

**Not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of
the Local Government Act 1972**

Committee:	Executive	Agenda Item No.:	13. (Revised)
Date:	2 nd April 2012	Status	Exempt – Paragraph 3
Category	2. Decision within the functions of Executive		
Subject:	Proposed extension of the current arrangements with the Co-Operative Bank for the provision of banking services for a further 5 year period from April 2012.		
Report by:	Director of Corporate Resources		
Other Officers Involved	Head of Procurement		
Director	Director of Corporate Resources		
Relevant Portfolio Holder	Councillor E. Watts, Leader of the Council		

RELEVANT CORPORATE AIMS

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

TARGETS

None directly applicable.

VALUE FOR MONEY

Officers are satisfied that the proposed terms of this extension to the existing contract are in line with what would be secured via a competitive market tender. By accepting the terms on offer the Council will secure certainty of costs over the next 5 years and will minimise the disruption arising from a retender process, and from the switchover to another bank if that were to be the outcome of the tender process.

THE REPORT

The Council commenced its current contract for Banking Services with the Co-operative bank in the April of 2008. This switch to the Co-operative Bank was the outcome of a competitive tender process in which the Co-operative won against the then incumbent Barclays Bank. Despite a full competitive process only the Council's then banker (Barclays) and the Co-operative submitted a tender. This is in line with the widespread perception that other

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than for the Co-operative bank other financial institutions are not particularly interested in the local authority banking market.

The current contract with the Co-operative Bank ends at the end of March 2012. Under that contract the Council secures its full range of banking facilities including in effect a current account and access to a wide range of facilities for making payments and receiving income. Under any replacement contract the Council will need to secure continued access to all of the above services.

Given that the current contract is effectively now at an end the Council has three options which are set out below:

1. The Co-Operative Bank has offered to extend the existing contract for a fixed term of 12 months on the basis of a continuation of the existing contractual terms.
2. The Co-operative Bank has offered a revised contract for a 3 year period based upon very similar terms to those which currently apply.
3. The Co-Operative Bank has offered a revised contract for a 5 year period based upon the same terms as those offered for a 3 year period with the addition of a one off discount of £4,000 to be given in the first year (2012/13).

ISSUES/OPTIONS FOR CONSIDERATION

Given that the Council must have appropriate banking arrangements in place it is necessary to accept one of the three options given above. Given the timescales to which we are currently working if Members were of the view that a competitive tender is the appropriate course of action in present circumstances then it would be necessary to accept option 1 which would allow for a one year period in which to put in place an appropriate procurement process. In normal circumstances the Council should under recognised good practice and its own constitution opt for a competitive tender process.

While recognised good practice would normally require the Council to enter into a competitive tender process there would appear in this particular case to be strong arguments for entering into a longer contractual period of either 3 or 5 years with the Co-operative Bank.

OPTION EVALUATION

The Director of Corporate Resources in conjunction with the Head of Procurement has considered the options that are available to the Council. With regard to the background information there is a widespread understanding that the market for local authority banking is not a particularly competitive one, and that none of the banks appear to be pursuing an expansion of their local authority business. This means in practice that it may be the case that even if the contract were put out to tender that only the existing supplier would apply (Co-operative Bank). The contract itself is of a

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limited financial value being for some £18,000 per annum, or £86,000 (after year 1 discount) over a five year period. There is also considerable effort involved in organising a competitive procurement process and if the outcome of the tender process was a switch to another provider of banking services there would be a requirement for a considerable amount of staff time to be spent on putting the new arrangements in place. These would include changing stationary, notifying suppliers, amending systems, etc. While the additional direct costs of this would be limited it would require potentially significant amounts of staff time which could more effectively be used on other duties. Although it would be difficult to factor these costs into a tender evaluation process it needs to be recognised that these transition costs are likely to outweigh any savings that would be secured from a lower tender price.

Against this background the tender evaluation that has been undertaken has identified the following key issues. In the first place officers have had access to the outcome of a recent competitive tender process in which a local authority located in this region went out to tender. The terms on which the Co-operative Bank won that tender are in effect identical to those which are on offer to Bolsover District Council. It is also useful to note that the only bank which tendered for the work under a competitive tender was the Co-operative Bank.

Secondly, we have access to the terms available to a neighbouring authority which have recently been benchmarked by a national firm of banking consultants. The terms that have been offered to Bolsover District Council are in line with the terms currently enjoyed by this neighbouring authority which have been externally benchmarked.

