

Report of: Heads Of Finance

To: Executive Board

Date: 4 February 2008

Item No:

Title of Report : Award of Contract for Banking Services



Summary and Recommendations



Purpose of report: Award of Contract For Banking Services



Key decision: Not key

Portfolio Holder: Jim Campbell – Better Finances

Scrutiny Responsibility: Finance

Ward(s) affected: All



Report Approved by: Councillor Jim Campbell (Portfolio Holder), Sarah
den (Head of Finance) and Jeremy Thomas (Head of Legal and
Democratic Services)



Policy Framework: n/a



Recommendation(s): That Executive Board agrees that the contract be
rded to tender 2 and grants project approval.



Introduction



1.1 The existing bank contract ran from 1 April 2004 to 31 March 2007 with the option to extend for two years. The contract was extended from 1 April 2007 for one year.

1.2 We have recently tendered for a new contract period covering five years from 1 April 2008, with the option to extend the contract for a further three years.



2.0 Tender Process

- 2.1 This tender process was run jointly with Vale of White Horse DC, South Oxfordshire DC and West Oxfordshire DC. The process was managed on behalf of the four councils by the consultants Focus On Banking. Banks were invited to tender for one or all of the councils.
- 2.2 Four banks submitted tenders for Oxford City Council. Those tenders were evaluated by Focus on Banking and staff from Financial & Asset Management and the Procurement Team in Facilities Management.

3.0 Tender Evaluation

- 3.1 There was considerable variation in the prices quoted. In the event that we have to change banks there would be costs incurred in 'switching'. The largest part of these costs relate to staff time in managing the change. Other similar sized organisations have estimated the cost to be somewhere between £15,000 and £30,000 depending on how complex the banking arrangements are. Our banking arrangements are not particularly complicated, so the staff costs are likely to be towards the lower end of this range. In addition we currently hold sufficient stocks of cheques with our existing bank that would cover the next three years for benefit payments and six months for suppliers. If we change banks we would need to order new cheques to replace that stock. Based on recent quotes the cost would be approximately £5,000. This places switching costs between £20,000 and £30,000.
- 3.2 For evaluation purposes switching costs of £30,000 has been added to the quoted costs (with the exception of our existing bank). Tender 2 offered an optional software package that would improve the way we carry out our electronic banking. The cost for this is £11,250 and has been added to the price quoted in tender 2. The table below summarises the total expected costs over a five year period:

Tender 1	£162,136
Tender 2	£164,764
Tender 3	£248,797
Tender 4	£201,656

There is little to differentiate between tender 1 and tender 2 on price. Tenders 3 and 4 are considerably more expensive. The prices quoted in tender 1 and tender 2 are comparable with the charges made by our existing bank. Therefore, there would be no budgetary implications from accepting either tender 1 or tender 2.

- 3.2 From the information provided about services offered by the banks a score was given to each bank for each service area. The total scores were:

Tender 1	32
Tender 2	35
Tender 3	21
Tender 4	24

Again there is little to differentiate between tender 1 and tender 2. Tenders 3 and 4 fall short in terms of quality.

- 3.3 In setting our evaluation criteria we felt that although price was important, quality of service was more important. On that basis tender 2 is the preferred option.
- 3.4 Tender 2 is our current bank. Therefore all the risks that could be associated with changing banks are mitigated (e.g. failure to redirect customers standing order payments).
- 3.5 Tender 2 is renowned for its ethical policies, especially in corporate social responsibility. They seek to support: fair trade, the protection of labour rights, not just in their own operations but through careful management of the supply chains in developing countries.
- 3.6 Tender 2 also seeks to limit ecological impact and actively support businesses that are involved in: recycling and waste minimisation, renewable and efficient energy and who seek to use sustainable natural products and services.
- 3.7 The bank also supports charities and the social enterprise sector.
- 4.0 **Recommendation**
- 4.1 It is recommended that tender 2 be selected and the contract awarded to them and project approval for this be granted.

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Background papers: Tender specification.

