

	<h2 style="text-align: center;">CHIEF OFFICER IN CONSULATION WITH COMMITTEE CHAIRMAN DELEGATED POWERS REPORT</h2>
Title	Approval to award a contract for a new prepaid cards service to be used by clients receiving services arranged or managed by Adults & Communities and Family Services
Report of	Dawn Wakeling (Strategic Director for Adults, Communities and Health)
Wards	All
Status	Public
Enclosures	None
Officer Contact Details	Sam Raffell Head of Care Quality 020 8359 5714 sam.raffell@barnet.gov.uk

Summary

This report provides approval for the award of a new prepaid cards contract to Prepaid Financial Services Ltd (PFS) to provide prepaid cards to the Council and potentially its local partners.

The Council will use PFS (Prepaid Financial Services) to provide prepaid cards to enable payments for five services, as set out in the previous DPR to procure, for a total of around two thousand clients. Other services, including Barnet Clinical Commissioning Group (CCG), have expressed an interest in using prepaid cards.

The award of this contract is needed to realise the benefits listed in the previous DPR (Procurement of a prepaid card service for clients receiving services arranged or managed by Adults & Communities and Children's & Family Services).

A cost analysis has been completed to establish the best value for money framework and provider (see Summary Cost Sheet in Enclosures). This identified that PFS on the North-East Procurement Organisation (NEPO) Framework is the preferred provider. The preferred procurement route is a direct award.

Decisions

To award a contract to Prepaid Financial Services for an initial period of 3 months with an option to extend for a further 4 years and 9 months with a total spend of up to £490,000.

1. WHY THIS REPORT IS NEEDED

- 1.1 This report is required for the formal agreement and permission to award a contract for a prepaid cards service on the terms as provided in section 6 of the report.

2. REASONS FOR RECOMMENDATIONS

- 2.1 Having now undertaken a compliant procurement process, the recommendation outlined above represents the best value for money option.

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.
 - Use other frameworks or providers for the solution.
- 3.2 The cost analysis evidenced that PFS are able to provide the service specified by the Council at a price that is acceptable. Given the benefits of having the service, we are therefore not recommending that we continue with existing processes for cash based systems.
- 3.3 The same analysis also showed that the cost of using other frameworks or providers exceeded the cost of our preferred option. A summary of the cost analysis is shown in the summary cost sheet, attached as an enclosure.

4. POST DECISION IMPLEMENTATION

- 4.1 The Council will provide formal notice to the existing Pre-Paid Card provider (Wirecard UK & Ireland Limited (novated from Citibank Europe PLC) as part of the mobilisation of the new contract. Work will involve ensuring the existing clients on Pre-Paid Cards are supported through the transition to the new provider.

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 Family Services budget and from savings identified within the detailed cost benefits analysis which was 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 2.4% or £320,000 per year for each of the 5 years (£1.6m over 5 years) based on historical recouping values and benchmarking other local authority recouping performance. Going forward, £320K will represent the minimum amount that can be potentially recouped each year. There is good evidence to suggest that the Council will be able to fund the annual contract costs (£77K) through the anticipated minimum recouped funds.
- Further cost benefit analysis has identified the potential to recoup additional funds through identifying unused or misused direct payment funds. This cost analysis considers both low and high recouping assumptions. In both cases, projections assume figures in addition to the £320K annual recouping baseline figure.
 - **Low recouping assumption:** A low recouping assumption of 4%, 8%, 5.5% 5.5% & 5.5% for each of the 5 years.

This assumes: annual net impact (cumulative) (low) + annual £320K recouping baseline = £3,799,240 (over 5 years). This represents an average annual recouping figure of £759, 848.

- o **High recouping assumption:** A high recouping assumption of 10%, 11%, 11%, 11% 11% for each of the 5 years.

This assumes: annual net impact (cumulative) (high) + annual £320K recouping baseline = £7,198,560 (over 5 years). This represents an average annual recouping figure of £1, 439,712.

5.2.3 The accuracy with which the Council can estimate the total recouping amount is limited by the lack of visibility of client account balances and transactional activity. Until each client is moved to a Pre-Paid card and their bank account is audited, only then identified unused or misused funds may be recouped from the client. It should also be noted, with the regularity of auditing client accounts, we anticipate an increase in client compliance over time. For these reasons, it is important to emphasise that the yearly target of recouping above £320k (£1.6m over 5 years) might not materialise.

5.2.4 The table below sets out the framework for the cost benefits analysis of prepaid cards for Adults and Family Services:

Benefits	Y1	Y2	Y3	Y4	Y5	Total (£)
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	
Direct Payment Recouping baseline	£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	
Procurement Costs						
Prepaid card solution Adults (license, setup & hosting etc)	£63,897	£61,111	£63,724	£69,738	£68,951	£327,420
Prepaid card solution Family Services (license, setup & hosting etc)	£18,729	£9,881	£9,881	£10,729	£9,881	£ 59,101
Total procurement costs (Adults & Family Services)	£82,626	£70,992	£73,605	£80,467	£78,832	£386,521
Net contract benefit (low)	£130,601	£675,462	£339,582	£332,720	£334,355	
Net contract benefit (high)	£930,441	£1,075,382	£1,072,768	£1,065,907	£1,067,541	

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

5.2.6 Based on the preferred option, the total contract cost over a 5-year period is £386, 521 (approximately £77K annualised). This is based on an estimate of 2,000 clients (across Adults & Communities and Family Services) using the service.

5.2.7 The total budget being requested is £490,000. This is £103,000 above the contract cost of £386,521. The additional flexibility in the budget will allow for any increase in the numbers of clients above the estimated 2000 figure quoted in paragraph 5.2.6 above.

5.2.8 The contract covers the cost of prepaid card services from the relevant go live date of each prepaid card programme. The cost of resources for the implementation of the project have been funded from savings identified within the cost benefits analysis shown above.

5.2.9 This procurement 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.

5.2.10 As payment for the incumbent contract is on a per card per load basis, if utilisation of the incumbent's cards decreases during the notice period, the Council will not incur any unnecessary costs.

5.3 Social Value

5.3.1 The procurement of the Pre-Paid Card contract has an inherent social value in that support is commissioned to enable customers to exert choice and control and maintain independence within their communities.

5.3.2 The new contract will require Council social care services to update internal process and procedures, providing opportunity for staff to develop their skills and experience in supporting the implementation of the new contract. The new contract will also ensure:

- The council remain legally compliant in line with the requirements of the Care Act 2014 and the Children and Families Act 2014.
- Continue to develop and comply in line with the prevention and personalisation agendas.
- There is a refreshed Council's Direct Payments information offer.
- There is a robust contract monitoring of the new provider(s) ensuring desired outcomes are met in a timely manner.

5.3.3 It is envisaged the Council staff's knowledge of Direct Payments will increase over the life of the contract. The introduction of the 'Pre-Paid Account' will make the management of Direct Payments simpler. Consequently, the expectation is that in the future there will be reduced demand from individuals needing:

- Direct Payment advice and information
- Ongoing support with managing Direct Payments

5.3.4 As the service is largely a telephone and web based service, there is not a significant environmental impact created by providing this service. The Council will engage with providers in relation to their carbon footprint and reporting.

5.4 Legal and Constitutional References

5.4.1 The Council's contract with the current prepaid card service provider Wirecard UK & Ireland Limited (novated from Citibank Europe PLC) has been operating on a rolling basis since its expiry in April 2014. Therefore, the Council is only required to give reasonable notice to terminate the contract. It is sufficient for the Council to give 3 months' written notice to Wirecard to terminate the contract. The Council proposes to give notice of termination once the mobilisation plan for the new prepaid cards contract is underway. The Council must ensure that any decrease in the demand for the incumbent's cards, during the termination notice period, is not as a result of existent service users being moved to the proposed Framework provider, which will be running a pilot service simultaneously.

