



Cabinet Office

# Procurement Policy Note – Use of Procurement Cards

Action Note PPN 03/20

April 2020

## Issue

1. The COVID-19 outbreak has placed increased pressure on commercial and finance teams and increased importance on maintaining cashflow to suppliers. Increasing use of procurement cards can improve organisations' efficiency and accelerate payment to their suppliers while still ensuring robust controls.

## Action

2. In scope organisations should urgently engage with their procurement card provider to:

- Increase the single transaction limit to £20,000 for key card holders<sup>1</sup>, and
- Raise the monthly limit on spending with procurement cards to £100,000 for key card holders. Monthly spend on procurement cards in excess of £100,000 should be permissible to meet business needs.

3. By 30 April, in scope organisations should:

- Ensure an appropriate number of staff have the authority to use these cards;
- Open all relevant categories of spend to enable these cards to be used more widely.

4. Not all card holders will require a transaction limit of £20,000 or a monthly limit of £100,000. In scope organisations should work with their card provider to ensure appropriate limits are set for key card holders and are in line with this PPN.

5. The standard management information issued by card providers will allow in scope organisations to ensure their financial control policies are being adhered to. Nominated customer administrators are provided with a high level online statement and individual card holders receive a transaction level detailed statement. These should be routinely scrutinised to validate expenditure under each card. Administrators can use the online portal to interrogate/audit the card holders' transactions and run reports.

6. In scope organisations not currently using procurement cards should immediately put in place arrangements using the relevant Crown Commercial Service agreement (Lot 1 of [RM3828 Payment Solutions](#)).

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<sup>1</sup> Key card holders should be determined and authorised by the Department's Accounting Officer / Financial Director as per usual controls.

## Dissemination and Scope

7. This PPN applies to all Central Government Departments, their Executive Agencies and Non Departmental Public Bodies. These are referred to as 'in-scope organisations'. Please circulate this PPN within your organisation, drawing it to the attention of those with a financial, commercial and procurement role.
8. Other public sector contracting authorities may wish to apply the approach set out in this guidance note.

## Timing

9. With immediate effect.

## Background

10. This PPN supports the instructions set out in PPN 02/20 asking contracting authorities to pay suppliers as quickly as possible to maintain cash flow and protect jobs during the COVID-19 outbreak. Procurement cards allow authorities to pay suppliers instantly for goods and services.
11. The Public Contract Regulations 2015 already require the public sector to pay suppliers within 30 days from the date of a valid and undisputed invoice. However, it is now vital for contracting authorities to accelerate their payment practice and pay all suppliers as quickly as possible to maintain cash flow and protect jobs.
12. Increasing the use of procurement cards will enable the payment of suppliers to be more agile, whilst still retaining controls. A number of central government departments are already increasing use of procurement cards to ensure payment is made to suppliers as swiftly as possible during Covid19.
13. Using a procurement card for one off approved transactions can save time and money by removing the need for a Purchase Order to be produced, and for a new supplier to be set up on finance systems.
14. Increasing use of procurement cards adds resilience across the organisation during the current crisis (for example, the organisations inability to raise new purchase orders due to staff shortage to pay existing suppliers)
15. Procurement cards are considered to be the most efficient way for organisations to pay for goods and services. The NAO has estimated that using cards typically saves around 35% in transaction costs or £5 per transaction compared with traditional methods.<sup>2</sup>
16. In scope organisations under the Central Government Corporate Transparency Commitments are required to publish procurement card transparency data over £500 every month.
17. The Crown Commercial Service has published a pan-government policy for central government departments governing the use of payment cards on [GOV.UK](https://www.gov.uk/government/policies/procurement-cards).

## Contact

18. Enquiries about this PPN should be directed to the Crown Commercial Service Helpdesk on 0345 410 2222 or [info@crowncommercial.gov.uk](mailto:info@crowncommercial.gov.uk).

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<sup>2</sup> <https://www.nao.org.uk/report/the-government-procurement-card/>

## **USE OF PROCUREMENT CARDS**

### **INTRODUCTION**

Action is required to ensure procurement cards are used to best effect to speed up payment and ensure the right people in the public sector are able to access the goods and services they need quickly. Procurement Cards should be the preferred method for purchasing all goods and services, up to the card limit, unless existing departmental systems are faster. This does not alleviate Accounting Officers of their usual duties to ensure that spending delivers value for money and proportionate controls to payments are undertaken as necessary for continuity of supply of critical services.

