

WAVERLEY BOROUGH COUNCIL

EXECUTIVE - 6 MARCH 2012

Title:

BANKING CONTRACT

[Portfolio Holder: Cllr Mike Band]

[Wards Affected: All]

Note pursuant to Section 100B(5) of the Local Government Act 1972

The annexe to this report refers to exempt information by virtue of which the public may be excluded during the item to which the report relates, as specified in Paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, namely:-

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Summary and purpose:

The purpose of this report is to update Members on the latest position with Waverley's bank contract and to request an extension to the contract with HSBC.

Resource and legal implications:

Waverley's 2012/13 budgets for the different elements of its banking arrangements are as follows:

- 1) HSBC core bank charges £29,000
- 2) HSBC charges for receiving debit/credit card payments £19,000
- 3) Secure cash/cheque collection from the Bury's £6,000

Following the closure of Waverley's cash counters, Waverley also pays a transaction charge to Allpay for receiving cash payments via Post Offices and other outlets. This is separate to the bank charges and is not covered in this report.

Background

1. HSBC have been Waverley's bankers since they were appointed in 2000 following a tender exercise. The current contract for the core banking services, (1) above, expires in 2012. Whilst changing the Council's bank would require a major project with costs and risks attached, officers would be keen to tender the contract if Waverley was not receiving a good quality service at a competitive price
2. Early in 2011, given the continued uncertainty in the banking market and the Council's good relationship with HSBC, Executive Members agreed that officers could negotiate a further extension period with HSBC. The outcome of these negotiations would determine whether an extension could be agreed or whether a tendering exercise is undertaken.

3. Waverley's Contract Procedure Rules (CPR 2.1a) allow contracts that have already been extended to be extended for a further period subject to the approval of the Executive. This is subject to the aggregate value of the contract being below the European public tendering threshold which is currently £174,000. The current contract has a value over three years of £87,000.

The Current Position

4. HSBC have continued to perform well for Waverley. The Council's transactions are now more settled after the closure of the cash offices and the further investment in web and phone payments. In recent years officers have been satisfied that Waverley's costs are broadly in line with other similar local authorities based on local informal benchmarking with other Surrey district and Borough councils. However, given that the contract has been extended already, officers were keen to undertake a more thorough review on this occasion to better inform Members when considering whether to approve a further extension of the contract.
5. It is important that Waverley continues to have robust and secure banking arrangement in place in the future, not only to serve its core business but also to respond to future challenges including taking on a major debt portfolio following HRA self-financing, increased security requirements in the card handling business and the potential national scrapping of cheques.
6. Officers commissioned a review of Waverley's banking arrangements by one of the specialist local authority banking consultants in the market, Focus on Banking, on an invest to save basis. The company used its extensive market knowledge and benchmarking data to compare Waverley's arrangements to the market to help inform whether a negotiation with HSBC or a full tender process would give the Council the best advantage in the future. A summary of the findings is shown below. Their report determined that a negotiation of the core banking service would deliver a competitive proposal that was a cost effective and it suggested a number of areas where officers could focus their discussions. The report concluded that the Council already has competitive arrangements in place for the card payment services.

Proposed Extension Terms Following Negotiation

7. The (Exempt) Annexe sets out a summary of HSBC's proposed terms for a three year extension to the core banking contract. It is estimated that the proposal will achieve a 16% cost reduction overall. Officers will work to manage transaction levels such that bank charges are minimised e.g. encourage cheque-paying customers to switch to direct debit.

Recommendation

It is recommended that the Executive approve the extension of the HSBC banking contract on the Terms set out in the (Exempt) Annexe.

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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