

Agenda Item No:

Report to: Audit Committee

Date of Meeting: 13th January 2009

Report Title: Review of Lost Income

Report By: Roy Mawford
Chief Executive

Purpose of Report

To brief the Audit Committee on progress in implementing the recommendations made by PKF in their Review of Lost Income Report, presented to Audit Committee on 30th June 2008.

Recommendation(s)

1. That the progress made in implementing the recommendations is noted and welcomed.
2. That a further progress report be made to the Committee at its 29th June meeting.

Reasons for Recommendations

Good progress has been made in implementing the PKF recommendations. Further work is required, though, to complete work on two of the five recommendations.

Background

1. In June 2007, the Council's Cabinet received a report from the Deputy Chief Executive about action being taken to recover income due from our (then) cash collection contractor, Estate Security Southern Limited (ESSL). The report highlighted that ESSL had failed to deposit some £235,000 into our bank accounts and that, as a result of action taken by the Council, it had been entered into liquidation. Several other councils were similarly affected, and ESSL are the subject of an investigation by the Official Receiver.
2. We asked PKF to look into matters relating to our management of the cash collection service, to ensure that lessons were learned for the future management

of such contracts. Their Review of Lost Income Report was presented to Audit Committee on 30th June 2008. It made five recommendations, all of which were fully accepted.

3. The Committee resolved to ask the Chief Executive to report back in six months' time on progress in implementing the recommendations. It also resolved that an immediate review should be initiated both of all contracts with a value of over £50,000, and of other contracts with a lower value but with a significant financial impact, and that the results of this review should be reported back to the Committee.

Implementing the PKF Recommendations

4. Progress has been monitored and reported to our Risk Management Group, chaired by the Corporate Director (Environmental Services). Progress to date is set out in Appendix A and summarised below.
5. An improved Contracts Register has been introduced. A systematic review of the effectiveness of arrangements for actively managing contracts is being carried out, completion of which is expected by end-March 2009.
6. A new, more comprehensive Risk Register is being introduced in phases. The Register is expected to be complete by end-May. In parallel, reviews by Zurich Municipal (ZM) of operational and strategic risk have been commissioned. These should be completed and their findings received by mid February. Good progress should have been made on any actions arising by end-May.
7. Additional insurance cover has been arranged, and the potential loss of income caused by the cash collector is closely and frequently monitored by senior management (see below).

Cash Collection Contract

8. ESSL were replaced as the Council's cash collection contractor by Coin Co International (CCI). Income is carefully monitored by senior management, to ensure that cash collected is deposited in to the Council's bank account within 5 working days. The number of days taken to bank the monies is clearly shown, as is the cash that has been collected and counted and waiting to be banked, for easy comparison to insurance cover. In addition, the contractor sends detailed information of the amount counted against parking machines, which is monitored by Parking Services against independent records, and by senior management who monitor accuracy in overview.
9. Monitoring meetings are held with the contractor to discuss quality of performance and to check that they are compliant with health and safety as well as equality policies. CCI have satisfied the terms of their contract with us. They also provide similar cash collection services to other councils.
10. The contract with CCI expired on 31st December 2008. In September 2008, the Council's Cabinet agreed the arrangements for procuring the next contract. Following a formal tendering procedure, CCI were selected and started their new contract on 1st January.



Policy Implications: Risk Management

11. The PKF recommendations being implemented are specifically intended to improve the Council's risk management arrangements.

Economic/Financial Implications

12. The PKF recommendations are also specifically intended to reduce the Council's exposure to the risk of financial loss from its cash collection arrangements.

Organisational Implications

13. As a result of implementing the PKF recommendations, awareness of risk management issues and officer training in risk management techniques have improved.

Wards Affected

Ashdown, Baird, Braybrooke, Castle, Central St. Leonards, Conquest, Gensing, Hollington, Maze Hill, Old Hastings, Ore, Silverhill, St. Helens, Tressell, West St. Leonards, Wishing Tree

Area(s) Affected

Central Hastings, East Hastings, North St. Leonards, South St. Leonards

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	Yes

Supporting Documents

Appendix A Task monitor (version 10)

Officer to Contact

Tom Davies
tdavies@hastings.gov.uk
Telephone: 01424 451524

Roy Mawford
rmawford@hastings.gov.uk
Telephone: 01424 45 1700



