

CM13.9. Banking and Bill Payment Services Contract No. 20/02054

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CONFIDENTIAL	No		
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Purpose of Report

To recommend to Council a preferred banking and bill payment services provider, as a result of a qualitative and quantitative tender assessment.

Background

AlburyCity's current banking and bill payment services contract with the Australia and New Zealand Banking Group (ANZ) commenced in January 2018 and is due to expire on 31 December 2020.

Tenders were publicly invited for AlburyCity's banking services for a four year term, with an option of two twelve month extension periods, commencing 1 January 2021. The tender was released on Tenderlink on 15 August 2020, advertised in the Border Mail, and displayed on AlburyCity's website. The tender closed at 12.00pm on Friday 11 September 2020.

The proposed scope of the contract comprises of, but is not limited to, the provision of bank accounts, electronic banking and payment facilities, automated payments, EFTPOS facilities, receivables by Internet, payments by Direct Debit, payments by Telephone, BPAY payments, Corporate Credit Cards, and merchant services, banking security, local support and implementation costs. The contract does not include Australia Post bill payment services.

Due to the complexity of local government banking services, a banking tender specialist Whitmore Consulting Ltd was engaged by AlburyCity to assist in preparing the tender specification and to provide expert advice to the tender evaluation panel regarding the tender responses received and each bank's product offering.

Tender Assessment

At the close of tenders, four submissions were received for AlburyCity's banking and bill payment services from the following banking institutions:

- Commonwealth Bank of Australia (CBA);
- National Australia Bank (NAB);
- Australia and New Zealand Banking Group (ANZ); and
- Bendigo and Adelaide Bank Limited (BBL).

The evaluation of the tenders was undertaken in a three-stage process beginning with a general conformity assessment followed by separate qualitative and quantitative assessments.

All tenders were evaluated in accordance with Council's Procurement Policy and Guidelines. The assessment panel for the tender comprised of:

- Team Leader Financial Management – Dean Gibbons;
- Team Leader Procurement and Contract Management – Elisha Lieschke; and
- Finance Officer – Leanne Ortiz.

Conformity Check

A conformity assessment was undertaken to ensure all submissions received from each banking institution were in accordance with the tender documentation, schedules and detailed specification.

Company	Schedules & Pricing Details	Supporting Information	Insurance Documentation	Comment
ANZ	Yes	Yes	Yes	Compliant
BBL	Yes	Yes	Yes	Compliant
CBA	Yes	Yes	Yes	Compliant
NAB	Yes	Yes	Yes	Compliant

As indicated above, all submissions received were assessed as conforming and compliant tenders.

Qualitative Assessment (100%)

As AlburyCity's banking requirements (and those generally of local government), are unique and complex, the panel members with the assistance of Whitmore Consulting, set the below qualitative weightings with the intention to assess a range of issues including:

- Past Performance (10%) – Tenderers were asked to provide details, referees and examples of past performance in providing banking services in local government or equivalent sectors.
- Methodology & Program (20%) – Tenderers were asked to provide an implementation plan and timetable detailing strategies for a seamless transition ensuring continuity of banking services to support AlburyCity's operations upon commencement of the services.
- Capacity (25%) – Tenderers were asked to detail demonstrated experience as detailed in the specification and to include information on the location and role of key personnel within their relationship management team who would support AlburyCity.
- Capability: Products & Services (20%) – Tenderers were asked to provide specific details of their products and services which would address AlburyCity's scope, technology integration requirements, points of differentiation and value added services.
- Capability: Innovation (15%) – Tenderers were asked to provide details of innovations, technology advancements and process efficiencies that would apply to the services requested within the specification.
- Local Benefit (10%) – Tenderers were asked to provide details on how their institution offers benefit to the local region including their presence locally, degree of local supply, and the

community, social benefits and sponsorships offered by their organisation to the Albury Wodonga region.

The table below summarises the assessment panel's qualitative assessment based on the criteria set and the quality of the submissions received.

