

WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Corporate Services

Corporate and Efficient Governance Committee: 30 September 2009

Subject: Renewal of Banking Contract

1. Purpose

- 1.1 The purpose of this report is advise Committee on the current situation regarding the tendering process for appointment of the Council's bankers.

2. Background

- 2.1 The current banking contract with the Clydesdale Bank plc commenced on 1 April 2005. The contract was for three years, with an optional extension re-negotiated for a further 2 years thereafter.

3. Main Issues

- 3.1 The banking contract currently costs the Council approximately £27,000 per annum. This excludes agency charges paid via the Clydesdale Bank to other banks and other banking charges paid outwith the Clydesdale Bank.
- 3.2 Due to the ongoing volatility of market conditions and the instability of the current economic and financial climate, there still persists a general level of uncertainty in the banking market.
- 3.3 In a recent survey by 'Global Finance' - 'the world's 50 safest banks 2009' were identified. The listing has been published annually for 18 years and is a recognised as a measure of creditworthiness throughout the financial sector.
- 3.4 A number of 'high street banks' have, over the past two years, fallen outwith this listing. Banks with less risk exposure before the financial crisis have consistently stayed within the safest banks listing. The National Australian Bank (owners of the Clydesdale Bank) are ranked 11th within this listing. There are only two UK banks within this - ranked 18th (HSBC holdings plc) and 46th (Nationwide Building Society).
- 3.5 During the last tender process, only three banks submitted proposals for consideration which were The Co-op, Royal Bank of Scotland and The Clydesdale Bank.
- 3.6 The current contract is due to expire on 31 March 2010 and under normal circumstances the Council would commence the tendering process for a new contract. However, after consultation with Legal Administrative and Regulatory Services, it is not considered to be the most appropriate time to enter into a new banking contract for the reasons outlined in 3.2 above.

3.7 The general consensus is that financial markets will possibly be more stable in a years time and, therefore, it is considered to be appropriate at this time to extend the current contract for a period of one year until 31 March 2011, with the intention to commence the tendering process in 2010/11 with a view to appointing the Council's bankers for the three year period from 1 April 2011 to 31 March 2014 with an option to extend for a further two years until 31 March 2016.

3.8 The Clydesdale Bank has advised that they would be willing to extend the banking contract until 31 March 2011 at the existing rates.

4. Personnel Issues

4.1 There are no personnel issues.

5. Financial Implications

5.1 There are no financial implications.

6. Risk Analysis

6.1 There is a risk that, if the current banking contract is not extended, the general level of instability in the banking market could impact on the ability of the Council to carry out its day to day business.

7. Conclusions & Officers' Recommendations

7.1 While an open tendering exercise will provide a competitive and transparent option for the delivery of this service, due to current financial and economic conditions it is deemed to be appropriate to extend the current contract with a view to commencing the tendering process in 2010/11.

7.2 The Committee is asked to:

(a) Approve the proposal to extend the current contract for one year until 31 March 2011.

(b) Note that a full tendering exercise will commence during 2010/11 for a new banking contract for the three year period from 1 April 2011 to 31 March 2014, with an option to extend for a further two years until 31 March 2016.

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Date: 8 September 2009

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Appendices: None

Background Papers: None

Wards Affected: No wards affected