

4.4: CONTRACT 12001 – PROVISION FOR BANKING AND BILL PAYMENT SERVICES

Proponent	: City of Albany
Owner	: City of Albany
Business Entity Name	: The Commonwealth Bank of Australia
Attachments	: Assessment of Presentations for Banking and Bill payment Services Contract: No. C12001, Provision of Banking and Bill Payment Services – Part 5 General Conditions Services Long Form
Responsible Officer(s)	: Manager Finance – (D Olde)

IN BRIEF

- The contract term for the provision of bank services expired on 15 January 2012.
- It is recommended that the Commonwealth Bank of Australia be awarded the contract.

RECOMMENDATION

**ITEM 4.4 RESPONSIBLE OFFICER RECOMMENDATION/S
VOTING REQUIREMENT: ABSOLUTE**

**MOVED: COUNCILLOR GREGSON
SECONDED: COUNCILLOR CALLEJA**

THAT Council APPROVES the award of Contract C12001 – Banking and Bill Payment Services for a period of three years, from 1 April 2012 to 31 March 2015, with the option to extend the contract for a period a further two years to 31 March 2017, to the Commonwealth Bank of Australia.

CARRIED 12- 0

BACKGROUND

1. At the Ordinary Council Meeting on 21 October 2008, Council awarded the Banking Services Contract to the Commonwealth Bank of Australia (CBA) for the period of three years, from 16 January 2009 to 15 January 2012. The City has continued using the banking services of the CBA, whilst at the same time calling for tenders for banking services.

DISCUSSION

2. The City engaged the services of Whitmore Consulting to assess tenders from four banks, being Westpac, CBA, National Bank of Australia (NAB) and Bendigo Bank, plus Australia Post. Whitmore Consulting prepared an extensive assessment, evaluating each submission. The assessment report forms an attachment to this item.
3. Andrew Whitmore, the principal of Whitmore Consulting, has twenty five years experience in transactional banking sector. He has worked for all four of the major Australian banks, plus Citigroup. The consultant was engaged to assess the tenders due to the extensive technical nature of the submissions, the ever changing nature of the banking sector, and his experience in assessing banking tenders for local governments around the country. This allowed an assessment of whether the prices offered were comparable to other local governments. CBA, Westpac and NAB have all offered very competitive pricing.

4. Each document has been assessed with the following pivotal evaluation criteria considered:

Assessment Criteria Weighting	
Criteria	Weighting
Price	30%
Product Sophistication	25%
Relationship Management	20%
Commitment to Local Community	15%
Implementation Capability	5%
Channel Migration	5%

5. Each tender response has been evaluated using the above criteria and gradings for each criteria. The grading multiplied by the weighting gives a score for each criteria. Scores for each criteria are then totalled to give an overall score for each tenderer. The table below lists the overall score for each tenderer:

Evaluation Scoring	
Participant	Overall Score
National Australia bank	355
Westpac	352.5
Commonwealth Bank of Australia	340
Bendigo Bank	185
Australia Post	170

6. The major difference in the overall score for the top three tenderers is due to the weighting and score given for Relationship Management. Whitmore Consultants assessed each tender at face value, and on that basis scored both Westpac and NAB a full point higher due to both having an Albany based relationship manager. The fact that CBA have a Perth based relationship manager has not caused any difficulty or lack of service, during the existing contract term. If CBA is given the same grade as Westpac and NAB for relationship management, the overall score of the CBA is 360, placing it at the top of the rankings.
7. On issues of pricing, CBA is rated second on this criteria by a difference of \$4,000 to the most competitive, but Whitmore Consultants estimate that the cost of transfer from one banking platform to another would be in the vicinity of \$10,000 - \$15,000 in the first year.
8. Whitmore Consulting also consider the electronic banking platforms offered by CBA to be the superior product of the choices on offer. With the electronic banking platform being used every day for the majority of transactions, by many different officers in the Finance team, the functionality of the product has a direct impact on the efficiency and effective processing of transactions within the Finance team at the City.
9. It is recommended that the CBA be reappointed as the service provider for the period of three years, from 1 April 2012 to 31 March 2015, with an option to extend the contract for a further 2 years.

