

Finance Board ('FB')

Constitution and Terms of Reference

1. PURPOSE

As outlined in the Charity Commission for England and Wales guidance documents (amongst others CC3, CC8 & CC12), financial governance is a key responsibility of the Trustee Board. The overall purpose of the FB is to assist the Trustee Board in its duty to supervise the broad direction of the Institution's financial affairs.

Within this broad remit, there are three main areas of accountability:

1. Review of the financial plans and performance of the Institution as a whole.
2. Oversight of the commercial activities of the Institution.
3. Review and direction of investment policy and evaluation and approval of individual investment decisions.

2. DUTIES

1. Provide direction to the Executive ahead of the development of medium- and long-term financial plans for the Institution including the annual budget. As part of the annual budget preparation, run an annual review of the budgeting requirements of all the spending committees. Review and challenge the draft plans and submit final plans for approval by the Trustee Board.
2. Review the Institution's financial policies, including, at least annually, its financial reserves policy, and make recommendations to the Trustee Board.
3. Consider and evaluate the financial implications of proposals for areas of major new strategic development on behalf of the Trustee Board and make recommendations to the Trustee Board in respect of their suitability.
4. Regularly review in-year financial performance (from management accounts) and recommend accordingly revised full year forecasts to the Trustee Board for approval.
5. Through close liaison with the financial Auditor, ensure that the statutory accounts and financial report are prepared for external audit via the Audit & Risk Committee and subsequent approval by the Trustee Board.
6. Review and evaluate the effectiveness of major areas of Institutional activity with annual financial spend of over £250K on an appropriate periodic basis (and, in any case, not exceeding 5 years) and over £1M on an annual basis.
7. Review and approve the list of delegated financial authorities and list of authorised signatories prior to the start of each financial year.
8. Provide statutory oversight of PEP Limited and its subsidiaries and regularly review reports from the Chair of the PEP Limited Board. As necessary, appoint and/or remove additional directors of PEP Limited.

9. Recommend to the Trustee Board for approval any mergers, acquisitions, and sales of the trading businesses.
10. Provide statutory oversight of Stephenson LLP (known as the Stephenson Fund) and the review of mixed motive (as defined by the Charities Commission) innovation and commercial investment opportunities and proposals
11. Regularly review investment policy and the appointment of investment managers and revise as considered appropriate, informing Trustee Board of any changes.
12. Review investment performance and the analysis of restricted and unrestricted funds on a regular basis.
13. Working in line with the annual business plan approved by the Trustee Board, review and approve capital expenditure proposals up to a value of £250K (both sale and purchase) except for any materially novel, contentious or repercussive expenditure proposals which are limited to a value of £100K (novel: not been done before; contentious: brings reputational risk with members, media or public; repercussive: has repercussions for others elsewhere in the Institution). Review and recommend for approval by the Trustee Board any capital expenditure proposals above these values.
14. Review and approve property lease transactions up to a total value of £250K for initial lettings up to the first lease break. Review and recommend for approval by the Trustee Board any transactions above this value.
15. Monitor financial and commercial risks and opportunities and advise the Finance & Commercial Director and Audit & Risk Committee of appropriate mitigations and actions.
16. Working together with the DB Pension Scheme Trustees, provide comment on funding proposals and support of the triennial valuation process. Advise the Trustee Board on appropriate funding levels to be offered by the Institution to the Pension Scheme Trustees.

3. REPORTING RESPONSIBILITIES

A short summary report of each Finance Board meeting shall be issued to the Trustee Board within one week of the meeting.

Minutes of Board meetings will be circulated via Corporate Governance to the Trustee Board, the Audit & Risk Committee and Council within a week of approval. Items circulated to Council may be redacted appropriately to exclude any information of a confidential or financially sensitive nature. Circulation may be either via email or the relevant Teams folder.

The Chair or, in their absence, the Deputy Chair will report to the Trustee Board immediately following each FB meeting and present any recommendations for approval.

