

Hampshire Fire and Rescue Service

Finance and General Purposes Committee

Item: 9

11th April 2014

Approval of the submission of a BACS/BACSTEL-IP Services Application and associated authorisations to members of staff of Hampshire County Council

Report by Rob Carr

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1. Summary

- 1.1. Due to Hampshire Fire and Rescue Services (HFRS) previously being part of Hampshire County Council (HCC), when the organisations separated, with the establishment of Hampshire Fire and Rescue Authority (HFRA), they continued to share a main bank account where both organisations' payments were made from and income received to, with coding of the transactions enabling the respective balances to be determined.
- 1.2. The joint IBC project will see both organisations using the new SAP system and following the same standard processes and procedures. Therefore, to assist with this, an exercise is underway to move HFRA's transactions to their own bank account from 1st August 2014.
- 1.3. As payments will need to come out of HFRA's own bank account from this date, this bank account will need to be registered with HCC's BACs provider, National Westminster Bank Plc (Natwest), and linked to the HCC registration to make BACs payments. This will only be done on completion of Natwest's prescribed application form confirming that HFRA have agreed five specified resolutions as described in section 4 of the report. The Committee is being asked to exercise its urgent business power in order to make the five resolutions.

2. Recommendations

The Committee is recommended to:

- 2.1 Approve the submission of a BACS/BACSTEL-IP Services application; and
- 2.2 Make the five resolutions set out in Appendix A of the BACS/BACSTEL-IP Services Application Form reproduced in Appendix 2 to this report.

3. Background

- 3.1. In 1997 HFRA became a separate organisation. The decision was taken not to move their transactions to a separate bank account and for both organisations' transactions to be recorded against the main HCC bank account. The coding of

these transactions in SAP, which both organisations also continued to use, enables each authority to determine their individual balance.

- 3.2. Post the split, HCC retained running the debt management and accounts payable function on behalf of HFRA. HCC have therefore had the ability to make large numbers of BACs payments on behalf of HFRA through creation of a single file generated by SAP which is then run through HCC's BACs software, with the resulting payment being made from the main bank account.
- 3.3. Since the separation of the organisations, external audit has expressed a preference for each organisation to operate a separate bank account so as to provide a formal document (i.e. a bank statement) to support each organisation's separate balance as opposed to just system coding. In 2004 HFRA became a precepting authority. External audit insisted at this point on a separate HFRA bank account being set up in order to collect and verify the large amount of income received via this method.
- 3.4. Now as part of the IBC project to ensure HFRA and HCC transact in the same way as any other organisations do if they were transacting with either one of the partners, an exercise to change the banking arrangements and move HFRA's income and payments to their own bank account is underway. It has been decided the existing account where HFRA receive their precepts is suitable for this.
- 3.5. It is anticipated when HFRA formally go live on the 'new' SAP system, that this is when the formal switch over to the HFRA bank account should also take place. This will be on the 1st of August 2014.

4. The BACS/BACSTEL-IP Services application and associated authorisations to members of staff of Hampshire County Council

- 4.1. In order to link the BACs software to the HFRA bank account a prescribed BACS/BACSTEL-IP Services Application Form needs to be completed, then signed on behalf of the Authority and submitted to Natwest. As part of the application process, confirmation needs to be given that the Authority has made the decision to allow members of HCC staff to make BACs payments, as well as other associated decisions, on HFRA's behalf, from HFRA's bank account.
- 4.2. The BACS/BACSTEL-IP Services Customer Terms and Conditions are attached as Appendix 1 to this report. The prescribed BACS/BACSTEL-IP Services Application Form that needs to be completed and signed on behalf of the Authority is reproduced in Appendix 2 to this report (an exempt appendix).
- 4.3. Appendix A of the BACS/BACSTEL-IP Services Application Form sets out five prescribed resolutions that the Authority is required to make in order for the application to be considered by Natwest. The Committee will note that, in the prescribed resolution 1, it is agreeing to adopt the BACS/BACSTEL-IP Services Customer Terms and Conditions, set out in Appendix 1, as the terms on which HFRA shall use the BACS/BACSTEL-IP Services.
- 4.4. In addition, the Committee will note that, by virtue of resolution 2, two named officers of HCC will be authorised to sign and submit the BACS/BACSTEL-IP Services Application Form on behalf of HFRA and to take the other decisions set out in resolution 2. The Committee may choose to impose restrictions on the

delegation contained in resolution 2(5), for example it may require the named HCC officers to consult with an officer of HFRA before making any of the decisions referred to in that resolution.

