

## FINANCE AND MANAGEMENT CASE STUDY

### Final Test of Professional Competence

28 November 2007

### QUESTION 1

**Time allowed: 40 Minutes**

**From 12.20pm - 1.00pm**

*The case study has been prepared on the assumption that candidates will not necessarily have a detailed knowledge of the type of organisation to which it refers. No additional merit will be accorded those candidates displaying such knowledge.*

*The weighting of the question is indicated in the parentheses at the end of the question.*

*Candidates should submit all papers produced during the examination, but they should distinguish clearly between formal answers (including appendices) and working papers.*

AT THE HEART OF  
YOUR CAREER



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## **FINANCE AND MANAGEMENT CASE STUDY**

### **QUESTION 1**

#### **NOTES TO CANDIDATE**

- (i) Answers to be prepared as on 28 November 2007 by Alex Andrea, Senior Accountant (Technical) at Utopia County Council (providing assistance to the Interim Treasurer, Nunsuch Leisure Arena Joint Board).
- (ii) The question below is intended to test the candidate's understanding of the situation in the case.

#### **QUESTIONS**

1. Draft a reply to Councillor Anne Twerp's letter of 27 November 2007 (attached) as requested in the e-mail from the Interim Treasurer dated 28 November 2007 (also attached). (19%)

## **UTOPIA COUNTY COUNCIL – INTERNAL E-MAIL**

**From:** Val Ensia, Interim Treasurer (Nunsuch Leisure Arena)

**To:** Alex Andrea, Senior Accountant (Technical)

**Date:** 28 November 2007, 12.14

**Subject:** Letter from County Councillor Anne Twerp

Attached is a letter from Councillor Anne Twerp, which I have just received. Sorry about the short notice, but, as I will be away for the next two days chairing an AIPFA seminar, can you please prepare a draft reply for my signature that I can review at 1.00pm today.

I was made aware some days ago that Councillor Twerp's nomination was likely, and Councillor Arkand has asked that she be given all assistance necessary to enable her to fulfil her role on the Joint Board.

I would like the reply to follow the following order:

1. Explanations of:
  - a) the high priority accorded to the NLA project by UCC.
  - b) the respective roles of (i) members of the Joint Board and (ii) the Treasurer to the Joint Board.
  - c) the relative financial inputs to the project from UCC and NDC, as detailed in the October 2007 capital expenditure and funding projection and the MTFP.
  - d) the weighting of the representation of the two authorities on the Joint Board.

(In dealing with item (c) above, I would like you to mention NDC's current stance, as set out in the letter of 26 November from NDC's Head of Finance, but you do not need to set out detailed financial implications arising from that letter, as these will be the subject of a future report to the Joint Board.)

2. Responses to the four specific points listed at the end of the Councillor's letter.

From past experience, letters to Councillor Twerp require a sensitive and tactful approach. However, it will still be essential to make the necessary points in a clear and robust manner, so that Councillor Twerp is left in no doubt as to the responsibilities that she and I will be assuming in relation to our respective roles at the NLA.

Val Ensia, Interim Treasurer (Nunsuch Leisure Arena)

# UTOPIA COUNTY COUNCIL

*Striving for a better Utopia*

Councillor Anne Twerp  
Clearcut View  
27 Maddingley Drive  
Eldorado UT15 4XL

27 November 2007

Ms Val Ensia  
Interim Treasurer  
The Nunsuch Leisure Arena  
Marathon Way  
Nunsuch UT5 6FS

## **Private and confidential**

Dear Ms Ensia

### **Nunsuch Leisure Arena (NLA)**

I was very pleased when I heard from your Director that you would be taking on the leading role in controlling the financial affairs of the Nunsuch arena on behalf of the County Council. It is not before time that someone like you, in good standing with all members of the County Council, should be appointed to bring sanity and order to this runaway project.

My interest in the NLA is not just academic, as the leader of my political group has confirmed today that I have been nominated to sit on the NLA Joint Board in place of Councillor Sid Knee, who is going to reduce his council commitments on medical advice.

I shall be very pleased to be able to assist you in ensuring that no further decisions are made which will add to the County Council's already intolerable burdens arising from this project.

My own district of Eldorado has been waiting for years for a decent swimming pool and now we have been told by Eldorado District Council that even our local bowling green may fall victim to their budget cuts. My constituents never cease complaining that they are sick and tired of reading in the local press of money being wasted on the Nunsuch project, which is thirty miles away from Eldorado and will never be of any use to them. So, why should Nunsuch be allowed to grab such a large slice of a very modest cake?

One aspect that has particularly upset me is the prominent part in decision making that has been taken by the Nunsuch District Council representatives (in particular Councillor Sam Arkand), which is out of all proportion to the insignificant capital contribution from that authority. I have been advised that many unnecessary features were only included at Councillor Arkand's insistence. Clearly, the Nunsuch brigade will have to be forcefully reminded of the basic principles of sound financial management.

To clarify this issue, I should like to have a clear statement of the relative contributions of the two authorities to the project, together with an explanation as to why on earth NDC has equal Board representation to UCC.

I would like to call in to see you after the Christmas break so that you can give me a thorough briefing on the whole project. In the meantime, I also need answers as soon as possible to the following points about the NLA that I have discussed with Councillor Knee:

- Is it correct that there's going to be a continuing deficit on the bar and catering facilities and, if so, why? I have many years experience in the restaurant trade and none of my establishments has ever made a loss.
- Why is the Joint Board paying for two lots of management, particularly when the results to date are reported to be so poor? Councillor Knee tells me that the management and administration costs included in the MTFP amount to almost £200,000 for 2007/08 alone, which must surely be a crippling burden to the whole enterprise. Is this the correct figure?
- Why is the Joint Board dithering about the choice of contractor for Phase 2? I understand that there's a clear financial margin in favour of one of the firms involved, while the other one took disgraceful advantage of the County Council over the Eldorado College project. If that is the case, this second firm should not even be under consideration.
- I am told that the cost to the County Council of making its loan available to the NLA on an interest free basis will amount to well over £100,000. As far as I can see, the County Council was never advised of costs of this magnitude when it agreed to advance this loan. Are you able to let me have any figures to provide reassurance that the costs of this interest free concession will not in fact reach such an outrageous level?

I shall be setting off for my winter holiday in the Bahamas on November 30th, and I trust you will let me have a full response to this letter before I leave.

With best wishes

Yours sincerely

*Anne Twerp*

Councillor Anne Twerp