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| SUBJECT: | Banking, Insurance and Payroll Contracts |
| REPORT OF: | Director of Resources |

1. Purpose of Report

- 1.1. The report provides information on the banking contract and asks for delegated authority to award new joint contracts for Banking, Insurance and Payroll.

2. Links to Council Policies & Plans

- 2.1 One of the Council's Key Management Principles is the prudent use of resources, which includes the cost effective procurement of services.

3. Report

- 3.1 The banking, insurance and payroll contracts for both CDC and SBDC are all due for renewal in the coming year. Separate contracts for CDC and SBDC are currently in place for each of them, and it is proposed that they will all become joint contracts.

- 3.2 The bank contract is the most pressing at present and is the main subject of this report.

Delegated Authority to Award Contracts

- 3.3 Delegated authority is requested to award the three joint contracts for banking, insurance and payroll.

- 3.4 This is because this will allow greater flexibility regarding the awarding and commencement dates of the contracts. In particular as these are joint contracts if a delegation is not agreed then award decisions will need to be referred to both the CDC and SBDC cabinets, which is likely to increase the time taken to obtain a formal decision by both authorities.

Banking Services

- 3.5 CDC currently has its banking services provided by the Cooperative Bank, who have recently informed their local authority clients that they will be exiting this sector of business over the coming few years as existing arrangements expire, or if local authorities wish to end them earlier. The current contract runs to March 2016.

- 3.6 CDC has decided to take advantage of the opportunity to exit early from the current Co-Op contract. SBDC's current bankers NatWest have informally advised officers that they would have no objections to an earlier tendering exercise, and would not hold SBDC in such circumstances to the current agreement to the end of 2015/16. This means that a joint tender exercise is currently being undertaken, with the intention to award the contract by mid-2014.

Bank Tender - Ratings Criteria

- 3.7 The minimum credit rating criteria proposed in the tender documents will be as follows:

Fitch (or equivalent)

Short Term Rating: F1
 Long Term Rating: A
 Viability Rating: bbb
 Support Rating: 1

- 3.8 All of the major providers presently qualify for these criteria. However in the unlikely event that ratings of the major institutions should be downgraded during the course of the tender process it is suggested that the Director of Resources can review and amend these if deemed appropriate.

Bank Tender - Evaluation Criteria

- 3.9 The proposed evaluation criteria proposed in the bank tender documents will be as follows:

Stage 1.

- 3.10 Tenderers will initially be evaluated on being able to meet a number of mandatory requirements (eg experience of providing full banking services to local authorities, authorised to act as a bank in the UK, meet minimum credit ratings, have appropriate insurance etc).
- 3.11 Tenders that fail to meet any of the mandatory requirements shall be rejected at this stage and eliminated from the process. Tenders that meet the mandatory requirements shall then go forward to be assessed against the criteria described below.

Stage 2.

- 3.12 Tenders that pass the Stage 1 evaluation will progress to stage 2 and be assessed based on the following weightings / criteria:

Assessment of Quality (40% weighting)

- 3.13 The tenders will be scored 0 to 5 for each of the assessment criteria detailed in the table below, based on the responses to the questions in the tender response document:

| | Weighting |
|--------------------------------------|-----------|
| Basic service requirements | 15% |
| Internet/electronic banking service | 12.5% |
| Relationship Management & Innovation | 5% |
| Implementation | 7.5% |
| | 40% |

3.14 The following scoring scheme will be used:

| Score | Assessment | Interpretation |
|-------|----------------------|--|
| 5 | Excellent | Exceeds the requirement. Exceptional demonstration by the organisation of the relevant ability, understanding, skills, resource & quality measures required to provide the supplies / services. Response identifies factors that will offer potential added value, with evidence to support the response. |
| 4 | Good | Satisfies the requirement with minor additional benefits. Above average demonstration by the organisation of the relevant ability, understanding, skills, resource & quality measures required to provide the supplies / services. Response identifies factors that will offer potential added value, with evidence to support the response. |
| 3 | Acceptable | Satisfies the requirement. Demonstration by the organisation of the relevant ability, understanding, skills, and resource & quality measures required to provide the supplies / services, with evidence to support the response. |
| 2 | Minor Reservations | Satisfies the requirement with minor reservations. Some minor reservations of the organisation's relevant ability, understanding, skills and resource & quality measures required to provide the supplies / services, with little or no evidence to support the response. |
| 1 | Serious Reservations | Satisfies the requirement with major reservations. Considerable reservations of the organisation's relevant ability, understanding, skills, and resource & quality measures required to provide the supplies / services, with little or no evidence to support the response. |
| 0 | Unacceptable | Does not meet the requirement. Does not comply and/or insufficient information provided to demonstrate that the Tenderer has the ability, understanding, skills, resource & quality measures required to provide the supplies / services, with little or no evidence to support the response. |

3.15 A score of 0 or 1 indicates a response that fails to meet what is required. Scores of 0 or 1 for any questions under any sub criteria will result in the bid being rejected.

3.16 The scores will then be totalled using the weighting factors.

Assessment of Price (60% weighting)

- 3.17 The remaining tenders will then be allocated a price score as follows. The lowest price bid will be given 60 points and all other price scores will be proportionate to how much more expensive they are compared to the lowest priced bid.
- 3.18 Estimated Price over the contract period will be based on the proposed tariffs applied to the indicative transaction volumes. Responses provided to the pricing questionnaire will also be used to adjust the overall price for comparison purposes.

Overall Evaluation

- 3.19 The quality and price scores will then be added and the contract will be awarded to the tenderer with the highest score.
- 3.20 The successful tenderer will be required to execute a formal contract and, until such execution, the successful tender together with the Council's written acceptance shall form a binding agreement in the terms of the Contract Documents.

4. Resource and Wider Policy Implications

- 4.1 The strategic and financial risks facing the authority are set out in the report.

5. Recommendations**Cabinet is asked to:**

- 1 Approve delegated authority to the Director of Resources, in consultation with the Leader, to award a new joint contract for Banking services.**
- 2 Approve delegated authority to the Director of Resources, in consultation with the Resources Portfolio Holder, to award new joint contracts for Insurance and Payroll.**

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| Portfolio Holder | Cllr Duncan Smith |
| Officer Contact: | Rodney Fincham: Head of Finance |
| Background Papers: | None |