



**Solent Freeport Finance, Resources and
Audit Committee**

Terms of Reference

April 2023

Context

The Solent Freeport Consortium Limited is a company limited by guarantee and was incorporated on 15 March 2021. Details on the Governance arrangements for the Company are set out in the Company's Articles of Association, which are [available here](#).

The company has been established in response to the Government announcing the Solent Freeport in the March 2021 budget. The Solent Freeport has now completed its 'set-up' phase for achieving Freeport designation, culminating in the approval of a Full Business Case (FBC) during December 2022.

The Solent Freeport Consortium Limited needs to maintain the governance and capacity required to oversee the 'delivery' phase. Appropriate governance arrangements are critical for delivering to the ambitious timescale for delivery and ensuring that appropriate measures of accountability and transparency are in place for the effective management of public funds.

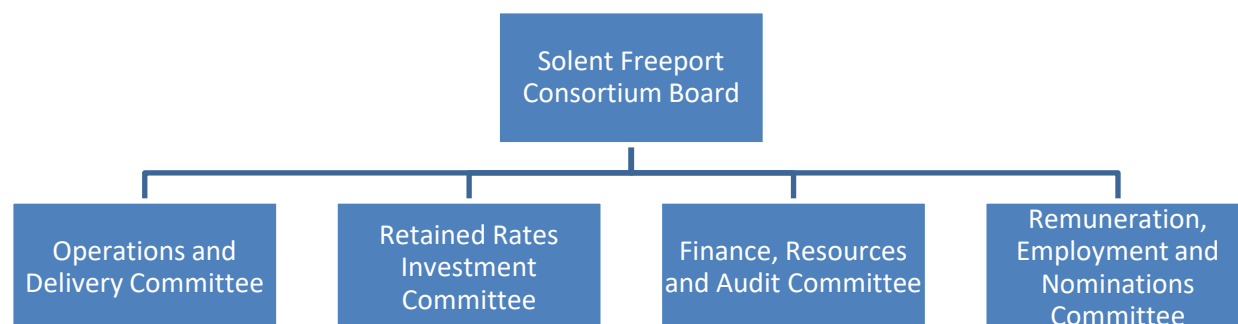
The Freeport Full Business Case includes a management case where governance arrangements for the ongoing delivery of the Solent Freeport are detailed and all Terms of Reference will be reviewed throughout this process to ensure governance arrangements for ongoing delivery are effective.

Portsmouth City Council is the accountable body for The Solent Freeport Consortium Limited and in this role is accountable for the proper use and administration of funding, all of which will fall under the annual audit of the local authorities accounts, and ensuring that decisions are made in accordance with HM Government requirements.

Within this context, the Solent Freeport Consortium Limited Board has agreed to establish a Finance, Resources and Audit Committee (FRAC) and the following document sets out the terms of reference for the FRAC.

Overarching Governance Structure

The Board of The Solent Freeport Consortium Limited is the ultimate decision making body within the Solent Freeport structure and in the 'set up' phase, the Board have established a number of advisory groups to support their work as shown in the below structure diagram.



It is anticipated that the governance structure will evolve during the delivery phase and the Board will consider the future development of the organisational structure within the context of their commitment to complying with best practice in terms of governance (as set out in the [UK Corporate Governance Code](#)).

The Board may delegate areas of work to committees or individual directors, however the Board and Portsmouth City Council as the Lead Authority will remain accountable for them.

Finance, Resources and Audit Committee Membership

The Finance, Resources and Audit Committee will consist of a minimum of three and a maximum of six Directors of the Solent Freeport Consortium Limited.

The Chair and Members of the Finance, Resources and Audit Committee (FRAC) are appointed by the Solent Freeport Consortium Limited (SFCL) Board.

Ordinarily, the Terms of Service for these members shall be for three consecutive years with an opportunity to be reappointed for a further three years in exceptional circumstances.

In line with best practice established under the UK Corporate Governance Code, the Chair of the SFCL Board can not be a member of FRAC. The SFCL Board have an aspiration for an independent director to Chair the Committee and, at the request of the Solent Freeport, HM Government have agreed proposals in relation to increasing the size of the Board in order to enable the recruitment of additional independent directors - including an independent Chair for FRAC. In the interim to recruiting an independent Chair, the Chair will be drawn from amongst the SFCL Board membership and selection will be based on the relevant skills and experience for the role. Ordinarily, it is expected that the Chair of FRAC will have served on a finance and / or audit committee for at least 12 months and have demonstrable professional experience or qualifications in a relevant area (such as audit or finance qualifications).

There will also be ex officio support in attendance at every meeting including the Senior Responsible Officer for the Solent Freeport and / or Solent Freeport Consortium Limited Executive Director (or their nominated representative(s)), the Chief Internal Auditor (CIA) and the Chief Finance Officer (CFO) from the Accountable Body Portsmouth City Council (or their nominated representatives). External advisers may be invited to attend for all or part of any meeting as and when appropriate.

Role of the Finance, Resources and Audit Committee

The Committee shall have delegated responsibility to monitor the integrity of financial statements and announcements, provide advice on annual reports and accounts, review internal financial controls and risk management systems, monitoring and reviewing the effectiveness of the company's internal and external audit functions.

