move into a mobilisation phase to move to contract sign-off and implement prepaid cards across all services outlined in Table 1.

#### **5. IMPLICATIONS OF DECISION**

##### **5.1 Corporate Priorities and Performance**

5.1.1 This procurement supports:

- The vision that the health and social care service will be personalised and integrated, with more people supported to live longer and independently in their own homes using Direct Payment and other services
- The four main themes of the Joint Barnet Health and Wellbeing Strategy 2015-2020
- The "Wellbeing Principle" which underpins the Care Act 2014 and the Council's aim that all adults will be given the opportunity to live well age well and stay well
- Choice and independence by supporting people to live longer in their own homes

##### **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

5.2.1 The funding for this project comes from the Adults & Communities and Children's & Families budget and from savings identified within a detailed cost benefits analysis which has been carried out.

5.2.2 The cost benefits analysis shows the following:

- Projected costs for the Adults and Communities Direct Payment service over a 5-year period (2019/20- 2023/24). These costs are net of client contributions, Clinical Commissioning Group payments and grants.

- A baseline recouping figure of around £320,000 per year for each of the 5 years based on historical recouping values.
- A low recouping assumption of 4%, 8%, 5.5% 5.5% & 5.5% for each of the 5 years.
- A high recouping assumption of 10%, 11%, 11%, 11% 11% for each of the 5 years

5.2.3 The table below sets out the framework for the cost benefits analysis of prepaid cards:

<b>Benefits</b>	<b>Y1</b>	<b>Y2</b>	<b>Y3</b>	<b>Y4</b>	<b>Y5</b>
Direct Payment Annual Spend	13,330,667	13,330,667	13,330,667	13,330,667	13,330,667
Assumed proportion of recouping with prepaid cards (low)	4%	8%	5.5%	5.5%	5.5%
Assumed proportion of recouping with prepaid cards (high)	10%	11%	11%	11%	11%
Gross impact (cumulative) (low)	£ 533,227	£ 1,066,453	£ 733,187	£ 733,187	£ 733,187
Gross impact (cumulative) (high)	£ 1,333,067	£ 1,466,373	£ 1,466,373	£ 1,466,373	£ 1,466,373
<i>Direct Payment Recouping baseline</i>	£ 320,000	£ 320,000	£ 320,000	£ 320,000	£ 320,000
Net impact (cumulative) (low)	£ 213,227	£ 746,453	£ 413,187	£ 413,187	£ 413,187
Net impact (cumulative) (high)	£ 1,013,067	£ 1,146,373	£ 1,146,373	£ 1,146,373	£ 1,146,373

5.2.4 All the figures above include some one-off Direct Payments and excludes the effects of reviewing Direct Payments cases.

5.2.5 Estimates for setup costs range from between £6,000 to £11,000 and estimates for running costs range from between £376,000 to £490,000 (over a 5-year period). £75,000 to £98,000 annualised.

5.2.6 The Contract covers the cost of prepaid card services from the relevant go live dates of each prepaid card programme. The cost of resources for the implementation of the project have been funded.

5.2.7 Family Services had placed a request to procure a prepaid card service on the procurement forward plan. This DPR will enable a request to procure a prepaid service to be agreed and for the request for procurement to be added to the forward plan for Adults & Communities.

5.2.8 This is critical to the delivery of the Council's MTFs with a £250,000 19/20 savings target for prepaid cards approved by the Adults and Safeguarding Committee in November 2018.

### 5.3 Social Value

5.3.1 This will be discussed with the future provider to seek to maximise any social value that can be delivered through this contract. This will include training and staff development.

### 5.4 Legal and Constitutional References

5.4.1 This report has been produced within the remit of the Contract Procedure Rules.

5.4.2 The Council's contract with the current prepaid card service provider Wirecard UK & Ireland Limited (novated from Citibank Europe PLC) expired in April 2014 and has continued on a rolling basis. There is no record of the terms of the contract being varied following expiry of the contract. It is, therefore, sufficient for the Council to give

reasonable notice (e.g 3 months' written notice) to Wirecard to terminate the contract.

- 5.4.3 The Council must ensure that the proposed Framework was set up in compliance with the Public Contracts Regulations 2015 and EU principles of transparency, equality, fairness and non-discrimination; and that it is entitled to access the relevant Framework.
- 5.4.4 The Council must also comply with the requirements of the proposed Framework Agreement with regard to any criteria for award of a contract under the Framework. The proposed duration of the new contract is 3 years (with an option to extend for a further 2 years). This would be subject to any limitations on the duration of call off contracts under the relevant Framework, and the proposed Framework will need to be checked to ensure there are no such restrictions.
- 5.4.5 Due diligence checks must be also be undertaken to ensure that the Framework is fit for purpose provides value for money to comply with Rule 5.4 of the Council's Contract Procedure Rules.
- 5.4.6 Under the Council's Constitution, Council Procedure Rules – Rule 5.1, and the method of procurement set out in Article 10 of the Constitution (Table B), an authorised Chief Officer in consultation with Chairman of the relevant theme Committee can authorise the procurement exercise for pre-paid card services, the value of the contract is up to £490, 000 for the proposed total duration of 5 years.
- 5.4.7 The Council plans to make prepaid cards the default option for all of the services outlined within this report and to make other payment options available where required to ensure compliance with the Care Act 2014.

## 5.5 Risk Management

- 5.5.1 A detailed risk log has been completed for this project and a number of risks have been identified. Three key risks have been identified as follows:
- Delay in meeting the implementation deadline of 1 April 2019;
  - Clients failing to take up prepaid card option;
  - Customer concerns about using prepaid cards.

All risks will be monitored and mitigating actions taken where appropriate

## 5.6 Equalities and Diversity

- 5.6.1 An Equalities Impact Assessment is being undertaken as part of this project and the assessment will be referenced within the next DPR report (Permission to award).

## 5.7 Corporate Parenting

- 5.7.1 This contract will support Barnet Council to undertake its role as Corporate Parent by enabling us to have a secure mechanism for children and young people in care to access their allowances. Future service users will have quicker access to services and a reduced burden of administration.



## 5.8 Consultation and Engagement

5.8.1 We have engaged with the incumbent provider and with the National Prepaid Card network forum on the different options regarding prepaid card services. This engagement has assisted us in putting together our own baseline service specification for prepaid cards by learning from best practice around the country.

5.8.2 An engagement plan will detail the approach to engaging with service users and other stakeholders and will be tailored to their individual needs.

## 5.8 Insight

5.8.1 N/A

## 6. BACKGROUND PAPERS

- N/A

Chairman:

Has been consulted

Signed

Councillor Rajput (Chairman of Adults and Safeguarding Committee)

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Date: 19/3/19

Chief Officer:

Decision maker having taken into account the views of the Chairman

Signed Dawn Wakeling (Strategic Director Adults, Communities and Health)

Date 19/3/19  
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