

**FLINTSHIRE COUNTY COUNCIL**

**REPORT TO:**           **AUDIT COMMITTEE**

**DATE:**                 **28<sup>TH</sup> JANUARY 2015**

**REPORT BY:**         **CORPORATE FINANCE MANAGER**

**SUBJECT:**            **COUNCIL BANKING ARRANGEMENTS**

**1.00   PURPOSE OF REPORT**

1.01   To provide Members with an update on the award of the contract to provide the Council's banking arrangements.

**2.00   BACKGROUND**

2.01   The Council's contract for banking arrangements expired in May 2014.

2.02   The Audit Committee resolved at its meeting of 17<sup>th</sup> July 2013, to be informally updated of any progress on the provision of the Council's banking services.

2.03   In a report to Audit Committee on the 29<sup>th</sup> January 2014 it was explained that delays in the setting up of the Eastern Shires Purchasing Organisation (ESPO) procurement framework led to an agreement being reached with NatWest for them to continue to deliver the Council's banking services on the existing terms until the Council let the new contract.

**3.00   CONSIDERATIONS**

**Procurement Process**

3.01   A cross-directorate meeting was held to discuss the Council's future banking requirements for all Council establishments. The meeting was attended by senior officers from Corporate Finance, IT, Revenues & Benefits, Clwyd Pension Fund, Procurement, Schools and Social Care.

3.02   Following advice from the Procurement team, it was agreed that the Council would be best served by using a specialist procurement framework that was being developed by ESPO. The Council has made extensive use of tendering through ESPO previously. Utilising existing framework agreements is considered a far more efficient and cost effective process than the Council completing its own full tender exercise which is likely to result in the same organisations bidding in

any case.

- 3.03 The ESPO framework consisted of three major UK banks – Barclays, Lloyds and NatWest. Other major UK banks such as HSBC and Santander are not on the framework as they have expressed little interest in providing Local Authority banking services.
- 3.04 Following consultation with key internal stakeholders the tender was finalised and the contract was formally advertised via ESPO on 17<sup>th</sup> October 2014.
- 3.05 Lloyds contacted the Council's Procurement team shortly after the contract was advertised, to advise that they would not be tendering, citing difficulties they would have in utilising the Post Office branch network to support the Council's banking requirements. Barclays also opted not to tender, advising that they did not feel they could be competitive at the present time.
- 3.06 A tender was received from NatWest and the submission was subject to a thorough review and evaluation. A new contract with NatWest was subsequently agreed for them to deliver the Council's banking services for the next three years with an option to extend for a further year.
- 3.07 Whilst it was disappointing that the two main competitors opted not to submit rival tenders, the tender submission from NatWest was of a very high standard and provides short-term cost savings as well as the commitment and desire to work with the Council to deliver a more efficient and modern banking service.

**Key elements of the new contract:**

- 3.08 **Loyalty Offering** - NatWest have offered a loyalty discount in year one that provides 12 months free money transmission banking. Based on existing transaction volumes this amounts to a saving of £28k - approximately 65% of the total annual charge. Charges beyond year one remain unchanged from the previous contract.
- 3.09 **Post Office Counters** - NatWest have recently entered into a partnership arrangement with the Post Office network to provide increased flexibility around the deposit and withdrawal of cash. This has assisted in expanding their network, especially where there is no branch presence in the area. This will enable the Council to utilise Post Office counters to deposit cash and cheques without incurring Inter-Bank Agency tariffs which are expensive.
- 3.10 **Modernisation** – Throughout their tender, NatWest indicated a willingness and desire to work with the Council to help to modernise the banking provision and increase automation, including the potential to introduce Business Debit Cards which could replace some of the

Council's petty cash accounts.

**4.00 RECOMMENDATIONS**

Members are asked to note the report.

**5.00 FINANCIAL IMPLICATIONS**

5.01 As set out in the report.

**6.00 ANTI POVERTY IMPACT**

6.01 None directly as a result of this report.

**7.00 ENVIRONMENTAL IMPACT**

7.01 None directly as a result of this report.

**8.00 EQUALITIES IMPACT**

8.01 None directly as a result of this report.

**9.00 PERSONNEL IMPLICATIONS**

9.01 None directly as a result of this report.

**10.00 CONSULTATION REQUIRED**

10.01 None.

**11.00 CONSULTATION UNDERTAKEN**

11.01 None.

**12.00 APPENDICES**

None.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985  
BACKGROUND DOCUMENTS**

None.

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