Company	Past Performance (10%)	Methodology & program (20%)	Capacity (25%)	Capability (35%)	Local Benefit (10%)	Total (100)
ANZ	6	10	19	24	9	68
BBL	5	7	20	19	8	59
CBA	9	17	21	32	8	87
NAB	10	14	20	29	7	80

Australian and New Zealand Banking Group (ANZ)

The ANZ have been AlburyCity's banking and bill payment service provider since 2018. The ANZ have the capacity to service AlburyCity's banking requirements. However in the qualitative assessment the ANZ rated lower than other tenders with respect to their product sophistication and innovation. The ANZ explanation of their product offering was less than CBA and NAB. It is evident that ANZ have fewer services available compared to other banks, and where services were available, they were not comprehensively explained. For example; under ANZ's Payment Gateway Services section, any chosen third party provider will be required to undergo a confirmation process to ensure they are supported by ANZ. The CBA for example lists the providers that can be supported and go into additional detail.

The ANZ also advise they no longer support telephone banking services, however mention they can facilitate IVR payments via an external provider. This payment option may (in the future) be unnecessary if the online Ecommerce options increase, but ANZ do not offer the same assurance of their current developments in this space unlike the CBA and NAB who suggest current partnerships with Nelnet International (Xetta/OneStop Secure) and other alternatives. AlburyCity is currently seeking opportunities to expand online forms, applications, booking systems and online payment options but are also wanting to ensure that other, current payment types (such as payment by credit card over the phone) meet Payment Card Industry Data Security Standards.

The ANZ offer a regionally based relationship management team model with a transactional banking specialist based in Melbourne. However it is noted some referees did not consider the ANZ to be proactive in managing their business relationship.

The ANZ have very few local government clients and were unable to provide any local government council referees. This provided challenges around applicability and relevance to AlburyCity.

The ANZ is an active participant in the local community, sponsoring and supporting many community based businesses and events. For example, in the last three years, the ANZ have facilitated fund raising events at Murray Arts Museum Albury (MAMA) helping to raise funds for the Albury-Wodonga Regional Cancer Centre. The ANZ also provided a financial contribution to support MAMA. In addition,

the ANZ are regular sponsors and participants at the Border Relay for Life and hosted the ANZ Business Growth Clinic at the Albury Entertainment Centre in 2019.

Bendigo and Adelaide Bank Limited (BBL)

Overall, the BBL response to the qualitative aspects of the Tender did not provide sufficient detail to gain confidence they have capacity and capability to service AlburyCity's banking requirements.

A key gap in the BBL's response is around a lack of information explaining how they will integrate with AlburyCity's financial management systems. For example, in relation to automated feeds, BBL do not mention Civica Authority or how they will integrate with SecurePay, which is critical banking capability for AlburyCity.

In relation to BPAY products, the BBL do not mention key services such as BPAY Batch, BPAY Master Biller, Full or Partial Refunds, BPAY API's or additional Biller Codes for specific purposes. The BBL do mention innovative products currently in pilot, such as the Card Management Portal and BPAY Batch. However, these are all products already in place and on offer from the other banks.

The BBL's response to relationship management is extensive and includes all the core elements such as identified core relationship team, a wider team of specialists available as required and staff within the help desk and customer service areas. This information combines to provide assurance that the BBL would deliver a personalised service and support with a high level of interaction.

The BBL's response relating to the implementation plan did not provide the level of detail required for AlburyCity to have confidence in a smooth transition of such a complex receivables organisation.

The BBL's response regarding local benefits was comprehensive with a highlight being their community engagement model – *profits returned directly to the community*. In addition, Albury Wodonga Connected Communities (AWCC) is an independent, philanthropic body overseeing charitable grants derived from the Albury and Wodonga Bendigo Bank branches. It is a not for profit company, providing a platform for community groups and organisations to apply for funding across a number of different sectors, located in the Albury Wodonga and surrounding region. Grants categories include Youth, Arts and Culture, Community events, Health and well-being, Sport, Community Services, Environment and Disability.

Commonwealth Australia Bank (CBA)

The CBA rated highest in four out of the six qualitative aspects of the Tender and overall scored the highest across all qualitative categories. CBA are the leading bank in the LGA sector and are the bank of choice of over 50% of councils nationwide. CBA provided an in depth understanding of the multi-faceted role councils play in their communities and demonstrated a long track record of working with councils to overcome these complexities. The CBA's response was significantly more thorough and comprehensive compared to the other banks and provided sophisticated and innovative solutions, going into sufficient detail to explain how these products will work and integrate for AlburyCity.

