

**ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS**

<b>1.</b>	<b>Meeting:</b>	<b>Audit Committee</b>
<b>2.</b>	<b>Date:</b>	<b>23rd July 2014</b>
<b>3.</b>	<b>Title:</b>	<b>Council Banking Arrangements</b>
<b>4.</b>	<b>Directorate:</b>	<b>Resources</b>

### **5. Summary**

Following the decision in November 2013 by the Co-operative Bank to withdraw from the local authority sector, the Council needs to seek and appoint a new provider of banking services before the expiry of the current contract on 31<sup>st</sup> March 2015.

This report updates Members of the Audit Committee with the actions taken by officers to date in seeking a replacement supplier of banking services to the Council.

### **6. Recommendation**

Audit Committee is asked to note the contents of this report.

## 7. Proposals and Details

The Co-operative Bank has for a number of years been a major provider of banking services to the local authority sector in England, accounting for approximately 35% of the market according to Localgov.co.uk on 11<sup>th</sup> November 2013. Following periodic reviews and several tender exercises lead by independent banking experts, it has been Rotherham Borough Council's appointed bank for over 30 years.

In November 2013, the bank wrote to 130 local authorities informing them of its decision to withdraw from the local authority market and focus its attention on its retail and small and medium enterprise businesses. It would honour all existing contracts but would not look to renew any contracts once they expired and urged local authorities to explore alternative arrangements at the earliest opportunity.

Rotherham Borough Council's existing contract with the Co-operative Bank, valued at approximately £70k p.a. was due to expire on the 31<sup>st</sup> March 2015. With so many local authorities potentially seeking alternative arrangements and with so few potential providers it was considered to be in the Council's best interests to seek an alternative provider several months ahead of this date.

The Director of Financial Services immediately appointed a project team consisting of Finance and Procurement staff supported by an external banking sector professional and charged them with the task of reviewing the Council's banking requirements and appointing a new provider.

The existing contract consisted of 2 lots:

- (i) Banking Services – covering all day to day banking processes;
- (ii) Merchant/Acquiring Services – covering card payments.

The Co-operative Bank is a card issuer but has no acquiring arm, meaning that it does not have the infrastructure to be able to process and settle card payments. It therefore sub-contracts this side of the business to a partner called Global Payment Solutions Ltd. a former part of the HSBC Bank.

As part of the contract review, negotiations were held with Global Payments resulting in them offering a reduction to the existing rates on card processing in return for keeping our business with them, generating a saving of £22k over the next 3 years. It was confirmed with both Legal and Procurement colleagues that this was allowed within the terms of the existing agreements and it would not contravene contract standing orders, and it was the firm opinion of the independent banking expert that the offered rates represented good value and that there would therefore be no benefit in re-tendering further for this service.

It was therefore decided to remain with Global Payments for the provision of merchant/acquiring services and just re-tender for the provision of banking services.

The review was completed and the Invitation to Tender document issued on the 2<sup>nd</sup> May 2014 with the closing date for submissions being the 25<sup>th</sup> June.

The timetable for the remainder of the project is as follows:

1 <sup>st</sup> August 2014	-	Preferred tenderer confirmed.
4 <sup>th</sup> - 14 <sup>th</sup> August 2014	-	Standstill period.
15 <sup>th</sup> September 2014	-	Implementation of change to new bank starts.
31 <sup>st</sup> December 2014	-	Implementation completed.
31 <sup>st</sup> March 2015	-	Formal contract end with the Co-operative.

## **8. Finance**

Until formal evaluation of bids and a preferred tenderer is selected the financial implications of the change in supplier cannot be quantified.

Expenditure to date has been contained within existing budgetary provision.

## **9. Risks and Uncertainties**

Potential bidders continually undertake new implementations and dedicate staff to this process. Whilst there is a risk that the new bidder may not have sufficient resources available it is thought that the successful implementation of IT changes could present the most significant risk.

Having an early start to the implementation with the successful bidder will ensure that any risks are mitigated before the end of the Council's current contract.

## **10. Policy and Performance Agenda Implications**

An effective banking services contract will assist in delivering the Council's policy and performance agenda.

## **11. Background Papers and Consultation**

Director of Financial Services  
The Council's Procurement Service

### **Contact Names:**

Derek Gaffney, Chief Accountant, ext 22005.  
[derek.gaffney@rotherham.gov.uk](mailto:derek.gaffney@rotherham.gov.uk)

Richard Lancashire, Principal Officer Transactions, ext 22021.  
[richard.lancashire@rotherham.gov.uk](mailto:richard.lancashire@rotherham.gov.uk)