5.4.2 The Council wishes to award a new contract via the NEPO Framework Agreement for the Provision of Prepaid Card Accounts, NEPO505. There has been a compliant

Procurement process in accordance with Rule 8.1 of the Council's Contract Procedure Rules.

- 5.4.3 Procurement has confirmed that this framework was set up in accordance with the Public Contracts Regulations 2015 and the EU principles of transparency, equality, fairness and non-discrimination. As a Local Authority, the Council is entitled to access the Framework and has associate membership with NEPO. The Council has completed a Confidentiality Declaration that permits it to access the framework's supporting documentation. Following the Council's approval to award the contract, the NEPO template order form will be completed and signed by the Council and PFS. This, supported by the Call-Off terms and conditions and the terms and conditions of the Framework Agreement, will serve as the contract. Legal will be involved in finalising the Call-Off Contract.
- 5.4.4 The NEPO505 Framework call-off mechanism that the Council is following is the direct award option to the first ranked provider, PFS. This is because the Council's full requirements are met without undertaking a mini-competition.
- 5.4.5 The proposed duration of the contract is 5 years in total, made up of an initial contract period of 3 months (pilot stage) with an option to extend for a further 4 years and 9 months. If the Council wishes to extend the contract, it can give written notice to the Framework Provider of its intention to extend the contract – before the end of the pilot period – in accordance with Clause B1.2 of the Call-Off terms and conditions (Ts&Cs). If the Council does not give notification of its intention to extend the contract, the contract will automatically expire after the initial contract period (ie, after the pilot period). The proposed extension needs to be agreed with the Framework provider.
- 5.4.6 In the event that the Council wishes to terminate the contract following the extension of the initial period, the Council may terminate the contract at will under Clause D1.3 of the Call-Off Ts&Cs. Clause D1.3 entitles the Council to terminate the contract "at any time with or without notice except that it will give as much notice as possible in the circumstances".
- 5.4.7 The NEPO Framework guidance recommends a Call-Off Contract limited to 4 years in total, and that contracting authorities should seek independent legal advice, if they wish to issue Call-Off contracts exceeding 4 years. Notwithstanding NEPO's recommendation in its guidance that Call-Off contracts under its Framework are issued for up to 48 weeks, there is no legal prohibition against awarding contracts that run for longer than 4 years. Provided that the award of a 5-year contract is within the normal course of awarding contracts – by reference to the specific nature of the contract, the industry, and the contract length etc – and not an attempt to avoid the need to run a new procurement exercise – and there is justification for the Council's decision to make the award, a contract for 5 years in total may be entered into.
- 5.4.8 Prior to the end of the total contract period, the Council will need to consider its options and making early preparation for a new procurement exercise to meet future needs for pre-paid card services.
- 5.4.9 Procurement has confirmed that the framework was established via an open tender procedure with a 60% quality and 40% price weighting, and that due diligence checks of quality and pricing have been undertaken to ensure that the framework is fit for purpose and provides value for money in accordance with Rule 5.4 of the Council's Contract

Procedure Rules. These checks include clarifications with the Framework provider regarding quality and price, and cost analysis of the provider's pricing tender bid.

5.4.10 HB Public Law understands that contract is to operate on a unit cost fee. Based on anticipated usage of 2,000 pre-paid cards per annum, it is calculated to cost £376,000 over the 5-year contract lifetime (at a rate of £75,200 per annum). The Council's plan is that if usage increases, the cost will increase accordingly, and therefore, a maximum spend of £490,000 has been requested in this report to account for these increases. The Council must ensure that any such changes are within the scope of permitted modifications to contracts under Regulation 72 of the Public Contracts Regulation.

5.4.11 Under the Council's Contract Procedure Rules – Rule 8.1, and the method of acceptance of contracts set out in Article 10 of the Constitution (Table B), authorisation to award a contract with a value of up to £500,000 is provided by the relevant Chief Officer in consultation with the thematic Committee chair person.

5.4.12 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.