In discharging this responsibility, the committee shall;

- Provide advice to the Board on investment funding,
- Monitor that the funding awards made by the SFCL are being used to deliver the agreed outcomes,
- Prepare the Medium Term Financial Plan and to submit this to the Board for approval on an annual basis
- Ensure that the Medium Term Financial Plan (Revenue and Capital) as agreed by the Board is implemented
- Monitor and managing the Medium Term Financial Plan within the constraints of the delegated authority as agreed with the Board
- Receive and consider quarterly reports on progress against the Medium Term Financial Plan taking any necessary action within the limits of the delegated authority as granted by the Board
- Make recommendations to the Board on any necessary action falling outside of the management groups delegated authority as granted by the Board
- Prepare the Financial Statements of the Solent Freeport Consortium Limited for the Board to agree.
- Review or scrutinise the management accounts of the SFCL which will feature within the financial statements of the Accountable Body
- Review the risk management framework of SFCL
- Provide advice to the Board on the development of the SFCL end of year report (to include key performance indicators)
- Monitor compliance with all terms and conditions attached to funding awards and recommending

action where they are not fully complied with.

- Providing advice to the Board and S151 Officer on the SFCL's approach to ensuring responsibilities, including over spending decisions, appointments, and governance are set out clearly and transparently.
- Monitor and evaluate performance against Solent Freeport targets as agreed with HM Government
- Appoint the Independent Auditor and oversee the annual audit process (including the certification of funding claims)
- Ensure that the financial statements of SFCL are audited within the required statutory timescales
- Receive reports from both internal and external auditors and respond accordingly
- Investigate any financial irregularity contained within the remit of the SFCL and to make recommendations to the Board and S151 Officer accordingly
- Any other issues that are specifically delegated to the Committee by the Board.

Role of the Finance, Resources and Audit Committee Chair

The Chair is responsible for the leadership of the Committee, ensuring its effectiveness on all aspects of its role.

The Chair will chair all the meetings of the Committee. If the Chair is unable to attend a meeting, the FRAC members will nominate an alternative member to chair the meeting.

The Chair will be responsible for agreeing the agenda for publication for each meeting 5 working days in advance of the Meeting and deciding the order of matters to be discussed.

The Chair will decide the order in which members will be called to speak ensuring that all members present, who wish to, are given an opportunity to speak and also seeking to ensure that all views are fairly represented.

The Chair may suspend the meeting if in his or her view this is necessary; for whatever period of time he or she thinks appropriate.

Following consultation with the Members, the Chair will be responsible for agreeing the draft meeting notes for publication within 5 working days of all meetings.

Conduct of Members

All Members are expected to follow "The 7 principles of public life" (The Nolan Principles) and will be required to sign up to a code of conduct based on these principles.

Quorum

No decision may be made by a meeting of the Committee unless a quorum is present at the time the decision is purported to be made. "Present" includes being present by suitable electronic means agreed by the directors in which a participant or participants may communicate with all other participants.

The quorum necessary for the transaction of business shall be two committee members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee. A meeting shall be deemed not to be inquorate if it is otherwise inquorate only because the number of additional directors that would be required to form a quorum are not entitled to vote.

Decisions and Voting

The role of the Committee is decision making. If a vote is required decisions shall be made on the basis of a majority of those Members attending and voting at a quorate meeting. Each member shall have one vote and decisions are made on a majority basis. In the event of an equality of votes being cast, the Chair of the meeting will have the casting vote.

Declaration and Management of Interests

The overriding principle adhered to by the Committee is that every member should be, and be seen to be, impartial at the time of participation in any discussion or decision relating to a matter considered by the Committee.

The Solent Freeport Consortium Limited will take a proactive approach to the management of all interests. This includes both direct interests in matters to be considered, which would realistically be affected by its outcome, as well as presumed, unconscious or apparent bias arising from an involvement (found where a fair-minded and informed observer, having considered the facts, would conclude that there was a real possibility that the member could have been biased).

A director must declare the nature and extent of any interest, direct or indirect, which she/he has in a proposed transaction or arrangement with the company or in any transaction or arrangement entered into by the company which has not previously been declared and absent himself or herself from any discussions of the directors in which it is possible that a conflict will arise between his or her duty to act solely in the interests of the company and any personal interest (including but not limited to any personal financial interest).

If a conflict of interests arises for a director because of a duty of loyalty owed to another and the conflict is not authorised by virtue of any other provision in the articles, the unconflicted directors may authorise such a conflict of interests where the following conditions apply:

- the conflicted director is absent from the part of the meeting at which there is discussion of any arrangement or transaction affecting that other person;
- the conflicted director does not vote on any such matter and is not to be counted when considering whether a quorum of directors is present at the meeting; and
- the unconflicted directors consider it is in the interests of the company to authorise the conflict of interests in the circumstances applying.

The notes of meetings of the committee will record any declarations of interest made, and whether the director withdrew from the meeting for that item.

All Directors will complete a Register of Interest form which will be published.

Gifts and Hospitality

The company will also maintain a register of events attended and gifts or hospitality received or given by all persons in their capacity as representatives of The Solent Freeport Consortium Limited or whilst carrying out Solent Freeport Consortium Limited duties. Gifts and hospitality of a significant value arising received by committee members or their spouse/partner in their capacity of representatives of The Solent Freeport Consortium Limited should not be accepted. The giving of gifts or hospitality of significant value should also be avoided by committee members.