

SUBJECT:	Banking Contract
REPORT OF:	Officer Management Team - Director of Resources Prepared by - Principal Accountant

1. Purpose of Report

1.1 To consider a one year extension to the Council's current banking contract.

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 procurement of services covered in this report.

3. Background

3.1 The Council's current banking contract was subject to a tender exercise in 2003/04 and the contract was awarded to Nat West for a five year period to 31st March 2009. A tender exercise should then have taken place however given the uncertainty of the results of the Pathfinder exercise that was taking place at that time Members agreed in September 2008 to extend the current contract with Nat West based upon the existing terms for a further 3 years until 31st March 2012.

3.2 As well as the basic banking services the contract provides for the provision of the following:

- Debit/Credit card payment facilities
- Purchase cards for nominated officers
- Bank accounts and records that can be accessed via the internet
- Transfer and payment facilities via the internet
- Quarterly meetings with the Nat West Corporate Service Team

3.3 In addition the contract provides the facility for officers to invest overnight balances. The original contract provided that interest would be paid at half a percent below the base rate, however during the course of the current contract officers have negotiated more favourable rates for short term cash which are currently base rate plus 34 basis points for overnight monies and base rate plus 60 basis points for money placed on 30 days notice.

3.4 The total cost of the banking service in 2010/11 was £24,727. Costs will vary slightly from year to year as many of the charges are calculated on an activity basis.

4. Extending the banking contract for a further year

4.1 As detailed in 3.1 above the Council's current banking contract ends on 31st March 2012 and therefore a tender exercise should take place later in the year for a new banking contract commencing on 1st April 2012.

4.2 The Council recently carried out a tender exercise for its Revenues and Benefits Service for a further 7 years commencing on 1st November 2011. This has resulted in a change in contractor from Capita to Northgate.

4.3 This change in Revenues and Benefits contractor will mean that the new contractor Northgate will be running their first billing run in March 2012 and first direct debits for collection in April 2012.

4.4 Should a tender for the banking contract lead to a change in the Council's bank this will mean the timing of the change would take place at the same time as the new Revenues and Benefits contractor's first billing and direct debit runs and there is a possibility that these two things together could increase the risk of short term problems effecting the Council's Revenues and Benefits service.

4.5 Nat West have been contacted and they are willing to extend the current contract for a further year until 31st March 2013 on the same terms and conditions as the current banking contract. On this basis I would recommend that the Council take this option in order to reduce any short term risk that a possible change in bank may raise when happening at the same time as the new Revenues and Benefits contractors billing run.

4.6 It is recommended that a full tender exercise takes place in 2012/13 for a new bank contract for a period of five years commencing on 1st April 2013.

4.7 The major factor in the award of the current banking contract was centred on the improvements in electronic banking. These have now fed through and currently it is unlikely that there is anything major to be gained from innovations in banking processes.

4.8 A tender exercise should therefore focus on the ability to provide the required service and the price. It is unlikely that there will be any major savings to be gained however this is not a reason in itself for not testing the market. One factor that should be taken into account in any tender is the level of interest rates available for the investment of short term cash flow.

4.9 A report will be brought to the PAG in 2012 setting out the timetable for the tendering, and seeking agreement to the process and evaluation criteria.

5. Resources, Risk & Other Implications

5.1 If a tender exercise for a new banking contract commencing on 1st April 2012 resulted in a change in the Council's bank there could be a short term risk to the Revenues and Benefits service as the timing of a change in bank would coincide with the first billing and collection runs of the new Revenues & Benefits contractor.

5.2 To avoid the timing of this risk a solution could be to extend the current banking contract for a further year and carry out a tender exercise during 2012/13 for a new contract commencing on 1st April 2013. Nat West has confirmed that they are willing to extend the contract for a further year until 31st March 2013 on the same terms and conditions as the current contract. Under the Councils Contract Procedure Rules a contract may be extended without inviting tenders provided that the extension is approved by both the Committee responsible and the Cabinet.

5.3 The original tender for the banking contract in 2003/04 did not fall within the EU procedures. There is a risk that, even if the original contract was tendered in accordance with EU procedures and the extension is within the bounds of what was then told to the market, it could be challenged on the basis that it constitutes a 'material difference' to an existing contract and should be subject to a new procurement exercise. The risk of a successful challenge is greater if the extension is not within the bounds of what was originally told to the market. The risk increases where the original contract was not tendered in accordance with EU procedures because the first extension of the bank contract will have taken the contract value over the EU threshold for services which is currently £156,442. If extended now without submitting to the EU market, we do put ourselves at risk of challenge however Members are asked to balance this against the risks of a disruption to our revenues and benefits service.

5.4 A tender exercise should take place in 2012/13 for a new banking contract commencing on 1st April 2013 for a period of five years. The tender should consider the ability to provide the required service, the price and the interest rates available for the investment of short term cash flow.

6. Summary

6.1 The PAG is asked to consider a one year extension to the current banking contract based upon the current terms with a tender exercise to take place during 2012/13 for a new five contract commencing on 1st April 2013.

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Background Papers:	None