

Subject:	Cash Collection - Company Administration Update		
Date of Meeting:	21 June 2016		
Report of:	Executive Director, Finance & Resources		
Contact Officer:	Name:	Nigel Manvell	Tel: 29-3104
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Ward(s) affected:	All		

FOR GENERAL RELEASE**1 SUMMARY AND POLICY CONTEXT:**

- 1.1 Previous reports regarding the insolvency of the council's previous security carrier provider, CoinCo International Ltd (CCI), advised that updates would be given to the Audit & Standards Committee regarding the progress of the company administration process as appropriate. This report provides a brief update following publication of the Joint Administrators' latest (third) progress report regarding the CCI administration.

2 RECOMMENDATIONS:

- 2.1 That the Audit & Standards Committee note the report.

3 CONTEXT/BACKGROUND INFORMATION

- 3.1 In 2014, the council's contractor for providing cash collection services, Coin Co International Plc ('CCI'), entered into administration owing the council £3.243 million. The company, locally based in Burgess Hill, had been in operation for over 30 years and had been the council's security carrier provider for over 5 years, since 2008. CCI's contract required payment over of cash and coin collected from many council establishments and parking machines in 10 banking days.
- 3.2 A number of delays in payments over to the council were experienced in 2012/13 and CCI were accordingly requested to improve performance. CCI notified the council that they had changed banks and were experiencing processing difficulties with a new system. However, the delays in making payments lengthened to an unacceptable level in early 2014 and the council again took steps to work with the contractor to seek assurances on performance improvement, clearing payment backlogs quickly, and demanding payment over of all sums owing to the council within an agreed period. Backlog payments were made and received on arrangement for a period of months but then performance and payment delays again became unacceptable and, following formal legal exchanges, CCI were given notice with the contract terminating in August 2014.
- 3.3 The council continued to seek recovery of all sums owing at the point of termination but CCI subsequently went into administration in November 2014 owing the council £3.243m and a total of over £10m to all of its creditors. It is now

clear that during 2014 other creditors had also given notice, presumably due to similar concerns, and this ultimately resulted in the company's insolvency.

- 3.4 During the period of performance concerns there was constant communication with the company and its directors, including site visits. Following termination of the contract, the council (and other major creditors) instructed CCI to provide them with independent reports concerning its financial health and its processing operations and seeking assurances over the recovery of sums owing. The report provided to the council was not promising and very shortly afterward, CCI went into administration.
- 3.5 The provider was collecting between £200,000 and £300,000 per week and therefore sums collected built up quickly and the security carrier would therefore legitimately be holding between £400,000 and £600,000, under the terms of the contract, before payment over to the council. Security Carrier contractors operate in this way because they are handling cash for many, many organisations and can negotiate very favourable banking terms as well as providing trained and accredited security staff and appropriate vehicles and secure premises. Were the council to request a security carrier to pay all amounts directly into the council's own bank account this would not only incur additional contract costs but would also incur very substantial bank charges running to tens of thousands of pounds per annum given the large transaction volumes. The terms of the contract with CCI were therefore common with most security carrier contracts for large public or private sector clients.
- 3.6 Following insolvency, Baker Tilley Restructuring & Recovery LLP were appointed Joint Administrators (now renamed RSM Restructuring Advisory LLP) and their initial report into the CCI insolvency (June 2015) did not provide any assurance that significant sums would be realisable on behalf of unsecured creditors. The implications of CCI's insolvency were therefore reported to Policy & Resources Committee in June 2015 (TBM Provisional Outturn 2014/15, Agenda Item 8) and the committee were advised that under the council's approved accounting policies, full provision for the potential loss would need to be made in the 2014/15 accounts. This was a one-off provision of £3.243m which the council was able to meet through prudent financial management and reduced insurance costs and was therefore able to avoid any direct financial impact on services (e.g. greater savings).