5.4.13 Preferred Contract Length

5.4.14 The Council's preferred option is to issue an initial contract period of 3 months (covering the length of the test phase. See section 5.5.3) with an option to extend the contract for 4 years 9 months (5 years minus pilot period). Should the Council take the decision to extend the contract, it will give written notice to the preferred provider PFS of its intention to extend the contract. Notification of the Council's decision will be undertaken before the end of the pilot period in accordance with Clause B1.2 of the Call-Off Ts&Cs.

5.4.15 The decision to award a contract of 4 years and 9 months will be made while considering section 5.4.5.

5.5 Mobilisation and rollout

5.5.1 The mobilisation and rollout will commence following sign-off of this DPR and will be carried out in four steps as follows:

- Communications with internal and external stakeholders
- Setting up of a test phase (4-6 weeks) to test critical systems and processes
- Configuration and preparation of programmes following the test phase
- Controlled rollout of prepaid cards to all affected clients

5.5.2 **Communications with stakeholders** - Information briefings will be sent to Members and internal Barnet Staff affected by the changes. Letters will also be sent to service users, relevant carers and nominated persons informing them of the move to prepaid cards and advising them of when the changes will happen and the personal information that will be used to achieve the changeover. The council will take steps to ensure it adapts communication material to meet the varying needs of service users.

5.5.3 **Setting up a test phase**

5.5.4 It is proposed test phase runs between 1-2 payment cycles (8 weeks). The plan is to identify between 15-20 clients (of a mixed service user group) to take part in the test phase.

5.5.5 A test phase will be set up to test a small number of key processes as follows: setting up, cancelling and suspending of individual cards; new payment cycles delivering funds directly onto individual payment cards; emergency payments, surplus funds recovery & identification of misspending; use of online portal to initiate transactions on behalf of clients.

5.5.6 **Review of test phase** - The outcome of the test phase will be measured and reported through the project management governance arrangements. Serious concerns or risks identified by the test phase will be communicated to the preferred provider to resolve. The council will only commence roll out once it is satisfied all concerns have been addressed.

5.5.7 **Preparation of programmes** - Towards the end of the test phase preparations will be made to configure all 6 prepaid card programmes that will be used in Barnet using lessons learned from the test phase.

5.5.8 **Controlled rollout of prepaid cards** - A rollout of cards across all programmes will be agreed and implemented, taking account of systems limitations and available resources.

5.6 **Risk Management**

5.6.1 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 / refusing to take up prepaid card option;
- Customer concerns about using prepaid cards.

All risks will be monitored and mitigating actions taken where appropriate

5.7 **Equalities and Diversity**

5.7.1 An Equalities Impact Assessment has been undertaken as part of this project and the assessment is included as part of the enclosures for this report. The conclusion of this assessment was that the expansion of the pre-paid card solution would have an overall 'minimal, positive impact' on protected groups.

5.7.2 The summary EIA report for Pre-Paid Card can be found here:

<https://barnet.moderngov.co.uk/documents/s51235/Appendix%20J%20Cumulative%20Equalities%20Impact%20Analysis%20CEIA.pdf>

5.8 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.

5.9 Consultation and Engagement

- 5.9.1 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.
- 5.9.2 A communications and engagement plan will detail the approach to engaging with service users and other stakeholders and will be tailored to their individual needs.
- 5.9.3 A consultation project team sub-group has been established to compose and review stakeholder communications. These include letters, leaflets, policies, website content and focus groups.

5.8 Insight

- 5.8.1 N/A

6. BACKGROUND PAPERS

- DPR - Procurement of a Prepaid Card Service for clients receiving services arranged or managed by Adults & Communities and Children's & Family Services

Chairman:
Has been consulted

Signed

A handwritten signature in black ink, reading "Sachin Rajput". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Date 25th March 2019

Chief Officer:
Decision maker having taken into account the views of the Chairman

A handwritten signature in black ink, reading "D. Waleleng". The signature is written in a cursive style with a long horizontal stroke extending to the left.

Signed

Date 20th March 2019