

MANAGEMENT COMMITTEE – 24 NOVEMBER 2021**PROPOSED UPDATES TO THE STANDARD FINANCIAL INSTRUCTIONS AND DELEGATIONS TO THE DIRECTOR OF ESPO****JOINT REPORT OF THE DIRECTOR AND CONSORTIUM TREASURER****Purpose of Report**

1. Management Committee are asked to approve the proposed updates to selected elements of the Constitution of the ESPO Management Committee, being:
 - a. Appendix 4 to the Constitution of the ESPO Management Committee - Functions of, and delegations to, the Director of ESPO
 - b. Appendix 6 to the Constitution of the ESPO Management Committee – Financial Regulations of the ESPO Management Committee (Including the Standard Financial Instructions)

Background

2. The ESPO Consortium Agreement, signed 14th July 2014, sets out the powers delegated to the Director of ESPO and also the Financial Regulations / Standard Financial Instructions applicable to ESPO.
3. These documents have been reviewed by the Commercial Financial Controller in consultation with the Consortium Treasurer and a small number of changes are proposed to enable smoother day to day operations.

Proposed Revisions

4. The changes delegate greater authority to the ESPO Director in a small number of specific areas and bring the delegation into line with other activities within ESPO. The changes also remove the need for Management Committee approval of commercial/operational decisions which are within budget. They still retain the need for reporting any irregularities, or deviations from budget, to the Consortium Treasurer and Management Committee.
5. The changes relate to the ESPO Director sign off level and writing off/disposing of inventories and the writing off of customer debts.
6. Currently the ESPO Director has the authority to approve inventory write offs of up to £20k, and debt write offs of up to £10k, with amounts greater than this requiring approval from Management Committee. (The Consortium Treasurer is able to approve debt write offs where the customer has legally ceased trading.) In many cases a decision is not required by Management Committee as there is

no alternative. The ESPO Director also currently has the power to incur capital or revenue spend under the value of £50k.

7. As an example, the writing off of inventory or debt may be necessary:
 - During a count of the inventory on the ESPO premises missing stock was identified (or additional stock might be identified)
 - When a decision is made to discount stock below its original cost in order to sell it or facilitate its disposal
 - When amounts owed by customers are deemed irrecoverable, either due to dispute or the customer ceasing trading
8. The proposed changes remove these specific financial limits and link the Director's delegation to the Standard Financial Instructions. This does not give an unlimited financial limit to the Director, as the Standard Financial Instructions already contain numerous controls such as Management Committee's budget approval and then the ESPO Director controlling spend in line with that budget/getting approval for budget virements.
9. The need for the reporting of any irregularities or expenditure which affects the overall surplus to the Consortium Treasurer and/or Management Committee remains a requirement. This ensures that the reporting of issues by exception will still apply and allow Management Committee to exercise scrutiny over ESPOs controls and activities.
10. These revisions have been reviewed and are supported by ESPO's Consortium Treasurer, the ESPO Director, and ESPO's Commercial Solicitor.
11. The full revisions are included in the appendices.

Powers

12. Under the Consortium Agreement, clause 24.1 allows the Management Committee to amend the Appendices to the consortium agreement by majority agreement of the Management Committee:

24.1 This Agreement may be varied or appended to by the Member Authorities at any time and due to any circumstances by the unanimous agreement of the Member Authorities other than where this Agreement provides otherwise. For the avoidance of doubt, variation of the overarching Consortium Agreement and Constitution of the Management Committee require the unanimous agreement of the Member Authorities. Variation of the following documentation appended to the Constitution may be varied at any time by the majority agreement of the Management Committee:

24.1.1 Appendix 1: Terms of Reference of the ESPO Finance and Audit Committee;

24.1.2 Appendix 2: Terms of Reference of the ESPO Chief Officers' Group;

24.1.3 Appendix 3: Delegations to the ESPO Consortium Secretary and ESPO Consortium Treasurer;

24.1.4 Appendix 4: Functions of, and Delegations to, the Director of ESPO;

24.1.5 Appendix 5: Procedural Standing Orders of the ESPO Management Committee;

24.1.6 Appendix 6: Financial Regulations of the ESPO Management Committee (including the Standard Financial Instructions); and

24.1.7 Appendix 7: Contract Procedure Rules of the ESPO Management Committee

Recommendation

13. Management Committee are asked to approve the changes to:

- a. Appendix 4 - Functions of, and delegations to, the Director of ESPO
- b. Appendix 6 – Financial Regulations of the ESPO Management Committee (Including the Standard Financial Instructions)

Equal Opportunities Implications

14. None

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Appendices

Appendix 1 - Proposed Revisions to - Appendix 6 to the Constitution of the ESPO Management Committee – Financial Regulations of the ESPO Management Committee (Including the Standard Financial Instructions)

Appendix 2 - Proposed Revisions to - Appendix 4 to the Constitution of the ESPO Management Committee - Functions of, and delegations to, the Director of ESPO

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