

CABINET

23 NOVEMBER 2010

REPORT OF THE CABINET MEMBER FOR FINANCE, REVENUES AND BENEFITS

Title: Re-Tendering of the Banking Contract	For Decision
<p>Summary:</p> <p>The Council's banking service is provided by Barclays Bank PLC under a five year contract which commenced 1 September 2005 with an extension of up to a further five years, which would run to 2015. However, procurement advice has been sought and it has been advised that it would be good practice to re-tender the contract rather than to let the extension run its course.</p> <p>It is anticipated that the tender process will be completed by 30 May 2010 and it is therefore proposed that the current contract with Barclays be extended for a period of up to nine months to cover this period.</p> <p>When tendered the expected contract value over five years will be approximately £400,000. The Council is required to obtain at least four potential tenderers by formal invitation to tender. Rules 6 and 8 (tendering and advertising) of the EU Public Procurement Regulations apply to contracts with value in excess of the EU thresholds tendering and advertising.</p> <p>The Council's Cashiers public function is also scheduled to close and this service is predominantly being moved to scan coins, web payment, cash less catering and prepaid cards. This also presents an ideal opportunity for the Council to consider the effectiveness and value for money of its existing arrangements.</p> <p>Wards Affected: None</p>	
<p>Recommendation(s)</p> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none">(i) Agree the retendering of the contract for banking services on the terms set out in this report;(ii) Agree a extension of up to nine months of the current contract with Barclays whilst the tender process takes place; and(iii) Decide whether Members wish to be further informed or consulted on the progress on the tender process and award of the contract	
<p>Reason(s)</p> <p>To assist the Council in achieving all of its Community Priorities and implement all aspects of its corporate plan and strategy.</p>	
<p>Comments of the Chief Financial Officer</p> <p>Changing bankers has its difficulties both strategically and often financially, however this is no reason not to test the market.</p>	

It is essential that the Council gets value for money from its contracts by regularly reviewing and retendering these contracts.

Comments of the Legal Partner

This report is seeking Cabinet's approval to re-tender the current contract for the provision of banking services to the Council, for a period of five years with an option to extend for a further two years

The value of the banking contract exceeds the EU threshold for services (currently £156,442), therefore there is a legal requirement to tender the contract in the EU. Furthermore, the Council's Contract Rules (Contract Rule 3.6) require the strategy for the procurement of contracts of above £400K in value to be submitted to Cabinet for approval prior to procurement of such contracts.

As the value of the proposed contract is circa £400k, the Cabinet Member, in compliance with the Contract Rules, has set out the proposed strategy for the procurement of the contract in Paragraph 2 of this report, for approval by Cabinet. This strategy complies with the EU public procurement rules as contained in the Public Contracts Regulations, 2006.

The Cabinet Member is furthermore seeking Cabinet's approval to extend the current banking services contract with Barclays Bank which expired on 31 August 2010 for a further 9-month period, to ensure continuity of provision of the banking service whilst the proposed re-procurement of the service is being undertaken. The report states that the contract with Barclays Bank contains an option to extend the contract, upon expiry, for a further period of up to 5 years.

The Legal Partner (Procurement, Property and Planning) confirms that there are no legal reasons preventing Cabinet from approving the recommendations of this report.

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1. Background

1.1 The current contract with Barclays Bank Plc commenced on 1 September 2005 with an extension for a further five years. Barclays provide the Council with a range of services to support its activities across the borough, for example:

- Paying in and withdrawal facilities
- BACS and CHAPS facilities
- Transmission of all web receipts
- Provision of statements
- Electronic banking
- Provision of reconciliation services

- Foreign currency transactions
- Credit facilities

1.2 It is mandatory that the Council must have a bank account in other to transact its business.

1.3 The banking contract is managed by the Treasury Team. The quality of banking services affects people and services across the borough in a number of ways including:

- Payment of salaries and wages
- Payment of Housing and Council Tax Benefit
- Payment of Housing Benefit and Council Tax Overpayments
- Receipt of Business Rates
- Receipt of Council Tax and Housing rents
- BACS /Cheques payments to contractors and Foster carers
- CHAPS payments for precepts, levies and schools devolved budgets
- Cancellation, tracing and recall of Housing & Benefit cheques & bacs
- Cancellation, tracing and recall of contractor cheques & bacs
- On behalf of the Council paying of foster careers who reside abroad

1.4 There are continual advances in the banking services industry, in terms of technology, processes and the range of services available. This re-tender process gives the Council an ideal opportunity to assess the effectiveness of the current arrangements in the light of these advances and Council's decision to close the Cashiers public function.

