

FINANCE COMMITTEE

Terms of Reference

1. Constitution and Purpose

- 1.1 In accordance with Statute 4 (paragraphs 6 a) and b)), the Court has established a Finance Committee.

2 Remit

- 2.1 The Terms of Reference are consistent with the Financial Regulations and the University Court's Statement of Primary Responsibilities, and Court Schedule of Delegations.

2.2 The Court delegates authority to the Finance Committee to:

- a) **Review and Monitor compliance with SFC's Financial Memorandum**
Review and monitor the University's compliance with the SFC's Financial Memorandum and other relevant terms and conditions associated with funding grants and awards.
- b) **Endorse the Three year Financial Plan and Review Annual Budgets**
Endorse the Three Year Financial Plan to be approved by the Court and submitted to the Scottish Funding Council annually in June. Review and make recommendations on the annual budgets including benchmarking data and performance indicators related to delivery of the Strategic Plan.
- c) **Endorse Capital Expenditure Programme for approval by Court**
Receive and endorse the Capital Expenditure Programme as part of the Three Year Plan for approval by the Court. This will: identify known and likely projects for the next 5 years; be consistent with the University's Strategic Plan and its Estates Strategy; and provide information required to fulfil the University's duty under the Procurement Reform (Scotland) Act 2014 (para 18) to publish annually a summary of regulated procurements.
- d) **Receive and Review Financial Management Information and Monitor Performance**
Receive from the Interim Global Director of Finance regular management information presented in a comprehensive monthly management accounts pack and quarterly reports setting out the financial performance of the University against the approved plan, by way of income and Expenditure Accounts, Balance Sheet, Cash Flow, Capital Expenditure and presentation of key financial indicators. Monitor progress against the remedial actions identified in the reports designed to mitigate adverse variances, and progress on previous action plans. Oversee the financial affairs of the University's trading/commercial activities.
- e) **Review with ARC the Draft Annual Financial Statements for endorsement to Court**
Review jointly with the Audit & Risk Committee, the draft Annual Financial Statements and Accounts and external auditor's report to endorse to Court for approval.
- f) **Receive and Review the Annual Treasury Management Report and Approve Treasury Management Policy**
Receive an annual report from the Director of Finance on treasury management including investment of funds, borrowing commitments, fundraising activity, working capital management and to review on an annual basis, and approve the Treasury Management Policy of the University.

- g) **Approve Borrowing and Oversee the Sinking Fund and Debt Service Cover**
To consider all executive decisions concerning borrowing, investment or financing which are delegated to the Interim Global Director of Finance on the basis of appropriate minuted approval of the Finance Committee and Court. To approve the profile for the build up of a sinking fund set up to repay a proportion of outstanding debt and oversee maintenance of Debt Service Cover, receiving a report on this at each quarter.
- h) **Receive the Annual Financing Report**
Receive an annual Financing Report which will include compliance with the SFC's financial memorandum, external lenders covenant restrictions and the University's own internal covenant requirements; an assessment of progress against the approved repayment strategy; where covenants are breached, or projected to be breached, or where there is any shortfall in debt repayment contributions, a recovery plan to be agreed with bondholders and implemented over a maximum of three years; an assessment of risks associated with the borrowing strategy; and the refinancing options which are optimal for the University.
- i) **Endorse the appointment of Bankers and other Professional Financial Advisers and Review terms**
Endorse the appointment of the University Bankers and other professional financial advisers, including investment managers, for approval by the Court. Review the principal terms of all banking and borrowing arrangements.
- j) **Approve Land, Buildings, Plant and Equipment in accordance with the Financial Regulations**
Approve the purchase, sale or lease of land or buildings and capital expenditure outwith the Capital Plan for projects costing between £1m and £5m. Where the value of a lease is greater than £1m (across the duration of the lease, and any permitted extension), prior approval from the Infrastructure Committee is also required.
- k) **Approve Spin Outs in accordance with the Financial Regulations.**
Approve the creation, investment or disposal of spin out companies where the value exceeds £1m.
- l) **Review Business Cases**
Review and comment on business cases in line with the Three Year Plan and University Strategy and either approve or endorse to Court for approval in line with the Financial Regulations.
- m) **Approve Tuition Fee Strategy annually**
Approve annually the strategy for the setting of Tuition Fees.
- n) **Approve debt write off in accordance with the Financial Regulations..**
Requests to write off debts are referred to and approved by the Interim Global Director of Finance and Finance Committee approval is required for debt write off between £100K and £250K; for amounts about £250K both Finance Committee and Court approvals are required.
- o) **Approve Capital Expenditure in accordance with the Financial Regulations**
Approve Capital Expenditure projects between £1m and £5m and ensure that appropriate oversight is provided on major capital projects.