Company Administration – Latest Position

- 3.7 The Joint Administrators, RSM Restructuring Advisory LLP, posted their latest (third) progress report on 26 April 2016 covering the period 29 September 2015 to 28 March 2016. The report is available to secured and unsecured creditors of CCI. The report informs creditors that the administration process is continuing and that the Joint Administrators are currently attempting recoveries in various countries and the UK. The main points of the report are:
 - i) The period of the administration has been extended by the Court for 18 months until 25 May 2017 at which point (or earlier if feasible) the company will be wound up;
 - ii) The Joint Administrators are continuing to attempt to recover all realisable assets where this is of economic benefit, in particular, the realisation of assets relating to the secured creditors;

- iii) A significant recovery of realisable assets in Tunisia is currently being pursued and a loan of £210,000 has been recovered;
- iv) At this stage, the Joint Administrators state that it is uncertain that there will be sufficient asset realisations (after the costs of the administration) to enable a distribution to unsecured creditors [including the council]. However, the report also says that the Joint Administrators "...have identified a number of potential avenues for recoveries to be made [but] due to the sensitive commercial nature of these potential recoveries it is not appropriate to give further details at this stage, as such information may prejudice these claims." The administrators anticipate providing a fuller update in their next progress report;
- v) The report informs creditors that the Joint Administrators have been advised that no further action is to be taken in relation to a criminal investigation into three former employees and two directors of the company by the National Crime Agency (NCA).

Other Information

3.8 The council has been separately notified that the Insolvency Service, a Department for Business, Innovation & Skills sponsored executive agency, is making enquiries into the activities of CCI and has requested information from creditors, including the council, to aid its investigations. We have not been informed of the timescale for this investigation or its conclusion.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 Company Administration is a highly legal process covered by the Insolvency Act 1986. With regard to the council's activities in relation to the CCI administration process, it is currently only able to maintain a watching brief. A Creditors Committee can be created if 3 members (creditors) are willing to act together; to date, no other creditors have expressed an interest in doing so. During the period of administration, such a committee would have very limited influence but could ask for meetings with the administrators. However, even in the absence of a Creditors Committee, all creditors may ask questions of the Joint Administrators and are entitled to receive periodic progress reports. The appointed administrators, RSM Restructuring Advisory LLP, are one of the largest and most experienced insolvency practitioners and there is no indication that they are not acting in the best interests of all creditors, including the council.

4.2 The Head of Internal Audit, supported by external consultants, undertook a full and comprehensive review of the contract management and procurement arrangements concerning CCI and considered lessons learned for the council including any recommended improvements to internal controls. The Head of Internal Audit reported his findings to the Audit & Standards Committee meeting on 22 September 2015 at which there was a full discussion. The main recommendations were that for all significant contracts there should be:

- more explicit assessment of risks during the procurement process;
- formal management reviews during the lifetime of contracts to consider the key risks associated with the contract;
- improved team working for contracts that involve officers from different parts of the council.

- 4.3 Arrangements to implement these recommendations (including changes to contract standing orders, additional guidance for officers and training) have been put in place.

5 COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 No specific consultation has been undertaken in relation to this report.

6 CONCLUSION

- 6.1 Latest information from the appointed administrators indicates that it is uncertain that there will be sufficient realisations (after the costs of administration) to enable a distribution to unsecured creditors. This position is not different to the administrators first progress report and is the position adopted by the council for accounting purposes.
- 6.2 The council will now await further progress reports from the administrators and the conclusion of the winding up process (due by 25 May 2017 at the latest) and will monitor the progress of enquiries into CCI by the Insolvency Service.

7 FINANCIAL AND OTHER IMPLICATIONS

Financial Implications:

- 7.1 This is an update report only and there are no direct financial implications relating to the report. The financial impact of the CCI insolvency has been previously reported elsewhere and is summarised in paragraph 3.6 above.

Finance Officer Consulted: Jane Strudwick Date: 8/6/16

Legal Implications:

- 7.2 There are no direct legal implications arising from this report, which provides an update on the company administration process relating to CCI.

Lawyer Consulted: Isabella Sidoli Date: 9/6/16

Equalities Implications:

- 7.3 There are no direct equalities implications arising from this report.

Sustainability Implications:

- 7.4 There are no direct equalities implications arising from this report.

SUPPORTING DOCUMENTATION

Appendices:

None.

Documents in Members' Rooms:

None.

Background Documents

None.

