

Report to the Leader of the Council

Subject: To agree a direct award to HSBC for Banking Services

Date: 17 Feb 2025

Author: Interim Financial Services Manager

Wards Affected:

All Wards

Purpose

To seek approval for a direct award to HSBC for a 3 year contract to provide the Council's banking services.

Key Decision

Recommendation(s)

THAT the leader of the Council:

- 1) Agrees to make a direct award to HSBC to continue providing the council's banking services for a period of 3 years.

1 Background

- 1.1 The Council's current banking arrangement with HSBC is due to expire on 31 March 2025.

The council has had a contract in place with HSBC since 2002 (22 years). Over this period the total contract value has exceeded £215k resulting in this contract being classed as an overthreshold contract.

Over these years a long and successful relationship has been built with HSBC, and significant investment has been made in the development of interfaces that allow information received from the bank to be successfully imported to the Council's systems without further manual intervention. Periodic reviews of the service provided are undertaken, and the bank allocates a Relationship Manager to whom operational issues and difficulties can be easily addressed.

Soft market testing has been conducted over the years to ensure that value continues to be achieved for the taxpayer, whilst avoiding the significant costs and upheaval of regular changes to the banking provider.

1.2 The Council wishes to continue with HSBC as the provider of its Banking Services. This is considered in the public's best interests because switching provider would create little savings but would require significant internal resources.

1.3 As the Council has been in contract with HSBC for a significant amount of time the contract is considered to be 'over threshold', as it exceeds the value of £215k. In order for the Council to undertake a complaint procurement process, a direct award could either be made as part of a Framework or would need to rely on a specific exemption set out in the Procurement Act 2023. HSBC are not part of a Framework therefore in order to direct award into this contract the Council requests to use a specific exemption contained in the Procurement Act 2023 as set out below.

1.4 To direct award the Banking Contract to HSBC the Council wishes to exercise the following exemption from the Procurement Act 2023 Schedule 5 Paragraph 7:

The public contract concerns the supply of goods, services or works by the existing supplier which are intended as an extension to, or partial replacement of, existing goods, services or works in circumstances where:

(a) a change in supplier would result in the contracting authority receiving goods, services or works that are different from, or incompatible with, the existing goods, services or works, and

(b) the difference or incompatibility would result in disproportionate technical difficulties in operation or maintenance.

1.5 Switching banking providers would create several difficulties at this present time which include :

Significant costs involved for the notification to all Council Tax payers, Business Rate payers, Customers, Leisure Members, Central Government bodies etc. of new banking details and advice on what actions the customers need to take.

Considerable staff resources would be required to change provider. We have several business-critical systems which interface with the banking system such as Agresso (Core Financial System), Civica (Revenues and Benefits system) Resource link (Payroll system). Significant staff time and IT resource would be required for testing file compatibilities for new providers to ensure a smooth transition. This potentially could lead to payments going missing or not being received by the Council. This may lead to demand notices being sent to residents for unpaid Council tax, who may have tried to make payment into our old account and not realised the money hadn't been taken or it could lead to delays in receipt of grant income and government funding which could impact cashflows.

In addition, the amount of system testing required may divert IT resources away from digital transformation programme and impede its progression.

Furthermore, a lot of resources are involved in changing banking providers and with the planned local government reorganisation, the additional costs and resource required would likely not represent value for money as the newly formed authorities will need to enter into new banking contracts, therefore, it would make more sense to remain with our current provider until we understand how LGR will impact on Gedling and its contracts and systems.

- 1.6 HSBC has recently provided the Council with an updated pricing schedule along with revised volumes. The proposed contract is £17,597.00 per annum based on a revised estimated volume. This is effectively an increase of £2,486 against current contract pricing.

A full pricing schedule and the impact is shown in appendix 1, however some of the key pricing changes are as follows:

The price for the largest volume product 'BACS items' has remained unchanged at £0.01 per transaction. This equates for 36% of the overall contract value.

There are some slight unit price increase for other product types such as BACS Files has seen an increase from £3.50 to £4.00 the impact is an additional £375 to the contract.

In addition, there is an increase in the account maintenance fee from £5.50 to £15.00, the impact of which is £760.00

The price of a CHAP's, or same day payment has increased from £5.00 to £8.00 and the estimated impact is £363.00.

