

**ESPO MANAGEMENT COMMITTEE – 27 SEPTEMBER 2012**

**AGENDA ITEM NO. 6**

**FINANCE AND AUDIT SUBCOMMITTEE – PROPOSED TERMS OF REFERENCE  
AND INDICATIVE WORKPLAN**

**JOINT REPORT OF THE CONSORTIUM SECRETARY AND CONSORTIUM  
TREASURER**

**Purpose of Report**

1. To seek approval for proposed terms of reference for the Finance and Audit Subcommittee and to present its indicative workplan for information.

**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'.
3. At its first meeting, held on 14 June 2012, the Finance Subcommittee considered draft terms of reference for the Subcommittee and in doing so discussed whether its role should be widened to be a standing 'Finance and Audit Subcommittee' it agreed to make recommendations to this effect to the meeting of the Management Committee scheduled for 27 September 2012.
4. The Management Committee indicated general support for these recommendations at its meeting on 25 June 2012, including the proposal for the Subcommittee to undertake both an audit and budget and performance monitoring function.
5. The draft terms of reference for the Subcommittee have been revised accordingly and were presented to the Subcommittee for further consideration on 22 August, prior to final submission to the Management Committee in September. An extract of the minutes of this meeting is attached to this report at Appendix B.

**Terms of Reference**

6. It is suggested that the revised terms of reference of the Finance and Audit Subcommittee be:
  - i. To develop better understanding of the financial planning process

- 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 and the monitoring of efficiencies.
  - iv. To receive and review regular reports on monitoring of budgets and performance and other financial management.
  - v. To receive and review audit and governance reports.
7. In order to support the financial planning process it is important that the Finance and Audit Subcommittee has an overview of key financial processes and timelines for ESPO.
8. As such it is intended for the following detailed financial information to be provided to members (although it should be noted that given the commercial sensitivity of this information it is likely that it will be considered as exempt information, in accordance with the Local Government Act 1972, Schedule 12A):
- 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

### **Membership**

9. One designated Councillor to be appointed from each Member Authority.

### **Four Year 'Medium Term Financial Strategy' (MTFS)**

10. At its last meeting, on 25 June 2012, the Management Committee considered the development of a four year Medium Term Financial Strategy 2012-16.
11. It is suggested that the Subcommittee examines proposals for the updating of the MTFS and the detailed budget for the following year; prior to their presentation to the Management Committee.
12. The MTFS will support the four year Medium Term Business Strategy for ESPO which was also considered at the last meeting of the Management Committee.

### **Work Programme**

13. An indicative work programme covering a 12 month period of work for the Subcommittee has been prepared and is attached to this report at Appendix A.

### **Resources Implications**

14. None.

### **Recommendation**

15. The Management Committee is asked
  - (a) to consider and approve the final draft Terms of Reference for the Finance and Audit Subcommittee, as outlined in paragraphs 6 to 12 above (including the incorporation of an audit and efficiency monitoring function); and
  - (b) to note the draft indicative work plan set out as Appendix A to this report.

### **Equal Opportunities Implications**

16. None.

### **Risk Assessment**

17. None identified.

### **Background Papers**

Report to the Finance Subcommittee on 14 June 2012: 'Finance Subcommittee – Proposed Terms of Reference'

Report to the Finance Subcommittee on 22 August 2012: 'Finance and Audit Subcommittee - Proposed terms of reference and indicative Workplan'

### **Officer to Contact**

Mr B Roberts – Treasurer to the Consortium (Tel: 0116 305 7831)

### **Appendices**

Appendix A: Draft work plan for the Finance and Audit Subcommittee

Appendix B: Extract from the minutes of the Finance Subcommittee meeting held on 22 August 2012