



Circular Letter No: F04/02

The Chief Executive Officer
of the Vocational Education Committee
named in the address.

Treasury Management in Vocational Education Committees

Dear Chief Executive Officer.

I refer to the central treasury service, which has recently been established in the National Treasury Management Agency (NTMA). The service will enable the NTMA to offer deposit, overdraft and loan facilities to Vocational Educational Committees. The objective of the service is to offer such bodies a competitive service in those areas with a view to achieving savings for the Exchequer. As you will be aware, the establishment of the service was recommended by an Inter-Departmental Group, which was representative of the NTMA and the various Government Departments concerned (copy of Circular F47/98, attached refers). Legislative provision for the service was made in the National Treasury Management Agency (Amendment) Act, 2000 and in the Vocational Education Committee (Amendment) Act 2001 so that a VEC could, in respect of funds held, avail of NTMA services for the management of these funds or deposits and such funds with any other credit institution in the EU.

I would request that your VEC actively consider utilising the central treasury service as part of your cash management arrangements. I am aware that the Interdepartmental Group found that some organisations have negotiated discounted bank charges as a part of packages requiring them to maintain some minimum level of cash balances and/or overdraft facilities with their banks. However, the practice of maintaining certain levels of cash balances or borrowings in return for low transaction processing fees is not necessarily the most cost effective option. Best practice would dictate that the cost of each service should be evaluated separately, with the objective of availing of the most competitive priced combination of services. Therefore, in order to minimise costs, your VEC should seek separate tenders in writing, from at least three banking institutions, for money transmission/current account facilities and deposits and ascertain the net value of any discounted charges. Rates offered for deposits and overdrafts/loans should be compared with the rates offered by the NTMA and the most economic combination of services selected to assist your VEC. In this connection, please find enclosed a tender template that may be used for this purpose by your VEC.

Of course, rates of return achieved in cash management must always be measured in the context of risk. In balancing risk against return, your VEC should be more concerned with avoiding risk than maximising return. The VEC should only place funds with counterparties of an acceptable credit rating and, where large sums are involved, you should take steps to diversify its exposure away from any one institution. I would suggest that placements be confined to institutions with minimum short-term credit ratings of P-1 from Moody's (or equivalent from other rating agencies). As recommended by the Inter-Departmental Group, the NTMA will provide, upon request, advice and assistance to VECs in relation to these matters and cash management practices generally. Further advice will also be available, on request, from the Vocational Support Services Unit (Ph 049-4331044).

Any queries in relation with this circular should be directed to Post Primary Administration, Department of Education and Science, Tullamore, Co. Offaly (Tel: 0506 – 24335/24336).

Matthew Ryan
Principal Officer
31st January 2002

REQUEST FOR TENDERS FOR THE PROVISION OF BANKING SERVICES FOR - -----VOCATIONAL EDUCATION COMMITTEE

1. Introduction

_____ Vocational Education Committee is seeking tenders from banking institutions licensed to carry on banking in the State for the supply of banking services for the three-year period commencing _____. A VEC may choose more than one bank/financial institution based on its choice of the optimum mix of services listed (a) to (c) under paragraph 4 below.

2. Background to Vocational Education Committees

Vocational Education Committees were established by the Vocational Education Act, 1930 with the object of providing a comprehensive system of continuation and technical education. There are currently 33 Vocational Education Committees (VECs).

The services provided by VECs range from the provision of the full second-level programme in vocational and community colleges to the provision of second chance and further education and the administration of schemes on behalf of the Department of Education & Science.

VECs are administratively self-sufficient. In general, the setting of policy and the overall direction of the VEC is reserved to the Committee, while executive functions relating to the day to day administration and management of the VEC is the responsibility of the CEO

3. Financial Overview of _____ VEC

The annual grant income and expenditure of _____ VEC amounts to €

4. Tender details required

Tenders submitted to the Committee should outline (a) the cost and (b) details of the tenderer's capacity to provide a comprehensive banking service over the next 3 years.

Costs

Costs submitted should contain the information listed below in respect of charges payable, interest earned and payable (if any). Also details of gearing up time and costs (if any) required to change from existing supplier (if appropriate) together with specific issues associated there from should also be supplied.

Full details of the volume of transactions, number and type of accounts held by the VEC together with copies of bank statements for 2001 will be supplied by the VEC for purposes of the tender.

(a) Charges Payable

- details of charges for each transaction stream should be outlined in Table 1 at Appendix 1 attached.
- details of any other costs to be charged, including those resulting from overdraft/

minimum balance breaches.

