

 Finance and Audit Scrutiny Committee 6 March 2018		Agenda Item No. 8
Title		Review of the Assigning of Parent Company Guarantees and Other Types of Securities to Council Contracts
For further information about this report please contact		Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk
Wards of the District directly affected		Not applicable
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006		No
Date and meeting when issue was last considered and relevant minute number		Finance and Audit Scrutiny Committee – 3 January 2018. Executive – 4 January 2018.
Background Papers	Report to Executive 4 January 2018 on Newbold Comyn Golf Course.	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality Impact Assessment Undertaken	N/A: no direct service implications

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	21 Feb 2018	Chris Elliott
Head of Service	21 Feb 2018	Mike Snow
SMT	21 Feb 2018	SMT
Section 151 Officer	21 Feb 2018	As Head of Service
Monitoring Officer	20 Feb 2018	Andrew Jones
Finance	21 Feb 2018	As Section 151 Officer
Portfolio Holders	21 Feb 2018	Councillor Whiting
Consultation and Community Engagement		
Consultation with members and officers listed above.		
Final Decision?	Yes	
Suggested next steps (if not final decision please set out below)		

1 **Summary**

- 1.1 The purpose of this report is to apprise Members of the issues relating to the assigning of securities to the Council's contracts, with particular emphasis on parent company guarantees.

2 **Recommendations**

- 2.1 That Committee should note the report set out as Appendix A, supporting the recommendations within it.

3 **Reasons for the Recommendations**

- 3.1 To provide assurance to Members that problems in respect of the Golf Contract that could apply to other contracts are being addressed.
- 3.2 To help improve the general governance of contracts.

4 **Policy Framework**

4.1 **Fit for the Future (FFF)**

The Council's FFF Strategy is designed to deliver the District's Vision of making it a Great Place to Live, Work and Visit. With those objectives the FFF Strategy contains several Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities.	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB.	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/ productivity of local economy Increased employment and income levels.
Impacts of Proposal		
Although there are no direct policy implications, a strong and effective governance framework will be a major factor in helping to achieve the above outcomes.		

Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours.	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services.	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money.
Impacts of Proposal		
Although there are no direct policy implications, a strong and effective governance framework will be a major factor in helping to achieve the above outcomes.		

4.2 **Supporting Strategies**

Each strand of the FFF Strategy has several supporting strategies but description of these is not relevant for the purposes of this report.

4.3 **Changes to Existing Policies**

This section is not applicable.

4.4 **Impact Assessments**

This section is not applicable.

5 **Budgetary Framework**

- 5.1 Although there are no direct budgetary implications arising from this report, an effective Budgetary Framework is a key element of corporate governance. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.

6 **Risks**

- 6.1 There are various risks associated with contract management and these not being addressed satisfactorily. The consequences will be additional expenditure and deterioration in the reputation of the Council.

7 **Alternative Options Considered**

- 7.1 This report is not concerned with recommending a particular option in preference to others so this section is not applicable.

8 **Background**

- 8.1 A report was issued by the Deputy Chief Executive (AJ) to Executive on 4 January 2018 detailing problems with the Golf Contract at Newbold Comyn Golf Course and the issues resulting from this. The report advised that the contractor, Mack Trading, had recently ceased its operation at the golf course and wanted to withdraw from the contract that it had with the Council. In order to do this, a negotiated settlement was being sought. The report set out a number of options and presented various recommendations for dealing with the situation.
- 8.2 Discussions on the report revealed that, although there was a PCG within the contract, this could not be invoked as it became clear that the parent company of Mack Trading had changed its company structure as to render the security useless. (This was done shortly after the contract was let.)
- 8.3 At the Finance & Audit Scrutiny Committee meeting of 3 January 2018, following their consideration of the Golf Contract report to Executive, Members asked for an urgent review of the assigning of parent company guarantees (PCGs) to contracts. The review has been extended to cover all types of securities as the processes for setting these up and monitoring them are the same. It would therefore have been negligent, and ultimately unhelpful, not to have included all types of securities within the review.