

ESPO FINANCE SUBCOMMITTEE – 22 August 2012

AGENDA ITEM NO. 5

FINANCE AND AUDIT SUBCOMMITTEE – PROPOSED TERMS OF REFERENCE

REPORT OF THE CONSORTIUM TREASURER

Purpose of Report

1. To propose the final draft terms of reference for the Finance and Audit Subcommittee, for submission to the Management Committee on 27 September 2012.

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', agreeing 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, since the Subcommittee's first meeting and, subject to the comments of the Subcommittee it is intended for the proposed terms of reference to be submitted to the Management Committee on 27 September 2012, for approval.

Terms of Reference

6. It is suggested that the revised terms of reference of the Finance and Audit Subcommittee be:
 - i. To understand 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

Work Programme

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

Four Year 'Medium Term Financial Strategy' (MTFS)

10. 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 Strategy 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

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 would support the four year Business Strategy for ESPO which is under development.

Resources Implications

13. None.

Recommendation

14. The Subcommittee is asked to consider and approve the submission of final draft Terms of Reference, as outlined in paragraph 6 above (including the incorporation of an audit and efficiency monitoring function), and the draft indicative work plan set out as an appendix to this report, to the Management Committee on 27 September 2012 for its approval.

Equal Opportunities Implications

15. None.

Risk Assessment

16. None identified.

Background Papers

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

Officer to Contact

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Appendices

Appendix: Draft work plan for the Finance and Audit Subcommittee