

<b>Subject:</b>	<b>Procurement of Cash in Transit Services</b>		
<b>Date of Meeting:</b>	<b>3 December 2015</b>		
<b>Report of:</b>	<b>Interim Executive Director of Finance &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Jane Strudwick</b>	<b>Tel: 29-1255</b>
	<b>E-mail:</b>	<a href="mailto:jane.strudwick@brighton-hove.gcsx.gov.uk">jane.strudwick@brighton-hove.gcsx.gov.uk</a>	
<b>Wards Affected:</b>	<b>All</b>		

## **FOR GENERAL RELEASE**

### **1 SUMMARY AND POLICY CONTEXT:**

- 1.1 Brighton & Hove City Council contracts with a cash in transit (security carrier) provider to supply an effective, efficient and flexible cash in transit service ensuring the secure transit of cash and cheques from designated council establishments as well as from both on and off street parking machines across the city.
- 1.2 The current contract was let on a short term basis (2 years) following the early termination of the contract with the council's previous provider. This short term contract is due to expire on 3 August 2016. This report recommends undertaking a mini-tender exercise inviting companies listed on the ESPO framework to tender.

### **2 RECOMMENDATIONS:**

- 2.1 That the Policy & Resources Committee authorises the Section 151 Officer to procure and award a contract for cash in transit services through a tendering process for companies listed on the relevant ESPO framework or through a full OJEU tender process as appropriate.
- 2.2 That the Policy & Resources Committee agrees to a contract period of 2 years and authorises the Section 151 Officer to enter into an optional extension for a further 2 years subject to satisfactory performance of the contract.

### **3 CONTEXT/BACKGROUND INFORMATION:**

- 3.1 The cash in transit contract requires collections from over 40 council establishments and over 1200 parking machines across the city within pre-determined timeframes to meet local service requirements and which ensures that the council remains within insured limits for cash held on premises and in machines.

- 3.2 The current contract was awarded to BDI Securities in June 2014. The contract was awarded for 2 years under urgency powers following the early termination the contract with the previous provider. The contract is due to expire on 3 August 2016. The council is not able to extend the current contract further under procurement regulations.
- 3.3 In awarding a new contract, there needs to be recognition within the tender process, pricing and specification that a number of alternative electronic payment methods have been developed within the industry that will progressively reduce the level of cash deposited in parking machines and thereby reduce the amount of coins collected. The new contract must take into account these electronic payment methods to ensure the council continues to achieve good value for money over the duration of the new contract.
- 3.4 This poses a dilemma in considering the length of the contract as longer contracts will normally attract more competitive pricing but in this instance the advent of electronic payment methods may not make a longer contract period attractive. For this reason it is recommended to opt for a balanced approach and award a contract for 2 years plus an option of a 2 year extension.
- 3.5 Options for the procurement route for the award of the contract have also been considered. A buying framework that contains security carrier companies is a much preferred option because this enables a mini-tender exercise to be undertaken involving the companies listed on the framework with the advantage that:
- a) It is a quicker procurement route and therefore lower cost than a full EU tender through the Official Journal of the European Union (OJEU);
  - b) To gain admission to the framework, companies have already been through an EU procurement process that is compliant with EU regulations;
  - c) It will enable the council to meet the time line for award and potential transfer of the contract to a new contractor, thereby minimising risks.
- 3.6 The framework will be provided through ESPO (Eastern Shires Purchasing Organisation) which is a large, experienced buying organisation set up in 1981 to provide wider procurement options and improved buying power for public sector organisations. The current framework (324F) has expired and is due to be renewed on 1 January 2016 and at this time we are not privy to which other companies will be on the framework or whether or not the council's current provider will be successfully accepted to the renewed framework. While the framework is therefore the preferred procurement route, it is recommended that it is only used if there appears to be a suitably competitive and appropriate mix of providers on the renewed framework who could meet the council's needs. If, in the opinion of the Section 151 Officer, there is an insufficient mix of providers on the framework, then a full OJEU procurement route would be adopted to secure best value.

#### **4 EVALUATION OF ANY ALTERNATIVE OPTION(S):**

- 4.1 The council could look to call off a contract from a single supplier framework; however, in the current market for supply with a wide range of operators of differing scale, this would be unlikely to offer the best value for money.
- 4.2 The council could undertake a full OJEU tender process but this would be lengthy, more costly and would make comparison/evaluation of technical competence potentially difficult due to differing industry security standards across the EU. The timescale for the process may also present a risk to the timely implementation and transfer of the service to a new operator. Using a framework avoids the need for Pre-qualification Questionnaires (PQQs) and due diligence work as this has already been processed for those companies successfully gaining access to the framework. However, this does not preclude the council from undertaking other checks including financial health, technical competence, quality assurance and performance. However, as mentioned in paragraph 3.6 above, if the renewed ESPO framework does not contain sufficient competition, a full OJEU would need to be undertaken.
- 4.3 Failure to contract the service would result in council officers having to collect and transfer to the bank large sums of cash and cheques with significant and potentially untenable security, safety and insurance risks.

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

- 5.1 At this stage, consultation in relation to the proposed renewal of the contract is not necessary. In developing the specification and form of contract, all services, particularly Parking Operations, will be engaged and consulted.

#### **6 CONCLUSION**

- 6.1 Recommendations are made to secure the most cost efficient method of collecting cash from parking meters and pay machines and various council establishments while safeguarding the council's cash, cheques and coin both when it is in transit and when it is being held by the provider pending payment over to the council. Given the council's negative experiences with previous security carrier companies, a higher level of financial health and resilience will be required of the successful contractor. However, it should be noted that this could significantly impact on price as companies offering lower prices generally operate on a lower cost base, have lower turnover and are generally less financially robust than larger operators.

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

##### Financial Implications:

- 7.1 The annual contract value under the current contractor is £466,574. New initiatives such as cashless parking and increased electronic payment channels

should reduce the cost of the contract over time and this needs to be a key element of the specification.

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
Total	19.8	21.2

Finance Officer Consulted: Nigel Manvell

Date: 18/11/15

Legal Implications:

7.3 The Council's Contract Standing Orders require that authority to enter into a contract valued at £500,000 or more be obtained from the relevant committee. Policy & Resources Committee is the relevant Committee for this purpose.

7.4 The EU procurement rules must be followed in entering into the proposed arrangements. The Council's Contract Standing Orders must also be followed when awarding the contract to a chosen supplier.

Lawyer Consulted: Elizabeth Culbert

Date: 24/11/15

Equalities Implications:

7.5 None arising from this report.

Sustainability Implications:

7.6 Sustainability issues will be addressed in the service specification for the new contract. Proximity of the provider's fleet and staffing to Brighton and Hove and assurances regarding effective route planning, low emission security vehicles, and minimising paper records will help limit carbon emissions and reduce paper usage during the contract.

Any Other Significant Implications: Risk Management

7.7 There are clearly specific risks relating to the safe transit and safekeeping of the council's cash and coin. These risks fall into 3 broad categories and will be addressed as follows:

- i) **Collection Operations:** The council will ensure that the new contractor uses appropriate security measures in order to minimise the risk of crime, fraud or misappropriation during the provision of this service. The holding of a Security Industry Authority (SIA) license and evidence of having applied the relevant SIA standards across all aspects of operations (staff, fleet, systems and processes) will be a minimum requirement. The contract will specify various Key Performance Indicators to ensure that operations are properly monitored.

- ii) **Banking and Payment Operations:** While security of cash and coin during collection and transit is critical, the experience of the previous failed provider shows that understanding the provider's internal processes is equally as important. While there are limitations on the council (as purchaser) in being able to direct how a company runs its business, in the case of this contract, the specification will require that client and business cash is to be kept separate and traceable at all times through the use of 'bullion' facilities and that the provider's business bank accounts must not be used to transact client cash and coin. Key Performance Indicators relating to the time to pay over collected cash and coin will also be specified and monitored weekly with financial penalties for non-compliance.
- iii) **Company Failure:** While financial health and credit checks of companies tendering for large contracts are always undertaken, following failure of the previous cash-in-transit provider, and given the large sums being handled, regular (at least quarterly) financial monitoring and credit checks of the company will be undertaken to continually assess the risk of company failure and enable early alerts and decisions to be taken if financial assessment indicates a growing or unacceptable risk of company failure.
- However, this can never eliminate all risk, primarily because companies do not regularly publish financial statements (usually only annually with, sometimes, an interim report) and even then it is not always clear from financial statements how much risk is inherent in a company's investments, borrowings, income streams and general commercial success (i.e. whether or not it is winning and retaining custom). In practice, a good relationship with the company, effective contract management, and open, regular communication channels are more likely to alert the council to emerging issues than independent checks.

## **SUPPORTING DOCUMENTATION**

**Appendices:**

None

**Documents in Members' Rooms:**

None

**Background Documents:**

None