As the preferred method of payment to AlburyCity, BPAY is continuing to increase in importance. CBA's Tender response devoted a significant amount of effort in explaining enhanced services now available through BPAY for consideration, including a price reduction on credit card ad valorem costs. The breadth of information supplied by CBA is greater than that supplied by the other banks and is more sophisticated in its explanation and capability.

The CBA have nominated a dedicated and experienced local government banking team, based in Sydney, to manage the relationship with AlburyCity, whilst offering an experienced local branch service to assist in AlburyCity's daily banking requirements.

The CBA provided three local government council referees. This allowed for a high degree of relevance and applicability. CBA were highly recommended for their BPOINT suite of products, particularly around functionality, ease of integration with existing financial management systems, such as Civica Authority, and greater online payment options for the customer.

The CBA provided a detailed response to their contributions and sponsorships benefiting local communities. CBA have awarded community grants to organisations nationwide, supporting a range of programs focused on youth, education, wellbeing and social inclusion. Specific examples to the Albury region include hosting school-based indigenous trainees, some of which are currently employed with CBA, conducting safe on-line seminars and financial contributions to the Border Ovarian Cancer Awareness Group, The Hive Youth Centre and Kirinari Services. Additionally, the CBA invested funds into the NSW South Coast Bushfire Recovery effort, which included the Riverina Region Scouts NSW to address damage to their property and assets.

The CBA provided a comprehensive explanation of the proposed methodology surrounding implementation, including a thorough Gantt chart and relevant case studies from recently transitioned councils.

National Australia Bank (NAB)

The NAB rated the highest in one out of the six qualitative aspects of the Tender and overall ranked second across all qualitative categories. As the banker to numerous regional councils throughout NSW, Victoria and the remainder of the country, their services are proven. The NAB has demonstrated its capacity and capability to service council banking requirements. However, the specifics required by AlburyCity to understand how the different products work are not included in the Tender responses to the same level as the CBA. NAB highlight the security aspects of their services heavily within their responses and have a high degree of reporting capability.

NAB have nominated a relationship manager from their Business sector as the lead for the proposed relationship with AlburyCity based in Albury, supported by a transaction banking manager based in the Melbourne CBD. When compared to CBA, detail around the support, help desks and other supporting functions was not as comprehensive.

NAB's responses relating to the implementation plan and local benefits were not as detailed and comprehensive when compared to CBA. NAB supports the Albury community through directly supporting local schools, businesses, sporting clubs and individuals through employing locals,

volunteering for community events, local sponsorship funding and provision of banking services. The NAB has provided multiple Microfinance Loans for the region. These loans are unsecured, interest and fee free for individuals and families living on low income, for the purchase of essential household goods. In addition, NAB offers StepUp Loans which are unsecured, low fixed interest loans of between \$800 and \$3,000 for individuals and families living on low income. The NAB are also a major sponsor of the AFL and are heavily involved in the support provided to local AFL Auskick programs.

The NAB provided three local government council referees. This allowed for a high degree of relevance and applicability. NAB were highly recommended for their OneStop Secure suite of products, particularly around the process efficiencies gained post implementation.

Quantitative Assessment (100%)

The quantitative assessment was tabled based on the schedule of general banking products and services required by AlburyCity and the usage or frequencies of these products and services.

A detailed pricing report was assembled by Whitmore Consulting which compared the baseline pricing submissions from each banking institution for the requested items in the specification.

The below pricing is based on the total estimated costs over the four year term of the proposed contract.

Company	Cost p.a.	Estimated 4 Yr Contract Value	AlburyCity Transition Costs	Total Estimated Cost	Rating (100)
ANZ	\$205,360	\$821,440	\$0	\$821,440	99
BBL	\$213,061	\$852,244	\$35,000	\$887,244	92
CBA	\$195,778	\$783,112	\$30,000	\$813,112	100
NAB	\$225,234	\$900,936	\$35,000	\$935,936	87

It should be noted that AlburyCity have made a provision for \$35K additional to the Tender submission prices to allow for implementation costs including internal costs and system integration costs. CBA have included in their offer a \$5K waiver on fees and charges, within the first six months of the contract, that can be used to partially offset transition costs.

