

## 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:

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

#### 2. DUTIES

1. Advise and gain agreement from Trustee Board on the Institution's rolling 1–3 year financial plans, to be extended to 5 years once the strategy is agreed. In doing this, work closely with Stratcom and the Executive to ensure a shared understanding of overall direction and implications.
2. Oversee the annual budget process, including setting out the timetable and:
  - a). At the outset of the annual budget process, establish and gain TB endorsement for overall parameters for the budget (e.g. cash, profitability, risk) in line with 1-3 year financial plans.
  - b). Task the Executive to identify budgets for all spending committees, to propose annual membership fees (linked with budget review) and to carry out other work as may be necessary to deliver a robust, timely budget.
  - c). Review and challenge draft plans and agree final plans for submission for TB for approvals.
3. Review the Institution's financial policies, including, at least annually, its financial reserves policy, and make recommendations to the Trustee Board.
4. 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.
5. Regularly review in-year financial performance (from management accounts) and recommend accordingly revised full year forecasts to the Trustee Board for approval.
6. Oversee the annual accounts preparation process and review the statutory accounts and financial report jointly with the audit and risk committee for subsequent approval by TB.
7. Review and evaluate the effectiveness of major areas of Institutional activity with annual financial spend of over £1M on an annual basis.
8. Review and approve the list of delegated authorities, and list of authorised signatories prior to the start of each financial year.
9. Provide 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
10. Recommend to the Trustee Board for approval any mergers, acquisitions, and sales of the trading businesses.

11. 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
12. Regularly review investment policy and the appointment of investment managers and revise as considered appropriate, informing Trustee Board of any changes.
13. Review investment performance and the analysis of restricted and unrestricted funds on a regular basis.
14. 15 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.
15. 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.
16. Monitor financial and commercial risks and opportunities and advise the Finance & Commercial Director and Audit & Risk Committee of appropriate mitigations and actions.
17. 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 two weeks of the meeting

Minutes of Board meetings will be passed to the Corporate Governance team within a week of approval for circulation to the Trustee Board and the Audit & Risk Committee and Council. 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

#### Composition

The FB shall comprise the following roles:

No.	Role	Basis of Appointment	Term	Type
1	Chair	Appointed by the Trustee Board	Duration in post	Voting
1	Deputy chair	A Trustee with commercial / finance experience, who may also be requested to lead or chair specific areas of FB responsibility. Appointment recommended by the Nomination Committee and approved by the Trustee Board.	Up to 3 years	Voting
1	Past president	A Past President with commercial / finance experience. Appointed by the President.	Up to 3 years	Voting
2 or more	IMechE member	Members of the Institution with commercial finance experience. One member will preferably be 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	Finance professional/ accountant	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. Preferably they will be deeply familiar with UK charity legal frameworks and contexts. They could be, but need not be, members of the Institution. Appointments recommended by the Nomination Committee and approved by the Trustee Board.	Up to 3 years	Voting
1	Finance director	An ex-officio member by virtue of their position.	Duration in post	Voting
1	Chief Executive	An ex-officio member by virtue of their position.	Duration in post	Voting
1	Associate director, finance	An observer by virtue of their position.	Duration in post	Non-voting
Up to 2	Observers	A member of Council, and a member of Young Members Board if there is no equivalent representation in the IMechE or Finance professional/ accountant voting roles. Nominated by Chair of Council/ YMB.	Up to 3 years	Non-voting
1	Board secretary	An observer for the purpose of minute taking and Board administration, to be provided by the Governance team.	At discretion of the Associate Director, Governance	Voting

### 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.

### 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.

### Conduct

FB members are required to commit to the following conduct:

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

## **5. MEETINGS**

### **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 meetings in a year should be kept to a minimum. The Chair is expected to use their discretion in this regard when calling meetings.

### **Participation**

With the exception of the Associate Director, 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.

### **Quorum**

For a FB meeting to be quorate, at least 5 voting members must be in attendance, including:

- One of the Chair, deputy chair, or past president, to chair the meetings; and
- One IMechE member, and one qualified accountant; and
- One member of the Executive Team (CEO or Finance Director).

### **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 27 June 2024. 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.

## Appendix 1

### IMechE Values and Behaviors

All members of the IMechE Finance Board are expected to abide by the IMechE Values and Behaviours which must factor into all interactions as a member of the Finance Board.

**WE ARE INCLUSIVE** We are united and work together as one inclusive team, showing kindness and compassion to one another by valuing, respecting, supporting, and actively listening to the contributions we each have to make

- We welcome and embrace diversity. We value, appreciate and embrace individual differences, welcoming diverse views and perspectives to help us learn, grow and achieve the best outcomes for IMechE.
- We are open, transparent, and respectful. We communicate and share information in an open, transparent, clear, meaningful, and timely way to show trust and respect for one another, giving people what they need, how they need it and when they need it.
- We actively and openly listen. We listen with empathy and compassion in order to hear and understand all views, ideas, and suggestions, and provide feedback to help each other be their best.
- We encourage and praise one another. We encourage each other to achieve their goals, celebrating their successes with gratitude and praise in a timely and meaningful way

**WE ACT WITH INTEGRITY** We are committed to acting with the best intentions to support and drive IMechE's mission by being honest, truthful, and authentic, adhering to the highest levels of quality and professional standards in every decision we make and every action we take.

- We put our personal agendas aside. We are committed to putting the good of IMechE ahead of our own personal agendas, respecting and accepting decisions made after debates, and doing our part to support and move things forward together.
- We are honest and courageous. We proactively and courageously speak up, doing so in a kind, respectful, vulnerable, and inclusive manner to find solutions and overcome problems and challenges head on.
- We are dependable. We earn and maintain the trust of others by being credible, fair, consistent, and reliable. We say what we'll do and do what we say.
- We admit our mistakes. We openly and freely admit and learn from our mistakes, viewing them as lessons learned, meeting them with understanding so that we can move forward to resolve and overcome them.

**WE ARE INNOVATIVE** We find better ways to get things done, working together to find solutions and drive change, moving our vision forward by improving the world through Engineering.

- We are open minded. We are open to and accept that our ideas and views can and should be appropriately challenged, focussing on 'getting it right' rather than 'being right'.
- We are curious. We explore, enquire, analyse and envisage a variety of solutions and perspectives before making decisions and taking action, identifying any potential opportunities and risks to the Institution.
- We challenge the status quo. We question why, what and how we do things, challenging norms and current practices to continuously improve and look to the future, innovating to create and enable change

**WE MAKE AN IMPACT** We make a difference and have an impact on each other, our profession and society. We influence as individuals and succeed together by collaborating.

- We take ownership. We take responsibility for owning and meeting our commitments, holding ourselves accountable, and making sure that we deliver in a timely manner to serve the overall objectives of the Institution.
- We drive results. We work in partnership to make decisions and take action to drive results. We find ways to overcome obstacles to deliver on tasks and goals.
- We are proud. We take pride in the contribution and impact we have on one another, and in making a difference as individuals and together to improve the world through Engineering