

North Tyneside Council Report to Cabinet 9 June 2014

ITEM 7(d)

Procurement of Banking
Services

Portfolios: Elected Mayor Finance and Resources	Cabinet Member: Norma Redfearn Cllr Ray Glindon
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Report from Service Area: Finance and Commercial Services

Responsible Officer: Janice Gillespie, Senior Manager,
Finance and Commercial Services. **Tel:** 643 5701

Wards affected: All

PART 1

1.1 Purpose:

1.1.1 The report seeks approval to procure the contract for the provision of banking services for the Authority following the announced withdrawal of the current provider, the Co-operative Bank, from the local authority sector.

1.1.2 The purpose of this report is therefore to:

- (a) Seek Cabinet approval to start the procurement process, using the Official Journal of the European Union (OJEU) Open procedure, for the provision of banking services. The process will identify a provider who will supply banking services to the Authority for the next five years with the option to renew annually for a further two years subject to the performance of the appointed service provider;
- (b) Provide information relating to a proposed mini tender exercise using a framework agreement that the Eastern Shires Purchasing Organisation (ESPO) are in the process of completing for banking services;
- (c) Inform Cabinet of progress made in the various cross-service working groups set up to discuss the Authority's future banking requirements for the Authority establishments;
- (d) Inform Cabinet of the timetable for awarding the new contract; and,
- (e) Update Cabinet on the collaborative best practice arrangement North Tyneside Council is leading for the Region, supported by Association of North East Councils (ANEC) and the North East Procurement Organisation (NEPO).

1.2 Recommendations:

1.2.1 It is recommended that Cabinet:

- (a) Approve the commencement of the tender process for the provision of banking services to the Authority;
- (b) Delegate the authority to award the contract for banking services for North Tyneside Council to the Chief Executive (as Chief Finance Officer), in consultation with the Head of Law and Governance and the Cabinet Member for Finance and Resources;
- (c) Agree that the contract commences on 1 October 2014 for a period of five years with the option to renew annually for a further two years subject to the performance of the appointed service provider; and,
- (d) Authorise the Head of Law and Governance to sign the necessary contract documentation.

1.3 Forward Plan

Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 7 May 2014.

1.4 Council plan and policy framework.

Banking Services is a key strand of the Authority's Budget and Policy Framework.

1.5 Information

- 1.5.1 The Authority currently has a contractual relationship with the Co-operative Bank plc for its banking services, which has been in place for several years which will expire on 31 March 2015. The Co-operative Bank also provides payment transmission services via the Post Office and the Pay Point networks under a separate contract.
- 1.5.2 The Co-operative Bank informed the Authority that, following a review of their core business, a decision had been made to cease providing services to the local authority sector and that it would not seek to renew, extend or re-tender the existing contract.
- 1.5.3 The Authority therefore needs to re-tender for banking services that are essential to the operation of all services. The Co-operative Bank will continue to provide payment transmission services via the Post Office and Pay Point.
- 1.5.4 The Authority has been exploring the best path to ensure a smooth transition to a new provider along with ensuring that a cost effective, efficient and inclusive service that meets the Authority's business, customer and service needs is in place by April 2015. Although the Authority has no choice but to re-procure its banking services, there are options regarding the approach and timing of the tender process.

- 1.5.5 **ESPO Banking Framework** - There is a potential option to pursue a mini tender exercise, using a framework agreement that ESPO have been in the process of finalising. The ESPO framework offers the Authority 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. Utilising existing framework agreements is considered far more efficient and cost effective process than the Council completing its own full tender exercise. The ESPO process has been on-going for some time and there have been a number of delays in completing their tender exercise. Discussions were held with Procurement colleagues to establish the potential impact of any delay in the commencement of the ESPO framework. An open procedure will be progressed should the ESPO framework experience any further delay, but the framework is now expected to be available later in May 2014.
- 1.5.6 **Working Groups** - In order to obtain the most cost-effective service for the Authority, transactional banking has been examined in detail by the various cross-service working groups to obtain a clear understanding of the banking services required now and in the future. The groups have identified key risks and issues going forward, detailed in **Appendix 1**. Potential improvements have been discussed and, where appropriate, will be included in the tender documentation. The groups include senior officers and service representatives from Finance and Commercial Services and Law and Governance Services.
- 1.5.7 **Timetable** - In order to have new arrangements in place by April 2015 a timetable has been drawn up and detailed in **Appendix 2** to this report. The deadline for the submission of tenders is 22 August 2014. The date to award the contract and notify the successful supplier has been set at 1 October 2014. The timeframe is of necessity extremely tight to ensure maximum implementation time to effectively manage the complex transfer of the wide range of business requirements and banking processes. The timeframes comply with OJEU tender guidelines.
- 1.5.8 **Collaborative Working** – Given the number of neighbouring authorities also affected by the Co-operative Bank’s withdrawal, there may be potential benefits in a more collaborative approach for the new banking service. North Tyneside Council, supported by ANEC and NEPO is leading collaborative working arrangements with Regional local authorities to share current and new practices and initiatives during the contract implementation period.
- 1.5.9 Initial local research indicates that there are now only three active participants in the local government banking services market likely to submit a tender.
- 1.5.10 The tender exercise is being undertaken simultaneously with other local authorities in the Region whose banking services contracts operate within a similar timescale. Each Authority will procure their contracts separately using their own procurement and legal requirements. However, the tender process for each Authority will proceed along parallel paths at broadly the same time.