On the basis of the above considerations the Director of Corporate Resources and the Head of Procurement have come to the view that the most financially advantageous route for the Council would be to accept the terms currently on offer from the Co-operative Bank and to enter into a 5 year contract. The evidence of both the market and benchmarking has indicated that that even if the Council opted for a competitive tender process it is unlikely that we would secure a genuinely competitive process in that the most likely outcome is that only the Co-operative Bank would tender for the work. Given the limited level of competition in the local authority market it follows that a competitive process is unlikely to secure a more advantageous outcome in terms of price and quality of service than that which has been secured by means of negotiation with the existing supplier.

The advantage of going for a 5 year contract over the three year option is that it secures the Council a discount of £4,000 in year one. While this is not a huge financial incentive it is nonetheless a significant saving in the context of a contract with an overall value of some £86,000. Secondly, the contract does secure for the Council price stability and certainty over the next 5 years. Given that many of the prices that constitute the tender are based upon the volume of transactions that are undertaken the Council will benefit if it increases its

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use of more efficient working practices such as reducing the number and amount of cash and cheque transactions, etc.

IMPLICATIONS

Risk:

In recommending that the Council does not go to an open competitive tender in this instance there is clearly the risk that we will not secure best value. Officers have given careful consideration to this issue but have come to the view that a suspension of Standing Orders is appropriate in this instance given that there is very limited competition for the provision of local authority banking services, and that the price offered is in line with that secured in a recent competitive process. In other respects the proposals set out within this report are essentially about risk minimisation in that the Council avoids the potential disruption to its banking arrangements from a change in supplier and secures price stability at a competitive rate for a 5 year period.

Financial:

Financial implications are covered throughout the report. On the basis of the recommendations the cost of our banking arrangements would be in line with the provision made in the budget. With respect to 2012/13 the Council will secure a one year saving of £4,000 (in return for a 5 year contract) which will make a contribution to our savings strategy in respect of next financial year.)

Legal:

This proposal falls within 4.8.4(1) c of the contract procedure rules. These provide for an extension to an existing contract to be allowed subject to a senior officer consulting with the Head of the Shared Procurement unit.

Human Resources:

None

RECOMMENDATION

- 1. It is recommended that the Council enters into a 5 year contract with the Co-operative Bank for the provision of banking services along the lines outlined within this report.**

REASON FOR DECISION TO BE GIVEN IN ACCORDANCE WITH THE CONSTITUTION

In order to ensure that the Council continues to receive the banking services that are necessary for its continued operation as an organisation.

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Bolsover Council – Pricing Schedule

(1st April 2012 – 31st March 2017)

Transaction	Volume	Unit Rate	Price £
Manual Debits	4,719	£0.04	189
IPSL Credits	0	£0.08	0
HOCA Credits	7,550	£0.08	604
Cheques Collected IPSL	21,870	£0.04	875
Automated Credits	12,524	£0.015	188
Automated Debits	2,908	£0.015	44
Via Processor			
DTP Simple >£500	£494,830	0.250%	1,237
DTP Simple >£1,000	£6,587,490	0.070%	4,611
Coin Paid In	£80,195	0.25%	200
Cash Paid Out	£700	0.07%	0
Coin Paid Out	£0	0.25%	0
Via Post Office			
<i>Cash Value of Credit</i>			
<£500	£0	0.50%	0
>£500 - <£3000	£0	0.30%	0
>£3000	£0	0.12%	0
Manual Credits	0	£0.45	0
Cheques Collected	0	£0.10	0
Cheque Encashments	1	£1.30	1
BACS Items	255,983	£0.015	3,840
BACS Files	391	£4.50	1,760
Base Charge			13,549
Less Year One Loyalty Bonus			-4,000
Annual Basic Commission Charge in Year One			9,549
Other Specified Charges:			
CHAPS Outwards (Via Financial Director)	153	£7.00	1,071
Stops (Via Financial Director)	5	£2.00	10
Reconciliation Downloads (Via Fin Dir)	252	£4.00	1,008
Reconciliation Items	27,701	£1,250 min	1,250
Financial Director module charges	12	£75.00	900
Unpays	169	£1.50	254
Net Year One Commission Charge*			14,042

*in year two core commission charge will be **£13,549**