- 4.5. The Committee will note that resolution 3 authorises two other named HCC officers to operate on the Authority's Natwest accounts to access and to use the BACS/BACSTEL-IP Services. In addition, in resolution 4, these officers are authorised to receive on behalf of HFRA the security devices referred to in the BACS/BACSTEL-IP Services Customer Terms and Conditions.
- 4.6. Resolution 5 confirms that resolutions 1 - 4 do not affect the existing authorities given to the Natwest for operations on HFRA's account(s).

5. The Committee's urgent business power

- 5.1. Due to the timescales involved in the registration and testing processes, as described below, the Committee is being asked to make these decisions using its urgent business power which is set out in its terms of reference as being:

"To deal with any other urgent business that cannot reasonably be held over to the next full meeting of the Authority or else dealt with under the Scheme of Delegation of [sic] Standing Orders"
- 5.2. The BACs registration normally takes NatWest 6 weeks to complete. Until NatWest do the necessary linking of the HFRA bank account to the HCC registration and issue a BACs ID for HFRA, IT are unable to undertake any testing. Therefore, the six week registration period is dead time.
- 5.3. There will need to be a large amount of configuration in SAP to create a separate bank file for HFRS' payments which when run through the software will come out of the HFRA bank account. A large amount of testing will also need to be undertaken to ensure the files are created properly, run through the system and that the payments do actually come out from the HFRA bank account.
- 5.4. It is uncertain how long this configuration and testing will take. However, due to the high importance of this matter and the need to ensure that these payments will come out of the HFRA bank account on the 1st of August 2014, it is advisable that sufficient time be allowed for any problems to be rectified so that the system will work on the 1st of August. It is therefore not advisable to wait until the next full Authority meeting on the 4th June 2014 before obtaining authority to make the BACS/BACSTEL-IP Services application as this leaves potentially only a week for the configuration and testing to be undertaken.
- 5.5. Action has not been taken by officers under the Authority's Scheme of Delegation because officers only have the delegated power to make urgent decisions where the matter cannot await a meeting of the Authority which would include a meeting of this Committee. In this case, this matter could wait until this meeting of the Committee.
- 5.5. It is proposed therefore that the Committee approve the submission of a BACS/BACSTEL-IP Services application and make the five specified resolutions set out in Appendix A of the BACS/BACSTEL-IP Services Application Form. In doing so, the Committee will be exercising its urgent business power on the grounds that

this matter cannot reasonably be held over to the next full Authority meeting on 4 June 2014 or else dealt with under the Scheme of Delegation or Standing Orders.

- 5.6 Finally, the Chairman of the Committee will be asked to certify that the five resolutions set out in Appendix A of the BACS/BACSTEL-IP Services Application Form are a true excerpt from the recorded minutes of the meeting. Enquiries will be made of Natwest as to whether the draft minutes of the meeting will be sufficient for this purpose. If not, members of the Committee will be contacted by e-mail and asked to approve the draft minutes following the meeting.

6 Supporting our corporate aims and objectives

- 6.1 HFRA operating from their own bank account will assist the Authority in securing efficiencies through closer working with other public bodies by enabling to them follow the standardised processes set out in the IBC.
- 6.2 It will also improve the financial information available for the organisation to better inform Treasury Management decisions.

7 Risk analysis

- 7.1 By getting this application form completed in good time, as to allow as much time for testing as is needed, this is hoped to mitigate the risk of there being problems using the software to make BACs payments from HFRA's bank account from the specified date.
- 7.2 This process has been successfully undertaken previously when HCC began to make payments from the Hampshire Pension Fund's own bank account. Therefore, the knowledge to ensure a smooth transition is already present in the organisation.

8 People impact assessment

- 8.1 The proposals within this report are considered compatible with the provisions of the equality and human rights legislation.

9 Background papers

- 9.1 The following documents disclose the facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of the report:

None

Note: The list excludes: (1) published works; and (2) documents that disclose exempt or confidential information defined in the Act.