- p) **Approval of Purchase Orders and Contracts in accordance with the Financial Regulations.**
 Approve purchase orders or contracts at the levels required by the Financial Regulations. Purchase orders or contracts with a value (across the duration of the contract commitment) between £500K and £5m require Finance Committee approval; over £5m require approval by Finance Committee and Court. Consider and approve cases for proposed material expenditure which is not included in the annual budget. (materiality to be in line with the authorities set out in the Financial Regulations)
- q) **Approve the subventions made to the Student Union and Sports Union**
 Approve the subventions made to the Heriot-Watt University Student Union and the Sports Union and to receive reports from both bodies on planned and actual expenditure.
- r) **Review and Oversee Fundraising, Fund Management and Fund Distribution, receiving regular reports from the Donations and Investment Committee**
 Review and oversee the fundraising, fund management and fund disbursement activities of the University, delegating tasks to the Donations and Investment Committee as set out in the Committee's Terms of Reference, receiving regular reports from the Committee on the performance of endowment funds and their disbursement.
- s) **Receive Reports on Endowments and Ensure Proper Management**
 Receive regular reports from the Interim Global Director of Finance and the Donations and Investment Committee on the performance of Fund Managers, receiving advice on the control and investment of the endowment fund portfolio. Ensuring that the University's endowment funds are operated within relevant legislation and the specific requirements of each endowment.
- t) **Review and Oversee the development, maintenance and sustainability of the University's estate and digital Infrastructure, receiving regular reports from the Infrastructure Committee**
 Oversee the development, management, and sustainability of the estates and digital infrastructure of the University, delegating tasks as set out in the Infrastructure Committee's Terms of Reference, and receiving regular reports from the Committee. Via the Infrastructure Committee, receive an annual report on the management of the University's Heritage Collections and approve any acquisitions with significant resource implications.
- u) **Review the Financial Regulations, Finance and Procurement Policies and Procedures**
 Review the Financial Regulations on a five-yearly basis (or more frequently if required), and relay views to the Audit and Risk Committee, which has responsibility to recommend modifications for approval by the Court. Ensure the development and implementation of finance and procurement policies, regulations and procedures.
- v) **Approve annually the Governance arrangements for Transparent Approach to Costing (TRAC)**
 Receive an annual report from the Deputy Principal (Research and Innovation) on the governance arrangements for TRAC reporting.
- w) **Advise on and review Environmental, Social and Governance reporting**
 Advise the Interim Global Director of Finance on the implementation of ESG reporting and monitor and review the effectiveness of ESG reporting.
- x) **Horizon scanning**
 Review briefings from the Executive on developments in the Higher Education sector and elsewhere which have financial implications for the University.

- y) **Monitor, authorise and report to Court on any other delegated matters**
Monitor and authorise and report to Court on any other matters delegated to the Committee by the Court.

2.2 The Finance Committee advises the Court on the:

- a) overall financial strategy and financial forecasting in relation to the University's Financial Plan, including borrowing arrangements;
- b) financial requirements for delivery of the University's Strategic Plan and Estate, People and IT strategies and, through responsibility for the work of the Infrastructure Committee, all other requirements for delivery of Estate and IT strategies;
- c) financial performance against appropriate benchmarked key performance indicators, transparency costing (TRAC) and value for money principles;
- d) solvency of the University, safeguarding of its assets and financial liabilities;
- e) annual estimates of income and expenditure;
- f) financial risk and financial controls (as specified in the Financial Regulations);
- g) management and performance of invested legacies, endowments, bequests and gifts;
- h) matters relating to compliance with finance legislation, regulations, good practice guidance and all conditions associated with funding grants and awards.
- i) annual accounts and financial statements;
- j) financial matters relating to the University's subsidiary companies;
- k) financial implications of any contract, legal commitment or obligation of the University (subject to the terms of the Financial Regulations).

