

WEST DEVON BOROUGH COUNCIL

NAME OF COMMITTEE	Resources Committee
DATE	15 July 2014
REPORT TITLE	Banking Arrangements
Report of	Head of Finance & Audit
WARDS AFFECTED	All

Summary of report:

To consider arrangements for the existing bank contract with Nat West which expires on 31 March 2015.

FINANCIAL IMPLICATIONS:

The Council currently pays in the region of £10,000 annually in bank charges.

RECOMMENDATIONS:

It is recommended that:

1. West Devon Borough Council participates in a joint tendering exercise with South Hams District Council and Teignbridge District Council for the procurement of banking services with a view to implementing a new contract prior to 1 April 2015.

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1. BACKGROUND

- 1.1 The Council's banking contract with Nat West expires on the 31 March 2015 and South Hams District Council's contract with the Co-op expires on the 31st March 2015. The Co-op have advised South Hams District Council that they have decided to withdraw from their involvement in providing banking services to Local Authorities and that when the existing banking contract expires, they will not be seeking to renew it. Furthermore, they have indicated that they would fully

support the Council going to tender at the earliest opportunity and terminating the existing contract before 31st March 2016.

- 1.2 At the start of the year, the following Devon Councils were also banking with the Co-op; Plymouth City Council, Exeter City Council, Torridge District Council and Teignbridge District Council (TDC). West Devon Borough Council currently bank with Nat West and their contract expires in March 2015. Plymouth and Exeter have recently undertaken procurement exercises and have awarded contracts to a new provider.
- 1.3 The Head of Finance & Audit has been in discussions with Teignbridge District Council (whose contract expires on the 31 March 2015) with a view to going out to tender on a collaborative basis for banking services which would include both South Hams and West Devon Councils. The advantages of this approach include:
 - The prospect of more competitive bids from the banking sector
 - Both SHDC and WDBC would have the same banking provider which would facilitate T18
 - A more cost effective procurement process (It is proposed to use the ESPO 384 Banking Services Framework which went live on the 21 May 2014).

2. CURRENT RISKS

- 2.1 There are risks associated with South Hams District Council's on-going banking contract with the Co-op as they recently announced losses of £2.5bn for 2013, marking the worst results in the group's 150-year history. The group said that most of the losses stemmed from the Co-operative Bank, which amounted to £2.1bn.
- 2.2 Due to the risks highlighted above, South Hams District Council has operated a policy of keeping the daily balances at zero with the Co-op for many months. However, should the bank fail, the Council faces the risk of its account being frozen. Nevertheless, it is the view of Capita Asset Services (the Council's treasury management advisors) that in the event of failure, the Bank of England would have to intervene to "process" the transactions within their accounts, because the Co-op is part of the national Clearing Bank System. However, there is the possibility that the Co-op accounts would be closed to new transactions and therefore any affected Council would face the issue of maintaining "business as usual" with regarding its suppliers or customers who wish to make payments.
- 2.3 In order to mitigate this risk, South Hams District Council is intending to set up and use a substitute account as an alternative bank to receive all income flows. They are also looking to start their banking services contract earlier than the expiry date of 31st March 2016.
- 2.4 The Eastern Shires Purchasing Organisation (ESPO) has just issued a new framework agreement for Banking Services (Contract 384). This offers customers a quick simple and competitive route to Banking Services. The framework offers access to pre-approved suppliers that have been assessed highly on their quality

of services provided. These suppliers can be appointed using an efficient and streamlined procurement process; therefore ensuring customers obtain value-for-money services whilst enabling their requirements to be met.

The framework comprises three lots, including:

- General Banking Services
- Merchant Acquiring Services
- Bill Payment Systems

2.5 There are three suppliers listed on the framework agreement, all of whom are on the treasury management counterparty list for both councils. The suppliers are Lloyds Bank PLC, Barclays Bank PLC and the Royal Bank of Scotland Group PLC.

2.6 There are hidden costs and timing issues associated with the movement of banking services and these will have to be factored into any decision making.

3 SUGGESTED APPROACH

3.1 West Devon Borough Council, South Hams District Council and Teignbridge District Council intend to use the ESPO Framework Agreement (Contract 384) collaboratively to procure their banking services with a view to the contract for banking services starting prior to the end of the current financial year (31st March 2015).

3.2 Once the banking services supplier has been selected a detailed project plan will need to be prepared to look at all of the various income streams (direct debit, BACS, direct payment etc) within each Council and it is intended that the Councils will work with the successful bank to mitigate the risks associated with transferring customers from one bank account to another.

3.3 The Head of Finance and Audit will make exploratory enquiries with Torridge District Council also with regards to their banking contract and investigate any opportunities with regards to the joint tendering exercise. A verbal update will be provided at the meeting.

4. LEGAL IMPLICATIONS

4.1 It is proposed to use a cost effective procurement process (the ESPO 384 Banking Services Framework) which went live on the 21 May 2014.

5. FINANCIAL IMPLICATIONS

5.1 The Council currently pays in the region of £10,000 annually in bank charges. By tendering on a collaborative basis there is the prospect of more competitive bids from the banking sector.

6. RISK MANAGEMENT

6.1 The Risk Management implications are shown at the end of this report in the Strategic Risks Template.

7. OTHER CONSIDERATIONS

Corporate priorities engaged:	All
Statutory powers:	Local Government Act 1972, Section 151
Considerations of equality and human rights:	.None directly related to this report
Biodiversity considerations:	None directly related to this report.
Sustainability considerations:	None directly related to this report.
Crime and disorder implications:	None directly related to this report.
Background papers:	None
Appendices attached:	None

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status			Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel		
1	Movement of bank accounts	If the bank account transition isn't managed properly, there is a danger that the Councils cashflow may be compromised and customers may be affected if money paid in good faith is not credited properly to the Council.	5	2	10 ↔	Have a project plan which is agreed by staff and the new supplier to reduce the impact of the bank account change.	Head of Finance and Audit

Direction of travel symbols ↓ ↑ ↔