

| REPORT TO | DATE OF MEETING |
|----------------------|------------------------|
| Governance Committee | 25 April 2012 |

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| SUBJECT | PORTFOLIO | AUTHOR | ITEM |
|--|-----------------------|------------------|-------------|
| Consultation on the Tendering Process for the Council's Banking Services from 01/01/2013 to 31/03/2018 | Finance and Resources | Gordon Whitehead | 6 |

SUMMARY AND LINK TO CORPORATE PRIORITIES

The present banking contracts for both South Ribble and Chorley expire on 31 March 2013. A joint tendering process is proposed for the procurement of banking services for the following five years. Awarding this contract at the conclusion of the evaluation process will be a key decision with the preceding evaluation criteria being set and approved under delegation by the Executive Member. This report is presented as a means of consulting Governance Committee at this stage in the tendering process.

In drafting the tender invitation the key considerations have been the following:-

- That each Council should be able to make its own decision in awarding the contract. Accordingly there will be a separate tender return for each Council.
- That the evaluation criteria should allow for the inclusion of changeover costs. These are not easy to quantify but banking services are so fundamental to our business that considerable administration will be required to effect a change.
- That the evaluation criteria should give both Councils maximum flexibility to obtain the banker that it considers to be offering the best option to them.
- That tendering banks should have an acceptable "credit quality".

RECOMMENDATIONS

- That a single tendering exercise with Chorley should be undertaken but that separate tenders be obtained for each authority.
- That award of the contract should be based on a scoring system of 60 points for price and 40 points for quality.

BACKGROUND

1. HSBC provide banking services to South Ribble under a contract terminating on 31 March 2013. This date coincides with the expiry of the current Chorley banking contract with Nat West. It is proposed, therefore, to seek tenders for the provision of banking services to both Councils.

CONTRACT AWARD PROCEDURES

2. Current banking services received from HSBC cost South Ribble between £15k and £25k per annum.
3. It is usual on highly specialised tenders of this nature to employ an advisor. Quotations were sought from three companies which resulted in the appointment of a company called Focus on Banking. The cost, to be met equally by both Councils, is £5,850 plus expenses.

4. There are a limited number of banks (four or five) in the market for local authority business. The Co-op is the biggest provider (35%). The tender invitation will require bidders to have experience of local authority work and it will also require them to have a “credit quality” that meets that specified in the Treasury Strategy for banks with whom the Council will invest.
5. This “credit quality” criteria is currently specified as those banks that are part nationalised (this giving comfort that over the foreseeable future the bank is solid) and also includes banks with a credit rating of at least the following:-

| Fitch | | Moody | | S&P | |
|------------|-----------|------------|-----------|------------|-----------|
| Short Term | Long Term | Short Term | Long Term | Short Term | Long Term |
| F1 | A | P-1 | Aa3 | A-1 | A+ |

6. This will exclude the Co-op. Should a bank over the five year life of the contract lose the required credit quality, either by a fall in its rating or in the case of a part nationalised bank by its disposal, the tender documentation will permit the Council to terminate the contract.
7. Procurement will be by means of an open tender advertised through The Chest (the North west regional e-procurement portal and e-tendering system, used by both Councils)
8. The timetable envisages the tender document being issued in April, with a return date in late June. Tender evaluation will follow in July with a decision expected before the end of September. This will give ample time if either or both Councils have chosen to change banker.

EVALUATION CRITERIA

9. Tenderers will be required to return the following:-
 - Their prices for each type of banking transaction as detailed on a schedule showing transactions types and expected volumes.
 - Their responses to a series of questions covering technical issues, internet banking, management of the banking relationship and how they would implement the change in banker if this were the outcome.
10. The tender invitation permits the cost of changing bank to be included in the evaluation. The amount to be included will depend on the assistance offered, and methods employed by the tendering bank and the resultant work falling to each Council. Each Council will assess its own costs in evaluating the tenders submitted. This will be a key factor in any decision to change bank.
11. The cost of each bid will be determined by multiplying the tendered price by the transaction volumes over five years. To this will be added the cost of changeover if appropriate. 60 points will be awarded to the lowest tenderer. Each other tenderer will lose 1 point for every £2k by which its cost over the five year period exceeds the lowest.
12. The quality score of 40 points will be awarded on the basis of the returns to the responses to the questions, examples of which are set out in Appendix One. It is unlikely that there will be significant differences in the quality of the services offered by the banks.

WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of these. The risk assessment which has been carried out forms part of the background papers to the report.

| | | | |
|---|---|---|---|
| FINANCIAL | Fully covered in the report | | |
| LEGAL | <p>The procurement will be carried out in accordance with both the Council's Standing Orders and all relevant legislation.</p> <p>In this context it is imperative that the Council (s) should seek to act in an open and transparent fashion at all times.</p> | | |
| RISK | <p>The full risk assessment forms part of the background papers to this report. The main points for consideration are summarised here:-</p> <ul style="list-style-type: none"> • compliance with all procurement legislation and the Council's Standing Orders • Obtaining best value | | |
| OTHER (see below) | | | |
| <i>Asset Management</i> | <i>Corporate Plans and Policies</i> | <i>Crime and Disorder</i> | <i>Efficiency Savings/Value for Money</i> |
| <i>Equality, Diversity and Community Cohesion</i> | <i>Freedom of Information/ Data Protection</i> | <i>Health and Safety</i> | <i>Health Inequalities</i> |
| <i>Human Rights Act 1998</i> | <i>Implementing Electronic Government</i> | <i>Staffing, Training and Development</i> | <i>Sustainability</i> |

BACKGROUND DOCUMENTS

Risk Assessment