2.3 As the University operates internationally, both through its campuses in Dubai and in Malaysia and through arrangements with partners in other jurisdictions, the remit of the Committee shall include consideration of such overseas campus activities and international activities. While the Committee can provide advice to and receive advice from the officers responsible for overseas campus activities both in the UK and overseas, the Committee will take into account the governance arrangements that operate for each campus and shall pay due regards to non UK legislation that might be applicable.

3 Composition and Membership

3.1 In accordance with Statute 4 clause 6, the composition of the Committee shall include:

- a) The Chair of Court
- b) The Principal and Vice-Chancellor
- c) At least three other members of the Court (independent or staff)
- d) At least two co-opted members appointed by the Court.

Additional members of the Committee shall include:

- e) The Chair of the Infrastructure Committee*
 - f) The Chair of the Donations and Investment Committee*
 - g) The Vice-Principal and Provost*
- *who also are members of Court*

- 3.2 The membership of the Finance Committee shall not include any person who is a member of the Audit and Risk Committee.
- 3.3 The Governance and Nominations Committee may recommend to the Court co-option of members who they consider have particular skills and experience to contribute to the work of the Committee and/or to serve as a co-opted member with a view to future membership.
- 3.4 Members are appointed to the Committee by the Court. The Committee's current membership is as follows:
- The Chair of Court:
Mr Bruce Pritchard
- The Principal and Vice-Chancellor:
Professor Richard A Williams
- The Vice-Principal and Provost:
Professor Mark Biggs
- At least three members of Court:
Mr Steve Heathcote (Chair of the Finance Committee)
Ms Marta Phillips
Mr Juergen Munz
Mr Gary Kildare
- The Chair of the Donations and Investment Committee:
To be confirmed
- The Chair of the Infrastructure Committee:
Mr Alan Robertson
- At least two Co-opted members appointed by the Court:
Ms Judith Cruickshank
Ms Rita Pasi
- 3.5 The term of office of Court members who are members of the Committee is concurrent with their term of office on the Court.
- 3.6 The maximum term of office of co-opted members appointed by the Court is nine years. The initial appointment will be for three years with eligibility to be considered for appointment for up to two further periods of up to three years.
- 3.7 The Chair of the Committee will be a member of the Governance and Nominations Committee of Court which will regularly review the skills of the Committee's membership and make recommendations to the Court on new appointments.

4 Equality and Diversity Statement

- 4.1 The Committee exercises its responsibility, as far as possible, to promote diversity of representation within its membership and the membership of any working group or committee established by the Committee. The Committee, in carrying out its business, will also act to promote equality of opportunity for all.

5 Quorum and Voting

- 5.1. The quorum is three members who are members of the Court.
- 5.2. A member participating in a meeting remotely by way of audio-visual conferencing or other means which enables that member to communicate with each of the other members simultaneously shall be accounted for as being present and shall be included in the quorum.
- 5.3. When the Committee is inquorate, the members present may wish to continue with the business of the meeting, noting the discussions and comments raised. The absent member(s) may then be invited to provide comments for inclusion in the minutes. Where items require formal approval, the absent member(s) must be invited to provide comments and approval by correspondence. An item will be deemed approved when a quorate number of members have confirmed approval.
- 5.4. Only members of the Committee who are members of the Court shall be entitled to vote on any matter which involves powers and functions delegated to the Committee by the Court.
- 5.5. The Chair of the Committee shall have a deliberative and casting vote.
- 5.6. It is intended that decisions are normally reached by consensus following a full debate. There are no occasions stipulated in the Charter and Statutes which require a formal vote. Therefore, the Chair will normally seek agreement to the proposal in question, and only call for a vote either if there is a clear expression of dissent or if the matter is of particular significance.

