

<p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">CABINET</p> <p style="text-align: center;">16 JANUARY 2017</p>	
<p style="text-align: center;">DIRECT AWARD OF CONTRACT FOR BANK SERVICES – BUSINESS CASE</p>	
<p style="text-align: center;">Report of the Cabinet Member for Finance – Councillor Max Schmid</p>	
<p>Open Report</p> <p>A separate report on the exempt part of the Cabinet agenda provides exempt financial information.</p>	
<p>Classification - For Decision</p> <p>Key Decision: Yes</p>	
<p>Wards Affected: All</p>	
<p>Accountable Director: Peter Carpenter – Interim Director of Treasury and Pensions</p>	
<p>Report Author: Peter Carpenter, Shared Services Director of Treasury and Pensions</p>	<p>Contact Details: Tel: 020 7641 2832 E-mail: pcarpenter@westminster.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. The Council currently has a contract with Nat West part of the Royal Bank of Scotland Group Plc – (RBS) for banking services, the contract expires on the 31st March 2017.
- 1.2. The Council requires banking services contract in order to provide statutory functions.
- 1.3. Initially a shared services tender was proposed as part of the Managed Services. Negotiations with British Telecom (BT), who is the Managed Services provider for the 3 councils, were undertaken to establish the costs. The councils were advised by BT that the change of bank provider or account details would cost each Council £150,000. This excessive cost together with the risks of changing banks whilst a range of issues outstanding with BT has led officers to recommend not to change banks.

- 1.4. It is proposed that this Council make a direct award to the Royal Bank of Scotland for two years until the 31st March 2019 the expected nominal value of the contract is £120,000 which is below the statutory thresholds that would trigger a formal procurement exercise.

2. RECOMMENDATIONS

- 2.1. That approval be given to waive the competition requirements contained in the Council's Contract Standing Orders and approve a direct award of a banking services contract to the Royal Bank of Scotland Plc for a period of two years from 1st April 2017 to the 31st March 2019 for the notional sum of £120,000.

3. REASONS FOR DECISION

- 3.1. The Council requires banking facilities to cover all main banking services e.g. bank accounts, BACS, CHAPS and cheques payments and receipts and cash handling facilities.

4. PROPOSAL AND ISSUES

- 4.1. The Council has appointed Royal Bank of Scotland as the main provider of banking services. The current contract expires on 31st March 2017 and this report recommends that RBS is re-appointed by a direct award for a further two years to 31st March 2019. The existing contract was originally signed in April 2007, for a period of five years, followed by a number of extensions to the 31st March 2017.

Financial Information

- 4.2. See appendix 1 – (as set out on the exempt part of the Cabinet agenda).
- 4.3. The cost of individual elements of the banking contract has been compared with the costs incurred by the other shared service boroughs, and has been found comparable.

5. OPTIONS AND ANALYSIS OF OPTIONS

- 5.1. The annual cost during the last financial year for banking services was £90,000. A review of services received has indicated that one element of the service, the provision of hard copy transaction backing documentation is not required, thereby reducing the annual expenditure by £30,000 to give an overall annual cost of £60,000 or £120,000 over the term of the contract.

- 5.2. The cost of individual elements of the banking contract has been compared with the costs incurred by the other shared service boroughs, one using Lloyds and another RBS, and found to be comparable.
- 5.3. The table below sets out the total bank charges incurred by the Council over the past three years.

	2013-14 £	2014-15 £	2015-16 £
Total Bank Charges	88,260	86,320	90,000

Bank charges should be reducing as information to support bank transaction is received electronically rather than in paper form. In addition, costs will fall as more payments are made and received by lower cost methods. The increase experienced in 2015-16 results from a far higher volume of CHAPS and Faster Payments at a higher unit charge than would normally be expected. 2015-16 was the first year of the Managed Service operation by BT, and teething troubles led to this cost increase which is not expected to re-occur.

- 5.4. Previous intentions had been to carry out a joint procurement exercise for banking services with the Royal Borough of Kensington and Chelsea and Westminster City Council, possibly using a framework agreement. However, discussions with BT indicated that there would be a one off cost of £150,000 to make the necessary systems changes to facilitate a change of bank. This cost is broadly equivalent to two years banking charges and means that there is no conceivable way at present that a change of banking services provider will generate economic benefits to the Council.
- 5.5. In normal times a change of bank is a time consuming process involving updating systems, changes of stationary and communication with residents, customers and suppliers who are required to redirect payments to the new account. Completion of the change can take up to two years before the old bank accounts can be closed and there is considerable officer time in moving funds and communicating with residents etc.
- 5.6. At the present time when there are considerable issues with the Managed Services Provider, adding additional strain through changing bank provider is unwise. It is also unclear whether BT has technical capacity to implement the required banking change at the present time.
- 5.7. Four banks dominate the provision of banking services to local authorities in the UK. Listed by use, these are Royal Bank of Scotland, Lloyds, Barclays and HSBC. The Coop Bank who was a major player has withdrawn from the market. The challenger banks have shown little interest in the market, being focused on retail customers.
- 5.8. The selection of a main banking provider as no impact on staff or residents, other than the time required to action any change.