CBA led the pricing quote in key growth areas such as electronic transactions and internet transactions and were incredibly competitive in BPAY transactions and in those channels that are diminishing such as paper based transactions and overdraft.

The ANZ proposed pricing structure represents an increase to the current cost of services to AlburyCity to the value of \$16,438 per annum, largely due to an increase in Merchant Services and BPAY transaction costs.

NAB were the most expensive of the four submissions, largely due to corporate card costs, BPAY transactions, direct entry and internet transactions.

The projected four year cost of banking services based on the current contract pricing, is \$755,688 (including GST). The CBA's submission is 7.6% above the current pricing overall, whilst NAB (highest price) is 23.9% above. All submissions, including ANZ, are above the current contract pricing.

As detailed in the table above, the submission from CBA was the most favourable in terms of quantitative scoring over the four year term, being \$8K or 1% more favourable than ANZ, \$74K or 9% more favourable than BBL and \$120K or 15% more favourable over NAB.

Risk

- **Business Risk** – Potential impact to whole of organisation from an operational level if continuity of banking services is interrupted. This risk is considered low and will be closely monitored with the selected institution and AlburyCity key implementation staff. Implementation will be supported by the incoming institution. Whilst there will be an internal resourcing impact, this risk will be mitigated through development of associated project plans and the re-allocation of work tasks.
- **Corporate Risk** – Reputational, achieving proposed implementation timelines and a seamless transition for AlburyCity customers. This is considered low and will be closely monitored with the selected institution and AlburyCity key implementation staff.
- **WHS and Public Risk** – Nil risks identified.
- **Environmental Risk** – Nil risks identified.
- **Delivery Program Risk** – Nil risks identified.

Engagement

Engagement around the Banking Tender was communicated externally through digital and print channels to advertise the tender and generate awareness, and internally with consultation with key stakeholders including Financial Management, Procurement and Information Management.

Summary

As a result of the combined panel scoring, the below table represents the final scores:

Company	Qualitative	Quantitative
CBA	87	100
NAB	80	87
ANZ	68	99
BBL	59	92

The CBA scored the highest in both the qualitative and quantitative assessment, with local government referees provided and assessed as being the most advantageous in respect of value for money for AlburyCity to deliver its banking and bill payment services.

The NAB rated well in the qualitative assessment. However, they were not as competitive in their quantitative response.

The ANZ explanation of their product offering was less detailed than CBA and NAB. The ANZ have very few local government clients and were unable to provide any local government referees.

The BBL response to the qualitative aspects of the Tender did not provide sufficient detail to gain confidence that they have capacity and capability to service AlburyCity's complex banking requirements. A key gap in the BBL's response is around a lack of information explaining how they would integrate with AlburyCity's financial management systems.

Conclusion

Tenders were invited for AlburyCity's banking and bill payment services to select an experienced and innovative banking partner for a contract period of four years commencing 1 January 2021 with the option to extend for a further two, one year terms.

Due to the complexity of local government banking services, banking tender specialist Whitmore Consulting Ltd was engaged by AlburyCity to assist in preparing the tender specification and to provide expert advice to the tender evaluation panel regarding the tender responses received and each bank's product offering.

The tender evaluation panel has assessed that the submission from the Commonwealth Bank of Australia (CBA) is the most advantageous to AlburyCity. It is the panel's view that the CBA has the necessary experience, knowledge, capability, resources, product sophistication and degree of innovation to meet the specification of the tender and to support AlburyCity in its continuous improvement of banking services.

The proposed transition will occur over a two month period from 1 January 2021, and will be supported by the incoming institution, as per CBA's detailed project management plan. A dedicated project lead has been identified within the Financial Management team to coordinate all aspects of the transition. A clear communication plan is to be developed to ensure internal and external stakeholders are appropriately informed and engaged as part of the implementation process.

Recommendation

That Council accepts the tender from the Commonwealth Bank of Australia for the Schedule of Rates Contract No. FIL20/02054 for banking and bill payment services for a four year period commencing 1 January 2021.