Furthermore, the 'Bulk Cash In' fees have seen an increase. This is the bulk cash collection service (i.e. cash and coins collected by carrier and delivered to a cash collection centre). The prices vary depending on number of coins cashed in. The impact is an additional £415.00

- 1.7 Soft market testing with several neighbouring authorities has been conducted to ensure HSBC are competitive in the current market, and that they continue to achieve value for money. The table below compares some of our high-volume products and how the prices differ.

Limited Account Maintenance fees have been received, there was only one comparator £5.00 compared to £15.00. HSBC's quote has increased from £5.50, although this appears a substantial increase the overall impact is around £700 due to the number of accounts we hold.

The Bacs File prices range from £2.50 to £4.00, these relate to our bacs file uploads including Creditors payment runs, Payroll files and Benefit files. HSBC therefore falls in the middle of this range.

The UK Chaps pricing ranges from £8.00 to £10.00, therefore HSBC appears to be lowest amongst comparators, these fees usually applies to our investments and any large property purchases.

Product	HSBC	Ashfield (Barclays)	Newark & Sherwood (Lloyds)
Account Maintenance Fee	£15.00	£5.00	
Bacs Files	£4.00	£5.00	£2.50
Bacs Items	£0.001	£0.002	£0.002
UK Chaps	£8.00	£10.00	£8.00
Cash Paid in £0 > £500 (Bulk)	£0.006	£0.004	£0.004

- 1.8 In summary, soft market testing offers evidence that the updated pricing offered by HSBC is generally competitive and indicates that changing the provider of banking services would not offer improved value for the taxpayer. In addition, with local government reorganisation on the horizon, this may result in a change or banking services at that time.

Furthermore, whilst cost is always a key driver, a constructive banking relationship that allows timely reconciliations to be conducted is at least equally important, and potentially more so.

2 Proposal

- 2.1 It is proposed that Gedling Borough Council directly award the Banking Services contract to HSBC. The contract will be for a period of 3 years.

3 Alternative Options

- 3.1 Go out to tender via Council's e-Tendering system and advertise on Contract Finder, this would result in a new banking provider, this would result in significant staff resources in time and testing for little financial benefit.
- 3.2 Use a Procurement Framework to select a new banking provider, this would result in significant staff resources in time and testing for little financial benefit.

4 Financial Implications

- 4.1 The estimated cost of the contract is £52,800 over a 3-year period.
- 4.2 The contract value is based on the estimated volumes contained in the contract price schedule.
- 4.3 Banking services are a VAT exempt services, therefore no vat is payable on this contract.

5 Legal Implications

- 5.1 Procurement of contracts by the Council must be undertaken in accordance with the Council's Contract and Procurement Rules and the Procurement Act 2023. The whole contract value for a contract with HSBC is over the statutory threshold. The Council's Contract and Procurement Rules do not permit an exemption under paragraph 35.5 of the rules for contracts over the statutory Threshold which is £215K. For over threshold contracts approval rests with the Cabinet and the Leader.
- 5.2 The exemption relied upon in the Procurement Act 2023 is Schedule 5 Paragraph 7,

The public contract concerns the supply of goods, services or works by the existing supplier which are intended as an extension to, or partial replacement of, existing goods, services or works in circumstances where:

- (c) a change in supplier would result in the contracting authority receiving goods, services or works that are different from, or incompatible with, the existing goods, services or works, and*

(d) the difference or incompatibility would result in disproportionate technical difficulties in operation or maintenance.

5.3 A contract for services would need to be in place before the new contract can commence.

6 Equalities Implications

6.1 There are no equalities implications as a result of this report.

7 Carbon Reduction/Environmental Sustainability Implications

7.1 There are no Carbon or environmental implications as a result of this report.

8 Appendices

8.1 Appendix 1. HSBC proposed pricing schedule

9 Background Papers

10 Reasons for Recommendations

10.1 To ensure continuity of current Banking services which is a critical function as it impacts all aspects of the Councils ability to function.

Statutory Officer approval

Approved by Chief Finance & S151

Officer:

Date: 17 March 2025

Approved On behalf of the Monitoring Officer

Date: