

<b>Subject:</b>	<b>Cash in Transit Contract</b>		
<b>Date of Meeting:</b>	<b>11 July 2014</b>		
<b>Report of:</b>	<b>Executive Director Finance &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Debbie Sargent</b>	<b>Tel: 29-1379</b>
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<b>Ward(s) affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE**

**1. PURPOSE OF REPORT AND POLICY CONTEXT:**

- 1.1 Due to the early termination of the foregoing cash in transit and ancillary services contract, it was necessary to award a new contract for a term of two years with immediate effect to ensure business continuity and minimise the risk to cash and cheques collected across the council and the subsequent impact on cash flow.
- 1.2 This report sets out urgency action taken by the Executive Director Finance & Resources in accordance with Part 6.2 A 7(2) of the constitution ("Urgency Powers").

**2. RECOMMENDATIONS:**

- 2.1 That the Policy & Resources Committee note the urgency action taken by the Executive Director Finance & Resources after consulting the Chair of the Policy & Resources Committee.

**3. CONTEXT/ BACKGROUND INFORMATION:**

- 3.1 The council's foregoing Cash in Transit provider, Coin Co International PLC (CCI), has provided cash in transit and ancillary services to the council for the period between 2007 and 2013 following a competitive tender process. This was further extended by utilising the East Sussex County Council Procurement Hub framework contract, under which CCI were the single supplier, for a further two years. This framework contract covers Eastbourne, Wealden, Rother and Lewes with CCI providing similar services to several large authorities and organisations including several London Boroughs, TFL, NCP, The National Trust and Kent National Health. Throughout the duration of the previous and foregoing contracts CCI have provided a reliable, flexible service in terms of collections and deliveries.
- 3.2 The contract stipulates that cash collected should be deposited in the council's nominated bank account within 10 business days of collections. In January 2014, it became evident that there were delays in funds being transferred to the council, which continued for some months thereafter. During this time, the position was monitored closely by council officers, with regular meetings and conversations with the Chief Executive of CCI and a visit to their premises.

Initially, CCI advised and evidenced that there was an issue with their banking software resulting in delayed transfer of funds to the council; this was further evidenced through emails from their bank. However, despite clear and firm assurances, delays continued and council officers escalated the issue to the Executive Director Finance & Resources.

3.3 Formal correspondence between the Executive Director Finance & Resources and CCI commenced and continued between March 2014 and May 2014. During this correspondence all available options were exhausted to retain the contract with CCI and ensure the transfer of council funds. This included:

- removing an element of the contract in order to minimise cash held with the contractor and therefore minimise the risk to the council;
- requesting third party assurance on the legal and financial steps CCI were taking to resolve their cash flow issues;
- offering a fair and reasonable repayment plan to secure payment over of council funds.

CCI declined the council's offer to vary the contract and did not meet agreed payment plans put in place. The balance of funds due to be paid over continued to rise and given the volume of cash collected daily from parking meters and other locations, immediate action was necessary to limit the potential financial risks to the council.

3.4 The council had no further options available to it and therefore, in accordance with the framework contract, issued a 21 day remedial notice to CCI on 27 May 2014, which required CCI to transfer over all outstanding funds by 3:00pm on 17 June 2014. The notice advised that failure to comply would result in contract termination under the terms of the contract.

3.5 Correspondence from the Chief Executive of CCI on 16 June 2014 confirmed that they were unable to comply with the notice and therefore accepted and expected termination of the contract. CCI also confirmed that they would work with the council to ensure a smooth handover to a new contractor and would continue to provide a service during this process.

3.6 Once terminated a repayment plan would immediately be negotiated with CCI to secure payment over of outstanding funds. Failure to comply could result in action via the courts which may have implications for the commercial viability of the company, however the steps outlined in this report will have capped the financial exposure to the council.

#### **4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

4.1 Immediately on becoming clear that the council may need to terminate the current contract, the availability of an alternative provider was explored. In liaison with Corporate Procurement, several framework agreements were considered. Considering service provision, price and flexibility, the ESPO framework agreement was identified as being the most suitable procurement framework available to the council. Under this framework, BDI Securities UK Ltd (BDI) are the single supplier of cash in transit and ancillary services in the

geographical region covering Brighton & Hove. It was therefore proposed to call off from the framework by awarding the contract to BDI Securities UK Ltd ('BDI').

- 4.2 BDI are an experienced security carrier holding contracts with several large public sector authorities, including several London Boroughs, the Metropolitan Police and various NHS bodies along with several contracts within the private sector including Travelex (a large foreign exchange retailer). They have provided excellent references and have met the council's strict financial assessment requirements for new contractors. Council officers have undertaken a site visit to BDI offices and held several meetings at council offices. During these meetings BDI have been professional, competent and flexible and have provided the necessary assurances that they are able to meet the council's service requirements within the framework contract specification.
- 4.3 Well-defined key performance indicators around service provision and the speed of transfer of council funds have been agreed with BDI together with financial penalties for non-compliance. These, along with general service provision, will be monitored daily both by BDI and council officers.

## **5. COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 The Chair of Policy & Resources Committee and the opposition spokesperson on the Audit & Standards Committee have been confidentially briefed and the council's external auditors had been alerted to the ongoing situation.
- 5.2 There has been ongoing communication between the council and the new contractor, BDI Securities UK Ltd, in setting out the council's requirements for cash in transit and ancillary services and ensuring these can be accommodated under the contract.
- 5.3 No community engagement or consultation has been undertaken in relation to this contractual change as these are services used purely by the council for processing cash collection.

## **6. CONCLUSION:**

- 6.1 Following the unacceptable situation and level of risk with the foregoing contractor, a new cash in transit provider has been identified and has been appointed for a period of 2 years by the Executive Director Finance & Resources, in consultation with the Chair of Policy & Resources Committee, using urgency powers. A record of the decision making process is provided at Appendix 1.

## **7. FINANCIAL & OTHER IMPLICATIONS:**

### Financial Implications:

- 7.1 The annual contract value under the current contractor is £299,887, however, the contract value under the newly appointed contractor is £466,574, an increased budget commitment of £166,687 per annum. This additional budget pressure, together with additional bank charges of £14,993 will need to be accommodated within next year's overall budget.

7.2 For information, the approximate annual sums collected under the contract are:

Type of Collection	Cash	Cheques
	£m	£m
Corporate Offices and Schools	8.3	21.2
Parking Meters	11.5	n/a
<b>Total</b>	<b>19.8</b>	<b>21.2</b>

*Finance Officer Consulted: Jane Strudwick*

*Date: 17/06/14*

Legal Implications:

- 7.3 Under the council's scheme of delegation to officers, the Executive Director Finance & Resources may exercise any of the functions within her service area in cases of urgency where it is not reasonably practicable to obtain prior approval of a council committee or sub-committee, but only after consulting with the Chair of the relevant committee which, in this instance, is the Policy & Resources Committee.
- 7.4 The action taken in exercise of the Executive Director's urgency powers must be reported to Policy & Resources Committee.
- 7.5 Termination of the contract with CCI will comply with the relevant terms of that contract.
- 7.6 Awarding a new contract to BDI is a legitimate use of call-off arrangements under the ESPO framework agreement referred to in paragraph 4.1 above.

*Lawyer Consulted: Oliver Dixon*

*Date: 17/06/14*

Equalities Implications:

- 7.7 No equality impact assessment has been undertaken in relation to the services provided under this contract as this contract relates to cash collection and processing only.

Sustainability Implications:

- 7.8 There are no sustainability implications arising from this report.

Risk and Opportunity Management Implications:

- 7.9 The actions and decisions taken in the case of the council's cash in transit contract, including the use of urgency powers, have been taken in the context of managing a range of risks including the significant, growing potential financial risks to the council. The escalation process is described in the body of the report and Appendix 1 in arriving at the decision to use urgency powers and terminate the foregoing contract.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Record of Decision Making

### **Documents in Members' Rooms**

None

### **Background Documents**

None