4. MEMBERSHIP

4.1 Composition

The Finance Board shall comprise the following roles:

No.	Role	Basis of Appointment	Term	Type
1	Chair	The Institution's Honorary Treasurer. Appointed by the Trustee Board.	Duration in post.	Voting
1	Deputy Chair (*)	A Trustee with knowledge of financial management and experience of commercial operations, who will also act as non-executive Chair of the PEP Limited Board. Appointment recommended by the Nomination Committee and approved by the Trustee Board.	Up to 3 years.	Voting
1	Past President (*)	A Past President with knowledge of financial management. Appointed by the President.	Up to 3 years.	Voting
1 or more	IMechE ordinary members (*)	Members of the Institution with knowledge of financial management. One member will be preferably selected from a suitable member of Council. Appointments recommended by the Nomination Committee and approved by the Trustee Board.	Up to 3 years.	Voting
2 or more	External members (*)	Members with detailed accounting experience at least one of whom holds a professional accounting qualification (ACA, ACMA, ACCA or non-UK equivalents) and is active in a finance-based role. They could be, but need not be, IMechE members. Appointments recommended by the Nomination Committee and approved by the Trustee Board.	Up to 3 years.	Voting
1	Finance and Commercial Director	An Ex officio member by virtue of their position. They will also be Managing Director of PEP Limited.	Duration in post.	Voting
1	Chief Executive	An Ex officio member by virtue of their position.	Duration in post.	Voting
1	Head of Finance	An observer by virtue of their position.	Duration in post.	Non-voting

1	Board secretary	An observer for the purpose of minute-taking and Board administration, to be provided by the Finance & Commercial Director.	At the discretion of the Finance & Commercial Director.	Non-voting
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(*) indicates nominated members

4.2 Decision-making

FB decisions shall be arrived at by majority voting of a quorate Board. Should there be an equal number of votes for and against a proposal then the Chair shall have an additional deciding vote.

4.3 Appointment conditions

All nominated members shall be appointed for an initial three-year term. No member may be re-appointed who has served three terms of office, whether sequentially or interrupted.

If a casual vacancy arises for a member, the President may appoint an individual who meets the above criteria to fill the vacancy until the approval of a permanent member by the Trustee Board. This period of office shall not count in considering maximum terms of office.

Members who fail to attend at least half of the meetings in any calendar year shall be considered to have resigned and will cease to be members at the end of that year. In exceptional circumstances e.g. due to a long-term illness which has now ended, FB may choose to allow membership to continue if the attendance criteria have not been met in a single year. However, any repeated absence may not be excused.

4.4 Conduct

FB members are required to commit to the following conduct:

- a) Upholding the Institution's Values, Behaviours and Code of Conduct.
- b) Acting with integrity.
- c) Acting without vested interest and self-reporting any conflicts of interest or loyalty.
- d) Supporting the Institution's Diversity and Inclusion strategy.
- e) Exercising independent judgement and challenging colleagues appropriately.
- f) Opening up volunteering opportunities to all eligible members.
- g) Creating transparent and inclusive processes and procedures that treat staff and volunteers objectively and fairly.
- h) Maintaining high levels of confidentiality where necessary and ensuring GDPR compliance is upheld.

5. MEETINGS

5.1 Definition

A FB meeting may be held in person or virtually (via telephone, web-based meeting software or otherwise). To minimise the incurrence of expenses and ensure international members on FB are

not disadvantaged, the number of physical meeting in a year should be kept to a minimum. The Chair is expected to use their discretion in this regard when calling meetings.

5.2 Participation

With the exception of the Head of Finance, the Board secretary and the President, no one other than FB members shall be entitled to attend FB meetings and only voting members have the right to participate in FB votes. At the discretion of the Chair, and as appropriate for the business at hand, other individuals may be invited as presenters or guests to attend part or all of a FB meeting.

5.3 Quorum

For a FB meeting to be quorate, the following members shall be in attendance:

- a) At least two members from the Chair, Deputy Chair and Past President.
- b) At least one external member and one other member.
- c) The Finance & Commercial Director.

5.4 Frequency

Meetings shall be held a minimum of four times per year on dates proposed by the Chair. Board members may request additional meetings in writing to the Chair if they consider it necessary.

6. ACCOUNTABILITY

FB is accountable to the Trustee Board for the effective discharge of its duties and responsibilities as set out in this document. However, FB is expected to liaise directly with the Audit & Risk Committee with regard to the responsibilities of that committee (e.g. audits, risks and opportunities review).

7. APPROVAL

This document was approved by the Trustee Board on 16 September 2021. It is subject to review and re-approval every two years and, by exception, at other times as required by the Finance Board or the Trustee Board.