

# **Terms of Reference for a finance, governance, strategic and operational review of Marketing Gloucester.**

## **1. Background and introduction**

Gloucester City Council established Marketing Gloucester Ltd. (MGL) as a wholly owned company in March 2007 in order to provide a range of services to promote and market the City of Gloucester.

Whilst MGL had previously communicated its financial challenges to the Council, in September 2019 the scale of its cash flow issues were quantified. The Council approved a lending facility to support the cash flow of MGL subject to MGL commissioning an urgent comprehensive financial, governance, strategic and operational review of MGL.

The review will have two distinct parts:

- a) The effectiveness of financial and governance arrangements; and
- b) A strategic and operational review of the business of MGL

Separate bids will be invited for each of the two parts.

Naturally there will be linkages and we will require the successful bidders to share the findings and recommendations of their respective work to ensure that the Council and the Company have a good understanding of the whole operation of MGL and that recommendations reflect this.

Draft findings and recommendations of both parts of the review will be presented in a single feedback session to representatives of the Board of MGL and the City Council in their role as members and sole owner of the company.

The requirements of the two aspects of the review are detailed below:

## **2. Part A: Finance and Governance**

### **Fundamental principles**

The finance and governance review is to be carried out by independent experts having the required professional competence, expertise and experience, and in accordance with generally accepted international auditing standards.

These Terms of Reference ("TOR") define the mandate of the experts in connection with the financial review of Marketing Gloucester Limited and its subsidiaries ("MGL"), a company whose sole Member/Owner is Gloucester City Council. The financial review is to be based on the professional requirements and guidelines governing the professional work to be undertaken by the experts in relation to their areas of expertise.

In planning, conducting and reporting on the financial review, the experts shall give due consideration to the relevant standards of the local accounting profession as well as the local legislation on accounting, governance and reporting in force at the time of the review.

### **Detailed review procedures**

Appropriate review procedures are to be applied by the experts in order to form professional judgements on the matters outlined below. The experts are expected to select and apply any other review procedures that they may consider necessary in the professional execution of the engagement.

### **Finance**

The review should comprise a full review of the financial position of the company and its subsidiaries and its forecast position over a period not less than two years back from and two year forward of the review date, including but not restricted to:

#### **a) Principles of financial orderliness:**

- i. Details of funds received and reconciliation with the information supplied by the donor(s);
- ii. Authorisations/approvals of expenditures and validity with supporting documents;
- iii. Allocation of expenditures in conformity with the agreed budget(s);
- iv. Conformity of contracts with legislation currently in force;
- v. Adequacy and completeness of revenues, revenues are booked correctly;
- vi. Assessment of accounts receivable and advances; justification for overdue/unpaid amounts in excess of one month,
- vii. Reconciliation of balances of cash in hand and in banks with the general ledger accounts;
- viii. Physical existence and movements of the goods representing the property of the company (fixed assets, inventory items, current assets);
- ix. Timeliness of recording economic events and transactions in the general ledger accounts.

#### **b) Financial budgeting and cashflow forecasting:**

- i. Review of the latest budget position and future cashflow projections;
- ii. An assessment of the financial viability of the budget and cashflow projections;
- iii. An assessment of the viability of any actions being proposed to improve the financial position of the company;
- iv. A review of the medium to long term business plans of the company, and its business planning processes.

#### **c) Existence, adequacy and effectiveness of the Internal Control System (ICS):**

- i. Adequacy of the internal organization (structures, functions, tasks, authority, responsibilities, methods, procedures, segregation of duties etc.);
- ii. Effectiveness of project and financial accounting and reporting processes;
- iii. Adherence to applicable laws, regulations and instructions;
- iv. Prevention of accounting errors and financial fraud;

- v. Adequacy and completeness of information and financial reporting system;
- vi. Physical safeguard of assets.
- vii. Governance arrangements (systems, processes), including Board (membership, skills, management)