CONSULTANT SUGGESTIONS

10. Through the assessment of the submission, and with further discussion, Whitmore Consultants has highlighted a number of areas that the City can address to reduce banking and bill payment costs.
11. The biggest single cost associated with banking services is the Australia Post over the counter payments made by ratepayers. The cost per transaction is \$1.93. Whitmore Consulting suggested that the City work with CBA to explore alternative payments methods, and subsequently promote those methods to ratepayers.
12. One possible additional payment method is Bpoint. Bpoint is a CBA product that allows payments to be received by phone, internet, and direct at Bpoint outlets. The City will explore this option.
13. It is also noted that CBA will continue to offer a \$2,500 cash payment incentive to ratepayers who pay their rates by the 'early payment date', with one ratepayer being drawn to receive the payment. Whitmore Consulting suggested the City works with CBA to explore further community sponsorship arrangements.

GOVERNMENT CONSULTATION

14. Nil.

PUBLIC CONSULTATION / ENGAGEMENT

15. Nil.

STATUTORY IMPLICATIONS

16. Regulation 5 of the *Local Government (Financial Management) Regulations 1996* state that:
 - a. Efficient systems and procedures are to be established by the CEO of a local government
 - i. (a) for the proper collection of all money owing to the local government;
 - ii. (b) for the safe custody and security of all money collected or held by the local government;
 - iii. (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process);

STRATEGIC IMPLICATIONS

17. This item relates to the following elements of the City of Albany Strategic Plan (2011-2021):

Key Focus Area

Organisational Performance

Community Priorities

Policy and Procedures

Proposed Strategies

Develop clear processes and policies and ensure consistent, transparent application across the organisation.

POLICY IMPLICATIONS

18. Council's Policy "Purchasing Policy – Tenders and Quotes" and associated procedures apply to this item.

RISK IDENTIFICATION & MITIGATION

19. The risk identification and categorisation relies on the City's Risk Management Framework.

Risk	Likelihood	Consequence	Risk Analysis	Mitigation
<i>Non compliance with contract or business failure.</i>	<i>Unlikely</i>	<i>Moderate - Financial</i>	<i>Medium</i>	<i>Risk treatment plan with strict controls and elevation to Budget and Finance Committee.</i>
<i>Officer recommendation not approved.</i>	<i>Unlikely</i>	<i>Moderate – Financial</i>	<i>Medium</i>	<i>Council approve item to provide lowest cost for banking services.</i>
<i>As above.</i>	<i>Unlikely</i>	<i>Moderate – Service Interruption</i>	<i>Medium</i>	<i>Council approve item to ensure banking service stability.</i>
<i>As above.</i>	<i>Unlikely</i>	<i>Moderate - Operations</i>	<i>Medium</i>	<i>Council approve item to ensure operational demands such as creditor and salary payments continue.</i>

FINANCIAL IMPLICATIONS

20. The cost of banking and bill payment services is not a significant amount with annual impost being under \$100,000. However, the new contract terms will see a reduction in many existing charges for banking services. The biggest single cost in banking and bill payment is Australia Post over the counter service, and no price reduction has been offered for this service. Officers will be working with CBA on a strategy to shift bill payments to cheaper channels of payment.

LEGAL IMPLICATIONS

21. Legal implications are addressed in the tender document Banking and Bill Payment Services Contract C12001 – Part 5.

ALTERNATE OPTIONS

22. The Council may accept or reject the recommendation to award Contract C12001 – Banking and Bill Payment Services to the CBA. Moving to another banking platform would however result in significant costs in staff time.

SUMMARY CONCLUSION

23. The City of Albany enjoys a good working relationship with the CBA, and the bank continues to provide high quality, prompt and efficient service to the City, and CBA is the preferred provider.

Consulted References	:	Council Policy – Purchasing (Tenders & Quote)
File Number (Name of Ward)	:	C12001
Previous Reference	:	OCM 21/10/08 Item 12.1.3