

# BEST PRACTICE GUIDE

## Corporate Payments: Commercial Procurement Cards

A guide to help public sector organisations understand how commercial procurement cards can support their service users, suppliers and staff.

In partnership with



## NEPO505 Payment Card Services

Our Payment Card Services solution features two lots:

- Prepaid Payments
- Corporate Payments

This solution is active and is available for use by UK public sector organisations and can be accessed by undertaking a further competition or by direct award.

The solution was procured in partnership with ESPO and YPO, with NEPO leading the collaborative process. The result is a procurement solution that is informed by public sector insight and focused on the needs of the communities we serve.

The corporate payments lot is a multi-supplier lot for the provision and maintenance of **commercial procurement cards**.

### Meet the team:



**Nick McDonald**  
Procurement Specialist



**Jake Pattison**  
Procurement Coordinator

# What is a Commercial Procurement Card?

Commercial procurement cards are a payment method where a contracting authority's payment account can be linked to a supplier. They operate in a similar way to a credit card, and provide contracting authorities with an electronic method to purchase goods or services.

When card purchases are made, a payment is sent from the contracting authority's card provider to the supplier, which is reconciled on a given date between the customer and the card provider known as a settlement date, generally paid as one consolidated payment. The earlier the settlement date, the higher the rebate to the contracting authority.

There are three different types of commercial procurement cards:



### Physical cards

These work similar to a credit card. The number of cards provided can be determined by the user when drawing down from this solution.



### Embedded cards

There is no physical card, but a card number has been assigned to a specific supplier, normally to reduce the level of ad hoc invoices.



### Virtual cards

No plastic is issued, instead a unique virtual card number (VCN) is generated for each purchase.

# Why use Commercial Procurement Cards?

Commercial procurement cards can be used for a wide range of purchases from ad hoc spend to ongoing recurring payments across all business areas.

Payments can be made using contactless, web or phone and are quicker and more efficient than traditional payment methods, such as BACS and Direct Debit.



## Physical cards

Recommended for the paying of routine goods and services at point of sale.



## Embedded cards

These can be set up with most frequent suppliers, meaning purchases can be made without a physical card or entering card details. Many public sector organisations issue commercial procurement cards to staff who regularly make discretionary, ad hoc, or low value purchases such as stationery, IT consumables, catering, welfare items, hospitality and travel. For multiple low level purchases to one supplier, embedded cards are a favourable option.



## Virtual cards

These have customisable pre-approval controls on each purchase with an optional workflow system that can mirror existing internal processes to help purchasing policy compliance.

These cards also offer:

- Full reconciliation of spend.
- Multiple implementation options that are available to tailor solutions to precise needs of the contracting authority.
- Increased security for one time spends by allowing contracting authorities to raise cards for single use, which also helps to mitigate fraud.



# How can Commercial Procurement Cards support the Public Sector?

- ✓ Commercial procurement cards facilitate multiple transactions using contactless, online and phone, and offer a faster and more effective payment mechanism than traditional methods.
- ✓ Cards can be embedded centrally with the contracting authorities' frequent suppliers to allow for payment automation.
- ✓ The cards eliminate purchase order/invoice processing, and automated reconciliation and reporting reduces cost and error whilst freeing up resources.
- ✓ Relieves resource capacity on administrative processes.
- ✓ Online statements include full VAT line-item transaction information, streamlining adherence to HMRC guidelines.
- ✓ No expense is incurred for faster payments, commercial procurement cards work on a buy now, pay later basis.
- ✓ Faster payments to suppliers can enhance working relations, which can lead to improved service offering, stronger collaboration and improved pricing.
- ✓ Improved control over spend through merchant category blocking and application of cardholder spend limits.
- ✓ Improved payment security and efficiencies through the use of virtual cards.
- ✓ Enhanced reporting and management information which can be tailored to meet the needs of the contracting authority.
- ✓ Flexibility within NEPO505 Payment Card Services to allow suppliers to innovate and offer ancillary services.



# Savings and efficiencies of Commercial Procurement Cards

Commercial procurement cards make buying a seamless process, making it an efficient way to pay for goods and service for low level spend. Generally, this removes additional steps in the procurement cycle – making it an easier process for the user.

Commercial procurement cards create a reduction in the volume of purchase orders and invoices, allowing for faster payments between the contracting authority and the supplier.

Resources are made more readily available due to the automated reconciliation and reporting, ultimately reducing costs.

Rather than multiple payments to various suppliers, commercial procurement cards require a single monthly payment to the card provider on a predetermined date, further reducing resource requirements and costs. Online statements are available with the cards, including VAT transaction information, avoiding any potential discrepancies with financial regulations.

Rebates are paid back to contracting authorities. The payment term variation rebate is higher when settlement days are lower and are categorised in days settled after the initial transaction (i.e. 7, 10, 14, 21 and 28).

## Supporting with UK Prompt Payments

Under government Prompt Payment Policy and through the Public Contract Regulations 2015, public sector buyers must include 30-day payment terms in new public sector contracts; and require that this payment term be passed down the supply chain. Public sector buyers must also publish annual reports on their payment performance.

Commercial procurement cards promote faster payments – the tiered rebate vs settlement days element of the contract further incentivises prompt payments to suppliers.

The readily available online statements also provide transparency and easy for reporting requirements.



# Commercial Procurement Cards optimisation

Here are some optimisation tips to unlock potential for your organisation:



Establish internal policies for using commercial procurement cards, e.g. spend limits, approved vendors, and purchasing categories.



Integrate commercial procurement cards with internal systems to reduce user error and improve reconciliation.



Train staff on usage and provide guidance documents.



Clustering is useful. Rather than individual departments using them, it may be useful to collaborate to leverage purchasing power.



Work with Account Managers during implementation to get the best fit for your organisation.



Keep track of usage: review spend data to ensure compliance with buying policies.



## Get in touch with NEPO

Find out how our commercial procurement cards solution can provide your organisation with an easy electronic method to purchase goods and services.



[corporate.services@nepo.org](mailto:corporate.services@nepo.org)



[nepo.org](http://nepo.org)