- 5.9. The contract will be to cover banking services to the Council. It is not possible to sub-divide this into smaller lots. Separate contracts are in place for dealing with credit and debit card transactions and banking services is concerned with BACs, CHAPs, cheque and cash movements.
- 5.10. The new contract will run for two years. It is hoped that during that period issues with MSP will be resolved and it will be possible to undertake a re-tender either solely or jointly with the other shared service boroughs.

6. SOCIAL VALUE, LOCAL ECONOMIC AND COMMUNITY BENEFIT

In addition to cost efficient and effective banking services, RBS has indicated that different Social Values will be applicable to different stakeholders. RBS have proposed the following suite of social values can be provided to residents in the following areas

- All residents should have access to a bank account and Basic Financial Education. This will include engagement with children in care, and those leaving care.
- Every secondary school to have access to financial education for pupils by providing workshops within schools.
- Build-A-Business Workshop to provide half-day competitive workshop to students across the borough, with a view to offering work experience to the 'winning' school team.
- Apprenticeships / Internships – whilst we are unable to allocate any specific places to residents in Hammersmith & Fulham RBS could ensure that students in the borough are made aware of the opportunities. This could be by way of simple communication programme or Build-A-Business workshops, where a more detailed review is undertaken to a select group of students.
- Supporting Enterprise through Business Start Up Surgeries, Mobile Business School, and Business Academy.
- Provide on-going support in respect of 'Hammersmith Means Business' events alongside the Federation of Small Businesses (FSB)
- Understanding and profiling of volunteering opportunities for RBS staff within Hammersmith & Fulham. This should be around longer-term opportunities for skills-based volunteering, rather than 1-day garden projects, for example.

RBS will be required to report annually on social value delivered through these initiatives.

7. OTHER STRATEGIC POLICY OBJECTIVES

- 7.1. The provision of banking services does not interact with any other Council policy objectives.

8. STAKEHOLDER CONSULTATION

- 8.1. The key stakeholders are residents, business customers and suppliers. As no change in planned there will be no impact for external stakeholders.

9. PROCUREMENT PROCEDURE

- 9.1. As discussed above, a direct award is recommended.

10. CONTRACT AWARD CRITERIA

- 10.1. The recommendation to re-appoint RBS is derived from previous tenders' submitted to the Council, under which, RBS was competitively selected. The proposed new contract will maintain current service standards and involve a price reduction for the service.

11. PROJECT MANAGEMENT AND GOVERNANCE

Project Management

- 11.1. The senior responsible officer is the Strategic Director of Finance and officers with the Finance team will monitor the provision of services.

Indicative Timetable

- 11.2. The proposed new contract will commence on 1st April 2017.

Contract Management

- 11.3. The contract will be managed by the Director of Treasury and Pensions. Performance will be reported to the Cabinet Member for Finance.

Appendix: RBS Banking Fee Schedule (as set out on the exempt part of the Cabinet agenda).

12. LEGAL IMPLICATIONS

- 12.1. This report's recommendation is for the Cabinet to approve a direct award of a new contract to the Royal Bank of Scotland Group PLC (RBS).
- 12.2. It is noted that the proposed contract to be entered into by the Council will be with the incumbent service provider. Albeit that the contract value is below the EU threshold, the Council should ensure that it complies with the principles of transparency and equal treatment of economic operators.
- 12.3. For the direct award of the contract to become effective, a waiver is required in accordance with the governance of the Council's Contract Standing Orders.
- 12.4. Implications verified/completed by: Sharon Cudjoe, Solicitor – 020 7361 2993 (29.9.16)

13. FINANCIAL IMPLICATIONS

- 13.1. The Council's banking contract underpins the Council's banking services which is a business critical function.
- 13.2. The forecast cost of £120,000 over two years is in line with historic costs.
- 13.3. Implications verified/completed by: Christopher Harris, Head of Corporate Accountancy and Capital, tel. 0208 753 6440

14. PROCUREMENT IMPLICATIONS

- 14.1. The recommendation to waive the competition requirement contained in the Council's CSO is supported on the basis that commercial costs of updating back office financial systems currently being managed by BT through the Managed Services contract far outweighs the potential value of proposed bank changes (as set out in 5.1 above).
- 14.2. Implications verified/completed by: Alan Parry, Interim Head of Procurement (Job-share). Telephone 020 8753 2581

15. IMPLICATIONS FOR BUSINESSES

- 15.1 This report's recommendation is for the Cabinet to approve a direct award of a new contract to the Royal Bank of Scotland Group PLC (RBS).
- 15.2 It is noted that the proposed contract to be entered into by the Council will be with the incumbent service provider, and that this new contract

will have include SMART targets relating to social value, local economic and community benefit. This will include in particular, and in relation to businesses 'Supporting Enterprise through Business Start Up Surgeries, Mobile Business School, and Business Academy, plus, support for the Council's enterprise programme and support for small businesses through LBHF's 'Hammersmith Means Business' events'. As per section 6 of this Report.

15.3 It is expected that economic and community benefit will be clearly identified and detailed in the new contract; and that in addition, these benefits are monitored by the client management team for this contract, and reported back to economic development and Members on a regular basis.

15.4 Implications verified/completed by: Antonia Hollingsworth, Economic Development, (14.11.16)

16. LIST OF APPENDICES:

RBS/ National Westminster Bank - Proposed charges (on the exempt part of the Cabinet agenda).