

Cabinet	Agenda Item: 8
Meeting Date	25 May 2016
Report Title	Bank Contract
Cabinet Member	Cllr Duncan Dewar-Whalley, Cabinet Member for Finance
SMT Lead	Nick Vickers, Head of Finance
Head of Service	Nick Vickers, Head of Finance
Lead Officer	Phil Wilson, Chief Accountant
Key Decision	Yes
Classification	Open
Forward Plan	Reference number:
Recommendations	1. To agree the extension of the current contract with Lloyds Bank for banking services for four years from 30 June 2016.

1. Purpose of Report and Executive Summary

- 1.1 This report provides an update on the Council's position with regards to the bank contract with Lloyds Bank and requests that the Cabinet agrees to extend the contract for banking services with them for four years from 30 June 2016.

2. Background

- 2.1 Banking services covers the cost of payments to and from, and the operation of, the Council's bank accounts.
- 2.2 The Council re-tendered its bank contract in 2011 when the five-year contract was awarded to the Lloyds Bank with the provision that there would be the opportunity to extend the contract for periods of between one and four years on the anniversary of the contract from 30 June 2016, subject to satisfactory performance (minute 761/03/2011).
- 2.3 Since the contract with Lloyds began in 2011, the Council has received a good and reliable service from them and they have readily suggested solutions to new issues.
- 2.4 The original restricted report to Cabinet in 2011 detailed the savings that the Council would achieve through its new contract with Lloyds even after taking into account the costs of moving banks.
- 2.5 If the Council went out to tender and the contract was awarded to another provider, the costs of change would be significant and experience of a recent tender exercise at KCC is that pricing between the main suppliers is very tight. The costs would include cheque wastage and reprint of new cheques, development of new software for bank reconciliation and staff time internally for the changeover. There would be administrative difficulties in changing all

customers; standing orders, as well as dealing with un-presented cheques, uncleared credits, etc. together with the costs of printing and stationery.

2.6 When the Council went out to tender in 2011, it changed its bank service from NatWest to Lloyds and the process took nine months until fully completed. From market intelligence, these terms are highly competitive and re-tendering would not achieve additional savings to offset these significant costs.

2.7 Therefore, it is proposed that this contract with Lloyds is extended to 30 June 2020.

2.8 Total expenditure on bank charges in 2015/16 was £17,500. The whole life of the proposed four-year extension is £70,000.

3. Alternative Options

3.1 The alternative options to consider are not to extend the current contract with Lloyds Bank to 2020 for the banking service or to go out to tender before 2020.

4. Consultation Undertaken or Proposed

4.1 No consultation has taken place in preparing this report.

5. Implications

Issue	Implications
Corporate Plan	A Council to be proud of
Financial, Resource and Property	Payments made under this contract for the first five years of the contract are estimated to be £54,500. The value of the four-year extension is £70,000. The total whole life value of the contract is £124,500.
Legal and Statutory	The tendering process was carried out according to the EU regulations on contracts. The whole life value of the contract including the proposed extension requires Cabinet agreement.
Crime and Disorder	None identified at this stage
Sustainability	None identified at this stage
Health & Wellbeing	None identified at this stage
Risk Management and Health and Safety	None identified at this stage
Equality and Diversity	None identified at this stage

6. Appendices

6.1 There are no appendices to this report.

7. Background Papers

7.1 [Report to Executive 9 June 2010 on banking services.](#)

7.2 Report to Cabinet 16 March 2011 on bank contract (restricted).