

NORTH LINCOLNSHIRE COUNCIL

FINANCE, PROCUREMENT & IT CABINET MEMBER

OUTCOME OF THE BANKING SERVICES TENDER

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 This report seeks to inform the cabinet member of the outcome of the recent tendering exercise for banking services.

1.2 It will also outline the implications of the decision and the steps being taken to manage the resultant risks.

2. BACKGROUND INFORMATION

2.1 The National Westminster Bank, part of the Royal Bank of Scotland Group has provided the council's banking services since 1996. The current contract expired as at the end of March 2012.

2.2 The council therefore began a tender exercise jointly with North East Lincolnshire Council for banking services for a period of five years.

2.3 The tender documents required tenderers to agree to use the council's terms and conditions rather than their own. Only two tenders agreed to this condition and were therefore compliant. These were from Barclays Bank and the National Westminster Bank.

2.4 The compliant tenders were evaluated on cost and quality with a weighting of 60%/40% in favour of cost.

3. OPTIONS FOR CONSIDERATION

3.1 Barclays tender was the lowest cost compliant tender and also demonstrated the highest quality. On that basis the contract was awarded to Barclays.

3.2 To support any transfer of accounts, Barclays tender included a period of three months during which transaction charges would be discounted to zero. The discount period is to be delayed until the full migration has taken place, planned for 1 July 2012.

4 ANALYSIS OF OPTIONS

4.1 An impact assessment of the changes has been carried out. Payments made by the council will be relatively easy to migrate. Most of the

required changes can be made from within our systems. One area where the changes will be more difficult is the migration of Imprest Accounts held in Services.

- 4.2 The council receives over £420m of income which generates around 55,000 banking transactions. To migrate all the income the council receives will be more involved and will require the council to notify some of the individuals and organisations that make payment to it. Most of this will be dealt with by putting in place an automatic redirection of BACS and standing order income and notifying payees as part of an existing annual process.
- 4.3 Most of the council's income comes from a relatively small number of organisations and government departments. Payments from Government departments account for around 50% of the council's income. Most government departments can be informed of the change via an on-line system.
- 4.4 Payments by direct debit account for a further 18% of the income the council receives. These can be migrated by making changes in the relevant system (e.g. Northgate for Council tax and NNDR) generating the direct debit file, which is then sent to BACS for processing. Only 94 direct debit transactions are included in the figures above but they represent around 400,000 payments being collected by direct debit. This is because the income is posted to our bank accounts in a summarised form.
- 4.5 Cash receipts, payments from the Primary Care Trust, payments via Allpay and payments via credit or debit cards comprises a further 10% of the council's income all these sources require only one organisation to be informed of the change.
- 4.6 Other income will require some work to migrate but the majority of income will be automatically transferred to the council's new bank accounts and the payees will be contacted via existing annual processes e.g. Council Tax Annual Bills. Only a relatively small number of individuals and organisations will need to be contacted to change their payment details.
- 4.7 A phased approach to the migration will be taken. Most income and expenditure will be migrated by the 1st July with full migration by 1st October. A process will then be put in place to identify and migrate any transactions still being processed through the council's old bank accounts.

5. **RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)**

5.1 **Financial:** Placing the council's banking contract with Barclay's saves £30,000 over the life of the contract.

6. **OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 - CRIME AND DISORDER, RISK AND OTHER)**

6.1 None

7. **OUTCOMES OF CONSULTATION**

7.1 None

8. **RECOMMENDATIONS**

8.1 That the change to the provision of banking services is noted.

DIRECTOR OF FINANCE

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Background Papers used in the preparation of this report - None