1.5 The re-tender process also gives an opportunity to ensure the Council gets value for money in respect of banking services.

1.6 It should be noted however that due to the value of the contract, the nature of business and other factors associated with the current financial climate, there are only a limited number of suitable banks who continue to provide this service.

2. Proposed Tender/Contract Package

2.1 Banking Services is a Part A (Priority) Service within the EU Procurement legislation. With a potential contract value of £80,000 per annum over the proposed contract period of five years, the potential value is £400,000 and therefore any tendering exercise must be carried out in full compliance with the legislation.

2.2 Officers propose to use the "Restricted Procedure" with regard to this contract – i.e. to invite expressions of interest (through an advert in the OJEU), receive initial responses, shortlist and then invite full tenders from between 3 or 4 banks which meet the Council's minimum credit criteria. With the required timescales in mind, officers anticipate that the contract will start in June 2011.

2.3 It is proposed that the new contract length be five years with an option to extend for a further two years. This proposal is to ensure that sufficient competition and challenge exists over the Council's contracting activity.

- 2.4 The Officers who will be involved in the tender evaluation include the officers from the Treasury Team and Procurement Team. The Cabinet is asked to decide if they wish for Member(s) to be further informed or consulted on the progress of the procurement and award of the contract.
- 2.5 The Council intends to award the Contract on the basis of the Tender that represents the most economically advantageous offer to the Council. Evaluation will be on the basis of the methodology set out in Appendix 1 of this report.
- 2.6 As set out in paragraph above, these criteria are Pass or Fail hurdles. Unless the tenderer passes all Selection Criteria they will not be considered against the Award Criteria and for the possible award of contract.
- 2.7 The contract will be awarded on the basis of a weighting of 40% quality and 60% price. The different criteria and sub-criteria together with the detailed scoring mechanism are set out in full detail in Appendix 1. Each tender will be scored against these criteria and a weighting attributed to each evaluation heading that reflects its relative priority. Scores will be aggregated under each heading to give an overall score for the tender.
- 2.8 A minimum threshold for each evaluation heading for the Award Criteria will be set as below for each tenderer. The minimum thresholds are:-

Quality – a score of 240 points out of a possible 400
Price – a score of 300 points out of a possible 600

Where there is a score tie, clarification meetings will be held concerning any aspects arising from the tender documents after the submission of the tenders.

3. Financial Issues

- 3.1 It is essential that the Council gets value for money from its contracts by regularly reviewing and retendering these contracts. The Council's current contract is a fixed fee contract.

4. Legal Issues

- 4.1 These are covered in the comments of the Legal Partner above

5. Other Implications

- **Risk Management**

The banking contract has risk implications to the Council. The treasury functions of the Council ensures that deposits are only placed with banks which meet the Council's minimum credit criteria of F1+ and AA (Fitch long and short credit rating). As part of the evaluation process, the Council will need to consider whether to apply these strict criteria. As the daily cash balance in the Council's bank account is very low and available at instant access, the risk is much lower than when placing term deposits with banks. The Council stands a risk of being unable to run its daily business if it does not have a bank account in operation.

- **Contractual Issues**

The contractual implications for the Council have been included in the comments of the Legal Partner above.

- **Staffing Issues**

There are no staffing issues affected by this report.

- **Customer Impact**

There are no direct impacts on customers of the re-tendering proposals although the service affects the Council's ability to pay or receive money from its customers.

6. Options appraisal

6.1 A number of options have been reviewed:

- Collaboration with our neighbouring borough - In the process of considering the option of collaboration with a neighbouring borough, the option could not be progressed as the two boroughs have significant differences in the management of schools bank accounts.
- Direct contract tender under EU procurement rules – this is the preferred option.
- Negotiation with the current provider for a review of existing price and extension of the existing contract for another 5 years - a renegotiation of price with the current provider would not give the Council full value for money.
- Use of existing consortia frameworks – There are no suitable existing frameworks.

7. Background Papers Used in the Preparation of the Report:

- Corporate Procurement guide – tendering procedures over £50,000
- Barking & Dagenham Procurement Rules
- Retendering for the Banking Contract Report – Cabinet meeting 8th March 2005. Minute number 331.

8. List of appendices:

Evaluation Methodology and Selection Criteria - Appendix 1