### **INCREASING USE OF CARDS**

Accounting Officers and Finance Directors within in scope organisations have the authority and flexibility to increase their organisation's transaction and monthly limits in line with this PPN. Individual transaction limit of procurement cards should be raised to £20,000 for key card holders. Departments should determine any higher levels on an individual basis. In addition, the monthly limit on cards should be raised to £100,000 for key card holders. Again, this can be higher on an individual user basis.

In scope organisations should also take steps to ensure procurement cards are used more widely. This means ensuring more staff have access to using them and more categories of purchases on the cards are opened up to a greater range of goods and services. With significant levels of staff absence possible due to COVID-19, it is important to do this now to alleviate the pressures on processing invoices in the traditional way.

### **MAINTAINING CONTROLS**

Use of the procurement cards should be monitored and recorded in line with current card policies to minimise risks of inappropriate use. All transactions should continue to follow departmental processes and require explicit approval from appropriate staff members with delegated authority to commit the spend. These approval levels and the balance of pre and post payment checks should also be reviewed and revised as necessary.

Management information from card providers must be reviewed to ensure the correct accounting strings are being used and useful descriptions are entered on the ledger. Remedial action should be taken to correct these where necessary.

All procurement card transactions are protected by the chargeback guarantee and usual fraud measures apply should the card be used in conjunction with the agreed scheme rules, as laid out by Visa and MasterCard.

Departments should engage their finance, commercial, payroll and internal audit teams when implementing these changes.

The Ministry of Justice (MoJ) has already taken action on the use of procurement cards in response to Covid19. This included:

- raising the limits on all cards;
- opening up the merchant category groups across all cards;
- arranging for a small number of cards to be held by a central team to be used to support cost centres where no local cardholders are available; and
- issuing communications to cost centre owners that procurement cards may also be used if the need is so pressing that purchasers do not have time to raise a requisition.

## **FREQUENTLY ASKED QUESTIONS (FAQs)**

### **Q1 - How does this PPN impact existing arrangements with Lodge/Virtual Cards?**

A - Lodge/Virtual cards are a form of procurement card. This policy applies to all procurement cards.

### **Q2 - Can Departments still promote alternate payment methods, eg Faster Payments, BACs etc?**

A - Yes. The Government wants suppliers to be paid as quickly as possible. This may include other systems/mechanisms and departments should use whichever payment method is best placed in order to pay suppliers as quickly as possible.

### **Q3 - Can I pay suppliers providing any type of goods/services/contract via card? Will the higher limit apply to all merchant categories/groups/codes?**

A - The purpose of the PPN is to detail the broadening use of procurement cards in order to accelerate payment to suppliers. This includes opening up further categories of spend to enable cards to be used more widely, increasing transaction limits to £20,000, increasing monthly card limits to £100,000 whilst ensuring card policies continue to be adhered to. Departments will need to engage with their card provider to ensure the use of their procurement cards are aligned to the particular suppliers and merchant types identified by them and the appropriate merchant category groups/codes are agreed. Departments should aim to open up as many categories of suppliers and merchants as possible.

### **Q4 - Does this PPN apply to key card holders based abroad?**

A - The PPN is primarily aimed at card holders in the UK, but who the key card holders are is down to the organisation to determine.

### **Q5 - Will Departments have to request extensions to their lines of credit to enable this?**

A - No. Once departmental internal approvals are satisfied, Card Providers will review credit lines as customer requests for increasing credit limits are made.

### **Q6 - Will there be any mitigation for additional merchant fees incurred by suppliers?**

A - The focus of this PPN is to accelerate payments to suppliers. It is not envisaged that any additional 'merchant fees' will be incurred by suppliers if they are already accepting procurement cards as a method of payment.

### **Q7 - How should we apply this with respect to small companies who may lack Merchant Acquirers/Payment Processors?**

A: If able to accept procurement card payments, small companies should already have access to the necessary equipment and technology. Any business unable to accept card payments should alert departments and arrange for alternative payment methods as soon as possible.