



PART A:	MATTERS DEALT WITH UNDER DELEGATED POWERS
REPORT TO:	POLICY AND RESOURCES COMMITTEE
DATE:	8 DECEMBER 2011
REPORT OF THE:	CORPORATE DIRECTOR (s151) PAUL CRESSWELL
TITLE OF REPORT:	BANKING ARRANGEMENTS
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 To present new banking terms for consideration by Members.

2.0 RECOMMENDATIONS

2.1 It is recommended that:

- (i) Members receive this report; and
- (ii) Members agree to a three year renewal of the contract for the Council's banking services with Nat West.

3.0 REASON FOR RECOMMENDATIONS

3.1 The Council's banking contract is due for renewal. Changing bankers has its difficulties both strategically and financially. However, this is no reason not to test the market and the Council did actually change bankers in the early 1990's following a tender exercise. Officers have been able to bench-mark bank tariffs with the help of an external advisor experienced in these matters.

4.0 SIGNIFICANT RISKS

4.1 There is much less risk in opting to continue with the current banking arrangements. The Council staff are familiar with its working practices and over the years has built up good work relationships with the bank staff. If a new banker was to be appointed then the risks increase and systems would have to be reviewed, cheques and other stationery produced and possibly other cash handling procedures adopted.

REPORT

5.0 BACKGROUND AND INTRODUCTION

- 5.1 The Council's constitution states that it is this Committee, which appoints the Authority's bankers. However, the detailed arrangements are delegated for approval by the Chief Finance Officer (Corporate Director s151).
- 5.2 The Council's current banking contract with the Council's bankers Nat West is scheduled to expire on 30 June 2012.

6.0 POLICY CONTEXT

- 6.1 This report satisfies the Council's constitution.

7.0 CONSULTATION

- 7.1 As stated there can be difficulties when changing banks yet it is obviously prudent to test the market from time to time. Consequently as the contract is up for review advice has been sought to carry out a bench-marking exercise.

8.0 REPORT DETAILS

- 8.1 The Council's current banking arrangement with the Nat West Bank is a three year extended contract that took effect from 1 July 2009.
- 8.2 Nat West was requested to provide a pricing proposal based on a continuation of the existing services provided to the Council. An offer has subsequently been presented by Nat West and is now submitted for Members consideration.
- 8.3 Officers have appointed a specialist external advisor to review the tariffs in the pricing proposal, compare them to the market and assess the potential benefit of going out to tender.
- 8.4 The advice is that if the Council were to undertake a formal tender exercise i.e. instead of extending the contract, it is possible that competitive tenders would be received from Nat West, Lloyds, Barclays and Co-op. Nat West (Royal Bank of Scotland Group) will always compete to retain local authority contracts. They currently bank 30-35% of the UK local authorities.
- 8.5 A bench mark analysis has been carried out that compares the Nat West current / proposed tariffs against the terms that are likely to be proposed by these banks at tender. Annual transaction volumes have been estimated based on recent Nat West invoices. A summary of the annual cost is provided below:

Current Nat West	Nat West Proposal	Co-op Tender	Barclays Tender	Lloyds Tender
£12,984	£13,116	£11,956	£12,479	£14,323

- 8.6 As indicated above, it is likely if the Council were to undertake a formal tender exercise lower pricing could be achieved, however, potential savings are relatively low at around £1,000 - £2,000.
- 8.7 It is likely that the lowest tender would be Co-op who have a limited branch network but do have arrangements which allows their customers to withdraw funds from Post

Office counters. An important issue is that Co-op does not meet the Council's minimum credit rating criteria for investments.

8.8 The Nat West offer is for a 3 year period taking effect from 1 April 2012. If there is an increase in the underlying Retail Price Index then this will be applied 12 months from the commencement of the contract from 1 April 2013 and annually thereafter. The offer also includes a small increase above base rate of the interest rate for the Nat West SIBA Call Account which would, based on current usage, generate additional interest receipts of over £2k per annum.

8.9 Given the potential savings are relatively low and taking into consideration the risks highlighted in the report associated with appointing a new banker, officers recommend that the Council look to renew with Nat West.

9.0 IMPLICATIONS

9.1 The following implications have been identified:

a) Financial

The costs of the main bank contract can be met from the existing budget provision from bank charges.

b) Legal

There are no legal implications regarding this report. The renewal of the contract does not contravene the Council's contract procedure rules.

c) Other

None to report.

Paul Cresswell
Corporate Director (s151)

Author: Paul Cresswell, Corporate Director (s151)
Telephone No: 01653 600666 ext: 214
E-Mail Address: paul.cresswell@ryedale.gov.uk

Background Papers:

None.

Background Papers are available for inspection at:

None.