

ESPO FINANCE SUBCOMMITTEE – 14 JUNE 2012**AGENDA ITEM NO. 4****FINANCE SUBCOMMITTEE – PROPOSED TERMS OF REFERENCE****REPORT OF THE CONSORTIUM TREASURER****Purpose of Report**

1. To propose the terms of reference for the Finance Subcommittee.

Background

2. At the ESPO Management Committee meeting, on 2 March 2012 it was agreed that 'a Subcommittee be established to work with the Director and Consortium Treasurer prior to consideration of the 2013/14 budget to consider how future budgets should be developed and presented'.

Terms of Reference

3. It is suggested that the terms of reference of the Finance Subcommittee are:
 - i To develop a better understanding of the financial planning processes undertaken by ESPO.
 - ii To support the financial planning process by reviewing the content and presentation of draft financial plans for the Management Committee.
 - iii To contribute to the setting of financial performance targets.
 - iv To make recommendations to the Management Committee on financial planning.
4. In order to support the financial planning process it is important that the Finance Subcommittee has an overview of key financial processes and timelines for ESPO.
5. The following detailed financial information can be provided to members in the form of an exempt report due to the commercial sensitivity of the information:
 - Management Accounts
 - Balance Sheet
 - Staffing analysis over the various teams e.g. budget, actual, forecast, variance
 - Efficiency Targets and monitoring of achievements
 - Analysis of Reserves with potential cash flows
 - Analysis of stocks with usage patterns
 - Key financial performance indicators e.g. accuracy of budget, balance sheet items such as debtor days, payment of invoices, working capital and

- outcome of audit reports
- Number of Orders
- Breakdown of specific projects
- Information on invest to save projects and capital investments

Four Year 'Medium Term Financial Strategy' (MTFS)

6. It is intended for a four year MTFS to be developed which will include commentary on future prospects, key assumptions, a detailed budget for the first year and outline plans for the subsequent three years. The Medium Term Financial Plan will provide a framework for developing the following year's detailed budget and will be rolled forward each year. The Strategy will also include the following key policies:
 - Reserves
 - Value for Money including efficiency targets
 - Treasury Management
 - Capital and Asset Strategy
7. It is suggested that the Subcommittee support the updating of the MTFS and the detailed budget for the following year.
8. The MTFS would support the four year Business Strategy for ESPO which is under development.

Resources Implications

9. None.

Recommendation

10. Members are asked to consider the Terms of Reference for the Finance Subcommittee.

Equal Opportunities Implications

11. None.

Risk Assessment

12. None identified.

Background Papers

13. None.

Officer to Contact

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