

**Classification:** Part A

**Key Decision:** Yes

## **Gravesham Borough Council**

**Report to:** Assistant Director (Finance)  
**Date:** 19 June 2014  
**Reporting officer:** Sarah Parfitt - Service Manager (Finance)  
**Subject:** Banking Tender

### **Purpose and summary of report:**

To update on the current position of the tendering process for the future provision of banking services.

### **Recommendations:**

That the Council proceeds with the action set out in this report to begin the formal process of securing new banking services providers.

#### **1. Background to the report**

- 1.1 Gravesham Borough Council currently has a contract with the Co-operative Bank to provide the necessary banking services until 31 March 2015.
- 1.2 On 5 November 2013 the Authority received a letter from the Co-operative Bank stating that following the recent announcements, it would be withdrawing from the local authority market and will be doing so in a controlled and ethical manner. The Co-operative Bank currently holds around one-third of all local authority transactional banking contracts (134 authorities). Within Kent, only Dartford also currently banks with the Co-operative Bank.
- 1.3 The current fee structure is a mixture of monthly and quarterly charges, some of which are fixed charges and others vary depending on volumes of transactions.
- 1.4 It is proposed that the Council should enter into a fixed term of seven year contract period with the option to extend for a further three years at a renegotiated fixed tariff.
- 1.5 There are currently four banks in the market of supplying transactional banking contracts for Local Authorities: Nat West, Barclays, Lloyds and HSBC. Currently all (with the exception of HSBC) have contracts with other Local Authorities in Kent. The Council has already been contacted by other banks knowing that it currently banks with the Co-op, and expressing an interest in providing it with their banking services.

- 1.6 Under the Council's Constitution ( Annex 2.6 of the Financial Procedure Rules.- Section 8 Bank Arrangements and Cheques) "all arrangements with the Council's bankers shall be made by, or under arrangements approved by, Assistant Director (Finance) who shall be authorised to operate such banking or other accounts as s/he considers necessary".
- 1.7 Although you, as the Assistant Director (Finance), has the authorisation to approve a new banking service, it is considered prudent to ensure that Members are fully informed at the start of the tender process and at the award of the contract. It is therefore proposed that a report is prepared for Cabinet to consider on 30 June 2014, with a further report presented to Cabinet on 6 October 2014 to receive any decision on the preferred supplier.

## **2. Tender Process**

- 2.1 The Co-operative Bank could continue to provide banking services to the Council until the end of the current contract period or until such time as the council wishes to terminate the contract. In view of the fact that annual billing to taxpayers takes place in February 2015 it would be prudent for the Council and to the benefit of the taxpayer to secure a new banking provider at least three months prior to the end of March 2015.
- 2.2 This would enable a long lead in time to ensure the transition to a new banking provider is as smooth as possible and enable a period of parallel running of the two accounts. The Co-operative Bank has stated that they would support parallel running of the two bank accounts however, were this to be the case, the Council would be paying bank fees to the two banking providers.
- 2.3 A Project Group of officers from IT, Legal, Finance, Audit and Procurement, chaired by yourself as the Assistant Director (Finance), was established in March 2014 to plan (and commence) the procurement of a new banking provider.
- 2.4 In May 2014 the Council appointed BRC Consulting Services to assist with the quality assurance during the production of the tender specification, identify opportunities for efficiencies and support the Council during the evaluation of tenders and contract award.
- 2.5 BRC Consulting Services have assisted many councils in producing tender documents and specifications for banking services and it was felt that with their extensive knowledge of the banking sector they could assist the Council during its tendering process.
- 2.6 The cost of BRC Consulting Services is between £1,500 and £2,000 + VAT for 3 or 4 days work and will be met within existing budgets.

### 3. Timescale

3.1 The proposed tender timescale is as follows:

<b>Task</b>	<b>Target Date</b>
Tender Document and OJEC Notice approved	w/e 27 June 2014
Tender Response Due Date	w/e 15 August 2014
Evaluation of Tenders	w/c 18 August 2014
Standstill period	Until 14 September 2014
Award Contract / Implementation Plan	w/c 15 September 2014
New Banking Service commences	1 December 2014

3.2 The commencement date for the new banking service has been given as 1 December 2014 which would allow the successful bank adequate time to agree and instigate implementation plans. However, it is felt that if there was adequate time for a new banking service to commence on 3 November 2014 (without jeopardising the service to the public) then this would be more beneficial to the Council. In the tender specification potential tenderers will be asked for their draft implementation plans with an expected "go live" date of 3 November but no later than 1 December 2014.

### 4. BACKGROUND PAPERS

There are no background papers to this report.

**IMPLICATIONS****APPENDIX 1**

<b>Legal</b>	The cost of the ten year fixed term contract will have an estimated value of £243,000, which is above the OJEU threshold currently £172,514. (The European procurement rules require the 3 year option period to be included in the valuation of the contract). As the value of the contract exceeds the threshold, it is necessary to conduct a procurement in accordance with the rules, which is now being undertaken.		
<b>Finance and Value for Money</b>	The cost of £1,500 to £2,000 for employing BRC Consulting will be met within the existing budget. It is unknown at this stage the cost of a future banking service following the outcome of the tendering exercise.		
<b>Risk Assessment</b>	N/A		
<b>Equality Impact Assessment</b>	<b>Screening for Equality Impacts</b>		
	<b>Question</b>	<b>Answer</b>	<b>Explanation</b>
	a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	<b>No</b>	N/A
	b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	<b>No</b>	N/A
	c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		N/A
<i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i>			
<b>Corporate Business Plan</b>	N/A		
<b>Crime and Disorder</b>	N/A		