



To: Executive Councillor for Customer Services and Resources: Councillor Julie Smith
Report by: Director of Resources
Relevant scrutiny committee: Strategy & Resources 21/1/2013
Scrutiny Committee
Wards affected: All Wards

RECOMMENDATION TO EXTEND THE CURRENT COUNCIL BANK CONTRACT

Not a Key Decision

1. Executive summary

The Council's main bank contract (officially called the money transmission contract) covers provision of the Council's bank accounts, branch facilities, access to bullion centres, electronic payment and collection facilities and the provision of management information for treasury management and cashflow purposes along with access to a relationship manager and customer service centre.

This contract is currently run by HSBC Bank plc. The contract was let with effect from 1 April 2008 under an ESPO framework contract, for an initial period of five years, with an option to extend the contract for a period or periods together totalling no more than 3 years. The award of contract was made following evaluation of two tenders submitted to the Council, by the Co-operative Bank and HSBC. It is estimated that the charges under this contract will be approximately £33,000 in the current financial year.

The initial five year contract period will expire on 31 March 2013. Whilst considering options for extension of this contract, HSBC, in discussions with the Council, has indicated its willingness to freeze the current tariffs for the duration of any extended period.

Executive Councillor approval is required to extend this contract for more than one year.

2. Recommendations

The Executive Councillor is recommended:

To approve the extension of the current Money Transmission contract for a period of three years and to authorise the Director of Resources to conclude the necessary contractual arrangements.

3. Background

In March 2011 in preparation for consideration of the options in relation to the Money Transmission Contract at the end of the initial period, the Council commissioned an independent review, by Focus on Banking, of the HSBC contract. The initial review concluded that our contract rates were favourable and we should seek to extend the contract with minimal tariff increases from March 2013 for at least 1 year.

A further review and benchmarking exercise by Focus on Banking was commissioned during the current year and their report, received in October 2012. The analysis was based on actual transaction and financial data for the financial year 2011/12, and concluded that:

- The Council's current contract is very competitive and any new tender is unlikely to return such competitive rates.
- A tender at the current time would be likely to attract interest from only The Co-operative, HSBC and Barclays banks. (Of these only HSBC and Barclays are on the Council's Counterparty list, the Co-operative Bank does not meet Sector's minimum credit rating requirements.)
- The Council should seek and would be likely to be able to extend its current contract on existing terms or with minimal tariff increases.

By extending the contract for three years the Council will be able to continue to take advantage of the favourable rates under the contract for as long as possible.

Should the Council not opt to extend, costs to the authority of a re-tendering process, would be incurred. Significant costs would also be involved in changing banks, including the obvious ones such as amending billing and other documentation/stationery and communicating with customers. In addition it would be likely that additional staffing resources and costs would be incurred in re-writing current interfaces with the Council's financial management systems; these enable uploading of data to facilitate efficient bank reconciliation and treasury management functions to be carried out.

Over the period of the contract to date, regular review meetings have been held with our HSBC Commercial Account Manager. These meetings provide an opportunity to discuss the services provided, raise any issues of concern, learn about developments or improvements to the services offered and to alert the bank to significant events, such as the banking arrangements relating to Self-Financing for the Housing Revenue Account.

The relationship built up with the bank's representatives has been excellent, there have been no major issues of concern and the contract has run smoothly. In addition, the Council has benefited over the period of the contract from improvements in service, particularly relating to the availability of electronic data and services.

4. Implications

(a) Financial Implications

Based on the initial contract evaluation the annual cost was broadly broken down as follows:

Type	Annual Charge
Money Transmission Services	£34,000
BACS / CHAPS	£8,000
Internet Banking	£2,000
Annual Total	£44,000

The Focus on Banking benchmarking work demonstrated that over the period of the contract the composition of the council's transactions has moved away from being cash based to more electronic payments being received / made. This has had the effect of changing the bank charges, as shown below:

Type	Annual Charge
Money Transmission services	£16,000
BACS / CHAPS	£14,000
Internet Banking	£3,000
2011/12	£33,000

The savings made have been reflected in a reduction of the corporate bank charges budget.

The benchmarking exercise carried out by Focus on Banking indicated that, taking into account the cost of change, this annual charge is below the likely costs that would result from a new contract, therefore extending the current contract would be preferable.

The latest Focus on Banking benchmarking report indicated that the Council could expect to pay between £38,000 and £52,000 per annum if the contract was to be re-tendered, in addition to the cost of changing banks if HSBC were not the successful bidder.

The tariff freeze offered by HSBC would allow the Council to continue paying approximately £33,000 per annum for the next three years.

(b) Staffing Implications (if not covered in Consultations Section)

None identified

(c) Equal Opportunities Implications

An Equality Impact Assessment has not been undertaken in relation to this recommendation as it proposes a continuation of the current service.

(d) Environmental Implications

None identified.

(e) Procurement

The contract extension is in line with the current provisions of the contract.

(f) Consultation and communication

None required if contract remains in place.

(g) Community Safety

No implications identified.

5. Background papers

These background papers were used in the preparation of this report:

Focus on Banking (Review of Banking Arrangements) March 2011

Focus on Banking, (Benchmark of HSBC Banking Costs) October 2012

6. Appendices

None

7. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

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