**d) Economical conduct of business and effective use of financial resources (VFM):**

- i. Financial resources are utilised for the activities, as agreed with the Council and always ensuring an appropriate level of cost and benefits;
- ii. Existence and application of adequate measures in the internal control system (ICS) in respect of the utilisation of committed resources;
- iii. Application of management procedures relative to the various transactions. In particular, adequate segregation of duties for vital functions and processes, like entering commitments, authorising and accounting of expenditures, reconciliation of cash on hand and in banks, follow-up on long outstanding debtors and creditors, physical control over inventories, etc.;
- iv. Expenditures are in line with the agreed budget positions;
- v. Any deviations of actual expenses from the agreed budget are reasonably explained and adequately documented by management;
- vi. Existence of adequate bid and purchasing procedures. e.g. best cost/benefit ratio for materials and services, conformity of price offers with local practices and cost levels;
- vii. Confirmation that prices and rates are subject to regular verification and that the accounting system in use is adequate to the requirements of a management tool, particularly as it concerns cost analysis;
- viii. Review and substantiation of expenditures of consultants and contracted agents (rent, travel expenses, accommodations, allowances etc.);
- ix. Review and substantiation of expenditures related to staff (gross salary, social and pension contributions, income taxes etc.).
- x. Review of the current SLA agreement and governance by Gloucester City Council

**e) Conformity with the company objectives and adherence to contract conditions:**

- i. Agreement of transactions, expenditures and receipts by comparison with the agreed business documents (programs of activities, contracts, terms of reference, budgets etc.);
- ii. Verification whether the clauses of the agreements/contracts have been respected;
- iii. Verification that the expenditures correspond to the agreed budgets. Analysis of deviations between budgeted and actual expenses and substantiation of major budget variations (+/- 10 % of the budget).
- iv. Verification that goods purchased with allocated funds are utilised within the defined objectives and are still available or have been disposed/sold in conformity with the procedures defined in the project agreement/contract.
- v. Examination of the arrangements between MGL and the UK:DRIC & MGL and BID to ensure compliance with all contractual arrangements and deliverables;

## **Governance**

The review should also comprise a full review of the governance arrangements established by the company and its subsidiaries to ensure that they comply with the law and regulations, that they provide sufficient transparency to allow the management of the company and the Board of Directors to exercise accountability, oversight and control including a review of the governance of the company by Gloucester City Council. In particular this should review:

- i. The Company's alignment with the strategic objectives and corporate plans of the City Council
- ii. The Company's adherence to relevant law, regulations and company guidance including the UK Corporate Governance Code 2018
- iii. The Company's adherence to its Memorandum and Articles of Association, Members Agreement and its Contract for Services with Gloucester City Council
- iv. The arrangements for appointments to the Board and the skills, experience and expertise required by the Board Directors to provide appropriate leadership to the Company
- v. The Board composition generally in terms of the Non- Executive and Executive roles
- vi. The arrangements for the employment and management of staff
- vii. The arrangements to manage conflicts of interest
- viii. The arrangements for developing and documenting the Company's strategic and operational plans
- ix. The arrangements for reporting on the Company's performance.
- x. The current SLA and the effectiveness of Gloucester City Councils governance of the company and its responsiveness to information provided.

### **3. Part B: Strategic and operational review**

This review will examine the effectiveness and efficiency of the current operation of MGL, including its distinct role within the City and its many (and growing) partners and stakeholders involved in making the City a vibrant, diverse and successful tourist destination. In particular the review will need to assess what actions are required to ensure that MGL continues to add value to the City of Gloucester, supports the City Council in delivering its strategic objectives and corporate plans and is financially sustainable in the future. At the same time the review will assess the reasonableness of the Council's requirements for MGL within a challenging financial climate.

Key areas of focus include but are not limited to:

- i. Clarity and appropriateness of purpose, vision, strategic and operational business priorities of MGL and the reasonableness of the Council's requirements.
- ii. Quality and appropriateness of the Business Plan and the delivery focus of the organisation in view of the City and its potential, and work of other

- partners and stakeholders, including the LEP, the Culture Trust, the BID and the City Council. Are there overlaps or duplication?
- iii. The resilience and effectiveness of its relationships with key city stakeholder organisations and leaders including departments of Council.
  - iv. Appropriateness and sustainability of the staffing arrangements, including structure/staffing numbers, skills and capabilities
  - v. Quality and effectiveness of inputs, outputs and outcomes related to the effective marketing of the City; and comparison to industry standards/leaders in this area
  - vi. Assessment of historic income and future income potential and what is needed to successfully explore these
  - vii. Assessment of the potential of the UK:DRIC in the promotion of the City and its potential for income generation for MGL
  - viii. Appropriateness of the company structure (wholly owned Teckal company) in view of successful models elsewhere; and in the context of the BID, the LEP, the Culture Trust and the City Council's Economic Development team.

#### **4. Outputs and reporting**

Consultants are required to produce interim findings and a final report including recommendations.

Interim findings will be presented to a meeting of representatives of the Board of MGL and the City Council.

#### **5. Timescales**

The assignment needs to be concluded by the end of November 2019 at the latest with draft reports produced at intervals agreed with the City Council.