

## TRUSTS AND CHARITIES COMMITTEE – 30 May 2014

<b>Title of paper:</b>	<b>BRIDGE ESTATE – Banking Arrangements</b>	
<b>Director(s)/ Corporate Director(s):</b>	Carole Mills Deputy Chief Executive, Corporate Director and CFO	<b>Wards affected:</b> All
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<b>Other colleagues who have provided input:</b>		
<b>Date of consultation with Portfolio Holder(s) (if relevant)</b>		
<b>Relevant Council Plan Strategic Priority:</b>		
Cutting unemployment by a quarter		<input type="checkbox"/>
Cut crime and anti-social behaviour		<input type="checkbox"/>
Ensure more school leavers get a job, training or further education than any other City		<input type="checkbox"/>
Your neighbourhood as clean as the City Centre		<input type="checkbox"/>
Help keep your energy bills down		<input type="checkbox"/>
Good access to public transport		<input type="checkbox"/>
Nottingham has a good mix of housing		<input type="checkbox"/>
Nottingham is a good place to do business, invest and create jobs		<input type="checkbox"/>
Nottingham offers a wide range of leisure activities, parks and sporting events		<input type="checkbox"/>
Support early intervention activities		<input type="checkbox"/>
Deliver effective, value for money services to our citizens		<input checked="" type="checkbox"/>
<b>Summary of issues (including benefits to citizens/service users):</b>		
This report reviews the Bridge Estate's current and future banking arrangements in the light of the City Council's decision to change bankers and the increased risk to cash deposited with the Co-op Bank .		
<b>Recommendation(s):</b>		
<b>1</b>	To confirm the short term arrangements for transferring cash balances to a Lloyds account over weekends and bank holidays.	
<b>2</b>	Bridge Estate transfers its banking facility to Lloyds Bank	

### **1. BACKGROUND**

On 26 April 2013 the Trusts and Charities Committee agreed to continue to have the Bridge Estate's bank accounts and surplus cash with the Council utilising the banking facilities offered within the Council's existing Co-operative Bank contract. At the meeting colleagues also agreed to inform the Committee of any significant changes which may impact on the Bridge Estate's banking arrangements.

In January 2014 the City Council began a competitive tendering exercise to for its banking facilities contract and in March 2014 the Council awarded the contract to Lloyds Bank. The City Council is currently in the process of transferring its bank accounts to Lloyds, however, this will take a number of months to complete. The Co-operative Bank has stated that before the transfer is complete the Bridge Estate would need to make alternative banking arrangements for itself.

Lloyds Bank have insisted that as a separate, independent Trust, the Bridge Estate must have a separate bank account outside of any pooling arrangements for the City Council's bank accounts. As a result, whichever option is chosen, the Trust will now have to make separate arrangements for any management of surplus funds. Once a new bank has been appointed and the details of the new banking arrangements are known, the treasury management implications will be covered in a report to a future Committee meeting.

On 25 March the City Council's Treasury Management advisors, Arlingclose, notified the Council that the Co-op Bank's financial position had worsened. Following the banking crisis of 2008 the Government declared that it no longer intended to bail out failing banks and instead would expect banks to raise finance from deposits (bank accounts) and investors. This is known as a bail in arrangement. Arlingclose advised that any "bail in" could be applied against each individual account and the most likely time for any announcement of a bail in arrangement would be over a weekend.

## **2. OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS**

### **Option 1 (Obtain a range of tenders)**

The Bridge Estate could enter into a full tendering exercise to assess the most appropriate bank for its circumstances. However, the City Council would charge for the additional time spent by colleagues in completing the exercise.

#### Advantages

- Potential to find higher returns on cash balances

#### Disadvantages

- Process would be costly and time consuming.
- If a bank other than Lloyds was chosen there would be additional administration costs for managing banking arrangements with a separate bank.
- Additional set up costs would be incurred to ensure compatibility with the City Council's financial systems.

### **Option 2 (Remain with Co-op Bank)**

The Co-op Bank have stated that if the Bridge Estate wished to remain with the Co-op Bank it would need to make an application for a new account. The Co-op would most likely offer a free banking account with interest accruing on balances over £250k at a rate of 0.25%.

The advantages and disadvantages would be similar to Option 1, with the following additions:

Advantage – Avoid the cost and delay of a full tender process.

Disadvantage – Potential added risk due to the Bank's current financial situation.

### **Option 3 (Transfer to Lloyd's alongside NCC)**

Lloyds Bank have stated that the Bridge Estate accounts can no longer be ring fenced within the City Council's banking contract, however, they are willing to offer the same terms and conditions.

#### Advantages

- The City Council is already including the Bridge Estate within its arrangements for transferring to Lloyds Bank so will not seek any additional charges.
- A tendering process has already been undertaken, including Bridge Estate's requirements, to assess both qualitative and pricing factors.
- No charges for managing banking arrangements with a separate bank
- Balances on the current account attract an interest rate of 0.4%

#### Disadvantages

- Tendering process was not geared solely for the Bridge Estate

### 3. **REASONS FOR RECOMMENDATIONS**

In the light of the advice from Arlingclose, colleagues obtained agreement from the Committee Chair to transfer cash balances to a Lloyds account over weekends and bank holidays, to protect the security of the Bridge Estate's cash deposits. This arrangement will stay in place until either the Bridge Estate transfers to new bankers or Arlingclose's advice changes.

The City Council has already chosen Lloyds Bank following a full tendering exercise. Potentially the Bridge Estate could obtain some improved terms and conditions if it were to undertake a separate exercise, however, the City Council has already obtained a preferential rate on balances of 0.4% compared to the Co-op's indicative offering of 0.25%. A full tendering exercise would incur additional costs with no guarantee that better terms and conditions could be obtained.

### 4. **FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY/VAT)**

The financial implications have been considered in the body of the report.

### 5. **RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS AND CRIME AND DISORDER ACT IMPLICATIONS)**

None

### 6. **EQUALITY IMPACT ASSESSMENT**

Has the equality impact been assessed?

Not needed (report does not contain proposals or financial decisions)

No

Yes – Equality Impact Assessment attached

Due regard should be given to the equality implications identified in the EIA.

### 7. **LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION**

None

### 8. **PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

Trusts and Charities Committee 26/4/13 Item 7 Bridge Estate Banking Arrangements.