1.6 Decision options:

- 1.6.1 The provision of an efficient and effective banking service is critical to underpin the operational service delivery of Authority’s financial transactions, however the provision of these services within the market-place are fairly standardised which provides little opportunity for alternatives.

1.7 Reasons for recommended option:

- 1.7.1 The Authority requires the services of a banking provider in order to carry out its financial affairs. The decision of the Co-operative Bank to withdraw its services from the local authority market leaves the Authority with no alternative option but to re-procure its banking services. The current contract expires on 31 March 2015. Without delegated powers being approved for the Chief Finance Officer the contract award would be delayed with a risk that the Authority would be without a bank or that less favourable terms may be agreed due to time pressure.

1.8 Appendices:

Appendix 1	Key risks and issues.
Appendix 2	Timetable for appointing a new provider from 1 October 2014.

1.9 Contact officers:

Janice Gillespie - Tel 643 5701

Margaret Keith - Tel 643 5747

1.10 Background information:

The following background papers and research reports have been used in the compilation of this report and are available at the offices of the author:

- (a) Letter from Co-operative Bank plc dated 5 November 2013.
- (b) European Union (EU) tender guidelines.
- (c) Local Authorities (Standing Orders) (England) Regulations 2001.
- (d) Financial Regulations

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

There is an annual budget provision for general banking. Commission charges paid to the Co-operative Bank are currently around £30,000 per annum, depending on volumes and types of transactions during the year. Staff will be required to implement the project in accordance with the timetable. At this stage it is anticipated that the costs of the new contract will be met from within existing budget provision, although the final contract prices will not be known until bids are received and assessed. It should be noted that control of the cash book and bank reconciliation is fundamental to the Council's financial standing and resource implications may include the potential cost of transitioning to the new provider.

2.2 Legal

The banking services tender is subject to European Union (EU) procurement rules. Relevant details will need to be advertised in OJEU. The contract documentation will need to be reviewed and approved following advice from Law and Governance Services. The ESPO Framework referred to in paragraph 1.5.5 was established in a manner compliant with EU Procurement Rules. If the option to utilise this framework is taken up this may expedite the procurement process, but before a decision on this option is taken it will be necessary to ensure that the scope of the services available under the framework and the terms of their supply are acceptable to the Authority.

2.3 Consultation/community engagement

Internal consultation

Internal consultation has taken place with the Cabinet Member for Finance and Resources, the Elected Mayor, the Senior Leadership Team and Senior Finance Officers.

Community engagement

Community engagement has not been undertaken given the nature of this project. Service users will be consulted as the implementation plan is developed.

2.4 Human rights

Ethical concerns such as arms trading, human rights and corporate responsibility will be directly addressed in tender questions.

2.5 Equalities and diversity

Equalities and diversity will be directly addressed in tender questions.

2.6 Risk management

Potential risks against the Authority are covered in this report and registered through the Authority's risk management process and set out in **Appendix 1** to this report.

2.7 Crime and disorder

As part of the compliance checking of this tender, bidders will be asked questions relating to gross misconduct and history of litigation. As part of the evaluation, assessors will expect to be provided details on robust processes for dealing with fraud and associated crimes.

2.8 Environment and sustainability

It is proposed that a percentage of the Quality Weighting will be attributed to Environmental questions. Bidders will be asked to identify the key areas relating to sustainability that the delivery of the banking service will impact on and to propose methods for reducing the negative impacts.

PART 3 - SIGN OFF

- Deputy Chief Executive
- Head of Service
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Strategic Manager – Strategic Services