

Finance Committee Terms of Reference (approved by the Board of Governors May 2021)

Authority and objective

1. Under Ordinance XXX (n), The Board of Governors is the principal financial and business authority of the institution, and is responsible for ensuring that proper books of account are kept for the University and its subsidiary undertakings, to approve the annual budget and financial statements, and to have overall responsibility for the institution's assets, property and estate.
2. Under Ordinance VIII, 1 (a), the Board shall appoint and constitute a Finance Committee, chaired by a lay member of the Board who is not hitherto an Officer of the University, and with lay members of the Board comprising a majority of the membership (with provision) for co-opted lay members from outside the Board.
3. Within the scope of authority delegated by the Board of Governors, the purpose of the Finance Committee is the monitoring of the University's financial position and financial control systems.

Primary duties and responsibilities

4. The Committee shall monitor and review the integrity of and assurances relating to the financial results, financial plans, financial statements of the University and any formal announcements relating to its financial performance, with a view to ensuring:
 - (a) The financial viability of the University.
 - (b) That any material issues communicated by the Audit and Risk Committee arising from the work of the Internal Audit function and relating to the Finance Committee's remit are addressed by management.
 - (c) Effective integration and operation of the University's budgeting and operational planning.
 - (d) That the requirements in the terms and conditions of funding from the Office for Students (OfS) and Research England to maintain financial solvency are met, and, if appropriate, to consider and report on relevant financial disclosure issues in the University's Financial Statements.
 - (e) Value for money when making decisions.
 - (f) Appropriate monitoring of budgets and actual performance, receiving regular management reports and ensuring corrective action takes place when required.
 - (g) Appropriate oversight of:
 - cash management and borrowing policies;
 - banking arrangements; and
 - insurance arrangements.

- (h) That risks associated with the University's financial plans or material financial transactions have been fully considered.
 - (i) That the financial plans reflect the University's corporate and strategic plans.
 - (j) That major capital projects are appropriately and satisfactorily managed.
 - (k) That the University's investments, including trust funds invested with investment managers and other simple non-listed investments, are appropriately and satisfactorily managed, including periodic review of the University's policy on socially responsible investment. This will be considered by the Investment Sub-Committee which is a sub-committee of Finance Committee.
 - (l) That the income and spend from the new merged endowment funds are appropriately managed and are in accordance with the terms of the funds.
5. To consider, comment upon and, if appropriate, recommend for approval to the Board of Governors:
- (a) The annual revenue and capital budgets of the University.
 - (b) The financial plans/forecasts for the Office for Students.
 - (c) Long-term financial plans for the University and to set the financial framework within which Planning and Resources Committee plans and allocates resources.
 - (d) Capital projects.
 - (e) Recommendations relating to the borrowing facilities of the University.
 - (f) Recommendations for amendment of the University's Financial Regulations
 - (g) To consider and effect amendments to the University's Financial Procedures on report from the Registrar, Secretary and Chief Operating Officer.
6. The University has established or entered into a number of entities in which the University has a financial interest or ownership or to undertake services on behalf of the University. The different categories of entity arrangements are set out in Appendix A. The Committee's remit will include:
- (a) Ensuring appropriate procedures are followed to establish the entities, including the appointment of directors or other oversight arrangements.
 - (b) Considering business plans or budgets for the entity in order to assess the risk to the University.
 - (c) To consider any recommendations concerning the formulation, operation, expansion and/or dissolution of the University's subsidiary undertakings (whether wholly or mainly under the control of the University), and, where required under the provisions of Ordinance IX, to report to the Board of Governors thereon. Such consideration shall:
 - i. ensure compliance with relevant legislation and other obligations;
 - ii. provide assurance that the objectives of the subsidiary undertaking are consistent with the objectives of the University and that University involvement is the most appropriate way of facilitating the contribution it will make to their achievement;

- iii. provide assurance that a Memorandum of Understanding or an alternate agreement ideally enforceable under law is put in place that gives a clear and unambiguous statement of the relationship between the parties and expected benefits and that the University has adequate and appropriate representation on the Board of Directors of that entity;
 - iv. provide assurance that any other parties to the subsidiary undertaking are reputable and financially sound; and
 - v. consider the annual report of companies where the University is the majority shareholder, prior to submission to the Board for approval.
- (d) To consider and endorse significant decisions required in respect of associates and jointly controlled entities.
 - (e) To receive reports annually on University intellectual property commercialisation performance (oversight of University spin outs is delegated to the University of Manchester Innovation Factory).
 - (f) To consider and endorse significant financial and governance decisions required in respect of other structures.

7. To consider any other matters as directed by the Board of Governors.

Constitution and membership

8. Finance Committee shall consist of:

- a) At least three lay members of the Board of Governors, one of whom shall serve as Chair
- b) one staff member of the Board of Governors
- c) ex-officio: the Chair of the Board of Governors
- d) ex officio: the General Secretary of the Students' Union
- e) ex officio: the President and Vice-Chancellor

Co-opted lay members from outside of the Board may also be appointed to the Committee.

The secretariat for the Finance Committee shall be provided by the Governance Office.

- 9. The Committee will meet according to a pattern devised to fulfil the Committee duties and responsibilities, which normally will require at least four meetings each year. The quorum shall be at least two lay members (one of whom must be the Chair of Finance Committee), with the President and Vice-Chancellor (or their nominee) also present.
- 10. On an annual basis and in consultation with the Board of Governors (in the context of overall governing body effectiveness), the Committee will evaluate its own performance against accepted good practice and the Chair/Secretary will report findings and agree an action plan with the Committee following the review.
- 11. The Committee terms of reference will be reviewed annually in the light of changes in practice and sector guidance.

APPENDIX A - ENTITIES IN WHICH THE UNIVERSITY HAS A FINANCIAL INTEREST OR OWNERSHIP

1. A subsidiary is a legal entity that is controlled by the University. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when the University owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. That presumption may be overcome in exceptional circumstances.

The University may have subsidiaries that include an independent Chair and Non-executive external directors who are not employees of the University. In these instances, the Board terms of reference will be approved Finance Committee to ensure that the University's presumption of control is not undermined.

2. An associate is a legal entity, including an unincorporated entity such as a partnership, over which the University has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the associate but is not control or joint control over those policies.

3. A jointly controlled legal entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity.

4. A spin out company is a legal entity where the University, working with relevant academics, has agreed that University owned intellectual property (IP) is transferred into a distinct vehicle usually in return for shares in order to commercialise the IP. The expectation is that this shareholding will be diluted upon the raising of investment capital and grant of share options and may ultimately lead to a financial return on the IP either by a partial or total sale of shares.

5. A simple investment is a non-listed investment set up as a legal entity and in which the University has a shareholding but due to the smaller size of shareholding and voting rights the University has neither sole control, joint control nor a significant influence. A simple investment is also not a spin out.

6. Other structures, for example certain Institutes. The University may enter into arrangements where the activity is embedded within the University's own operations (and not a separate legal entity) but the governance arrangements require third parties to help oversee and participate in decisions over the structure's strategy and operations. Where these other structures have a material reputational or financial impact on the University, key decisions will be brought to Finance Committee). Material financial impact is assessed applying the same materiality as defined by the external auditors