

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO CABINET

Date 10 September, 2014

REPORT TITLE: **BANKING SERVICES CONTRACT 2015/16 TO 2017/18**

Submitted by: **Executive Director (Resources and Support Services)**

Portfolio: **Finance and Resources**

Wards(s) affected: **All**

Purpose of the Report

To seek approval to enter into a contract with Lloyds Bank for the Council's banking services contract.

Recommendations

- (a) **That the award of a contract for the Council's banking services to Lloyds Bank for a 3 year period from 1st April 2015 with the option to extend on an annual basis for a further 2 years be approved.**
- (b) **That Cabinet gives delegated authority to the Portfolio Holder for Finance and Resources and the Executive Director (Resources and Support Services) to agree an earlier start date subject to the agreement of both Lloyds Bank and the Co-Operative Bank.**

Reasons

To enable the efficient continuation of the Council's banking services following the expiry of the current banking services contract on 31st March 2015.

1. Background

- 1.1 The Council's current banking services contract with the Co-Operative Bank expires on 31st March 2015.
- 1.2 On 5th November 2013 the Council received notification from the Co-Operative Bank that they had decided to withdraw its involvement in providing banking transmission services to local authorities as a result of their plan to simplify and rebuild the Bank focusing on serving the needs of individuals and small and medium sized business customers.
- 1.3 The Co-Operative Bank stated that the decision was not taken lightly but that they feel it is necessary as they seek to put foundations in place to support the longer term stability of the Bank.
- 1.4 This means that in the short term the Council will still have access to banking services, but when the existing banking services contract with the Co-Operative Bank expires, on 31st March 2015, the bank will not be seeking to renew the relationship.

1.5 The Co-Operative Bank has further advised that, should the Council seek to terminate the existing contract early, it would fully support the Council in any retendering and handover process and would not invoke early termination clauses within the existing contract.

2. Issues

2.1 Given the potential value of the contract the tender for the Council's banking services was advertised via the Eastern Shires Purchasing Organisation (ESPO) framework.

2.2 The benefits of using the ESPO framework include:

- Utilising an existing framework that is appropriate to the needs of the Council (the process of a full European Union tender exercise has already been undertaken by ESPO in identifying potential tenderers (Official Journal of the European Union contract notice 2012/S 239 394304 refers);
- Access to a choice of awarded suppliers;
- Pre agreed terms and conditions that are appropriate to the needs of local authorities; and,
- Established clear quality standards and pricing competitiveness.

2.3 Two potential suppliers submitted a tender and were invited to present their submissions to a panel of Officers and the Portfolio Holder for Finance and Resources.

2.4 Following the presentations the tenders were evaluated in order to determine the most economically advantageous tender against a pre-determined evaluation criteria. In this instance the ratio between quality and price was 20% quality and 80% price.

2.5 The evaluation undertaken resulted in the recommendation to award the banking services contract to Lloyds Bank, which scored equal marks for quality and tendered the lowest price for the period of the contract. The overall score for both potential suppliers is shown in the table below:

Supplier	*Cost	Quality Score	Cost Score	Total score
Lloyds Bank	£48,867	18	80	98
Company 'B'	£73,566	18	53	71

*Note, the Lloyds Bank contract price includes a reduction relating to an element of free transactional banking for 3 months of each year of the initial contract. The contract price from Company 'B' includes a reduction relating to an element of free transactional banking for 6 months of the first year of the contract.

2.6 References for both Lloyds Bank and Company 'B' have been sought and provided by other local authorities who utilise their services, these references have been positive.

2.7 Both Lloyds Bank and Company 'B' indicated during the presentation of their submissions that they would be willing to commence the banking services contract ahead of 1st April 2015 if the Council wished to pursue this.

3. Proposal

3.1 That the award of a contract for the Council's banking services to Lloyds Bank for a 3 year period with the option to extend on an annual basis for a further 2 years be approved by Cabinet.

- 3.2 That Cabinet gives delegated authority to the Portfolio Holder for Finance and Resources and the Executive Director (Resources and Support Services) to agree an earlier start date subject to the agreement of both Lloyds Bank and the Co-Operative Bank.

4. Reasons for the Preferred Solution

- 4.1 To enable the efficient continuation of the Council's banking services following the expiry of the current banking services contract on 31st March 2015.
- 4.2 To award the banking services contract to Lloyds Bank which has been evaluated as the most economically advantageous tender.

5. Legal and Statutory Implications

- 5.1 The procurement of this contract complies with Public Procurement Regulations.

6. Financial and Resource Implications

- 6.1 The current budget for the Banking Services contract is £55,000 per annum, over a 3 year period this equates to £165,000.
- 6.2 The award of the Banking Services contract to Lloyds Bank would result in a significant saving. Over the 3 year period of the contract this would amount to £116,133 (£38,711 per annum).

7. Major Risks

- 7.1 All risks associated with the procurement of this contract have been adequately managed

8. Key Decision Information

- 8.1 The Council's medium term financial strategy identifies that the Council will be required to make significant savings over the next two years.
- 8.2 This is a key decision; it has been included in the Forward Plan.

9. List of Appendices

- 9.1 None