- applying the charges outlined and using year 2001 data, provide a computation and summary of the annual charges payable.
- provide details (including costs) of any services, which would assist the Committee in reducing bank account charges during 20--.
- details of gearing up time and costs (if any) required to change from existing supplier (if appropriate) together with specific issues associated there from.

(b) Interest Earned

- State the percentage rate of return to be offered on credit cash balances expressed as a margin above or below the relevant EURO Inter-Bank Offered Rate (EURIBOR) and how often and in what circumstances it is reviewed and amended.
- State the frequency with which interest is credited
- Provide a calculation of the annual interest to be earned taking account of the foregoing and assuming current market rates will continue for the foreseeable future based upon the average credit bank balance held during 2001– see Table 2 at Appendix 1 attached.
- Provide details (including costs) of any services, which would assist the Committee in maximising interest earnings in 20--.

(c) Interest Payable

- State the percentage rate of cost to be charged on debit cash balances expressed as a margin above or below the relevant EURO Inter-Bank Offered Rate (EURIBOR).
- State the frequency with which interest is debited.
- Provide a calculation of the annual interest payable taking account of the foregoing and assuming current market rates will continue for the foreseeable future based upon the average debit bank balance held during 2001.
- Provide details (including costs) of any services, which would assist the Committee in reducing bank account administration cost charges (e.g. statement reconciliation, payroll administration etc.) during 20--.

Other Services

The outline of how the tender can best meet the current and future service needs of the VEC should include a detailed indication in relation to the following:

- Capacity for a monthly computer "tape" compatible with the VECs system of transactions on the bank account to facilitate an automatic reconciliation of the accounts.
- The provision by the Bank of information on transactions/balances in VEC accounts by means of an online management information system via a modem link or otherwise.
- The Bank approach towards the encashment of VEC payable orders/cheques. The VEC issues large numbers of paying orders and cheques every week to employees, suppliers and members of the general public. Due to the good reputation of the VEC these paying orders/cheques are widely cashed in good faith. These paying orders and cheques ultimately find their way back to the VECs treasurer who is expected to honour payment even though the paying order/cheque is not processed through it or the original recipients own bank account.

Arrangements for the crediting of salaries/wages to individuals bank accounts on agreed pay dates. The ability to affect such credits within 1 working day from receipt of payment details

is essential.

5. **Other Issues**

A contract under this request for tenders will only be awarded to a banking institution with access to the Banks Automatic Clearing Services (BACS) and licensed to carry on banking in the State.

It is intended that the services will be provided under a fixed price contract. No changes other than those detailed will be accepted by the VEC and it is on this understanding that the award will be made. The Bank shall provide all necessary information to enable all interest and changes to be verified.

In evaluating tenders, the Committee reserves the right to request clarification of the tender documentation and to seek presentations from banks.

The issue of this request does not imply that the lowest or any proposal will be accepted. Tenders will also be evaluated on the basis of obtaining best value for money. As stated in the introduction, VECs may choose one or more organisations to achieve an optimum mix of services. As such, over the period of the contract the VEC may place monies on deposit with other authorised organisations should it deem this to be advantageous.

Before the contract is awarded, the successful applicants will be required to produce, within seven working days of being requested, a Tax Clearance Certificate or in the case of a non-national bank a clearance statement from the Revenue Commissioners.

The Committee will not be responsible for any costs incurred in the preparation of tenders or any associated outlay.

Information contained in this document and any other material provided is to be treated as confidential.

It will be a condition of the contract that all information concerning the Committee and the Department of Education and Science shall be treated as confidential.

Any enquiries should be addressed to the Chief Executive Officer.

6. Closing date for receipt of tenders

---copies of each tender clearly marked "Banking Tender" must be delivered to: -

(Name)
Chief Executive Officer
(address of VEC)

prior to 12 noon on Friday _____,

Appendix 1

Table 1
Projected Cost of Banking Services for 20-- required by
 _____ **V.E.C.**

Service Provided	Annual No. of Transactions	Cost per Transaction	Annual Cost
Cheque Payments			
Direct Debits			
Paypath Debits			
Account Transfers			
Cash Lodgments			
Credit Transfers in			
Monthly Statements			
Total			

Table 2
Projected Interest Earnings for 20-- of
 _____ **V.E.C.**

Average Credit Balance	Interest Rate	Interest Amount
£	%	£