6 Committee Chair

- 6.1. The Chair of the Committee shall be appointed by the Court and shall be a member of the Court.
- 6.2. The Chair of the Committee shall be recommended by the Governance and Nominations Committee to the Court for appointment.
- 6.3. In the absence of the Chair of the Committee, members shall elect from among the members of the Committee who are present at the meeting, and who are members of the Court, a person to act as Chair for the meeting or until such time as the Chair of the Committee arrives.

7 Frequency of Meetings

- 7.1. The Committee usually meets at least four times a year.
- 7.2. Additional meetings may be held in order to meet business requirements at the request of the Chair of the Committee.

8 Attendance at Meetings

- 8.1. The following officers are normally expected to be in attendance at meetings:
 - a) The University Secretary
 - b) The Global Financial Director
 - c) The Global Chief Operating Officer
 - d) A Committee Clerk

- 8.2 Other officers may be asked to attend when appropriate.
- 8.3 The Committee will maintain a record of attendance at each of its meetings and will include this information in the Committee's Annual Report to Court.
- 8.4 Any member not attending three or more meetings consecutively (without good reason) may have their membership reviewed by the Chair and the University Secretary. Members are required to submit any apologies for absence to the Clerk of the Committee at the earliest opportunity.
- 8.5 Members will be expected to attend meetings in person on a regular basis. On the rare occasion where it is impossible to attend in person, and with the consent of the Chair, attendance may be provided by audio-visual conferencing.

9 Reserved Business

- 9.1 There may be occasions when a Court Committee's business is designated reserved and/or commercially sensitive. On such occasions, with the approval of the Chair, any persons in attendance may be asked to withdraw from the meeting during consideration of a particular reserved item of business.
- 9.2 The record of matters which the Chair and the Committee are satisfied should be dealt with on a reserved basis will be recorded separately.

10 Conflict of Interest

- 10.1. Where it is identified that a member of the Committee has a conflict of interest with respect to a given matter, the Chair may, on the advice of the Secretary, request that the member in question withdraw from participation in relevant business. Depending on the nature of the business, this may allow for participation in discussions without taking part in decision-making or may require complete non-participation and/or withdrawal from that part of the meeting.
- 10.2 All instances of identified conflicts of interest shall be recorded in the minutes.

11 Reporting Procedures

- 11.1 The Chair of the Committee will report to the Court on any matters which the Committee considers ought to be brought to the attention of the Court and on any matters requiring the approval of the Court.
- 11.2 The Committee will submit regular reports to the Court. The Chair will approve the content of reports before release including the redaction of any information deemed necessary for reasons of confidentiality.
- 11.3 Matters requiring the approval of Court will be highlighted in the Committee's report to Court.
- 11.4 The Committee's records (agenda, papers, minutes) are included in the University's Freedom of Information Publication Scheme. Information will be readily accessible on request to members of the public under the terms of the Freedom of Information (Scotland) Act (FOI(S)A) with the exception of information which is deemed to be covered by a specific exemption under the FOI(S)A.

11.5 Minutes and reports of the Committee will denote those areas of reported business which are deemed to fall within the designation of information which is 'exempt' under the FOI(S)A.

12 Forward Planning

12.1 The Committee will annually review and revise its Terms of Reference and submit recommendations for any changes to these to Court, for approval.
It is recommended that only fundamental changes or changes which might impact on other Court committees shall require Governance & Nominations Committee approval.

12.2 The Committee will set its meeting dates two years in advance, aligned to the schedule of meetings of the Court, and will maintain an annual workload plan for the Committee.

12.3 The Committee will maintain a forward agenda plan of its business.

Supporting Information

Groups feeding into the Finance Committee

- The Donations and Investments Committee reports to Court via the Finance Committee.
- The Infrastructure Committee reports to Court via the Finance Committee.
- The Fees, Scholarships and Abatements Committee, which has dual reporting to the University Executive.

Effectiveness and lifespan

Lifespan ongoing. Effectiveness reviewed five-yearly as part of the Court's review of its effectiveness.

The Court and its committees will regularly monitor their own effectiveness and the performance of the institution against its planned strategies and operational targets.

Actions that may be taken by the Committee

The Finance Committee may:

- Note
- Receive
- Consider
- Endorse
- Approve
- Recommend
- Reject

Most appropriate minuting style

Traditional / formal minutes in accordance with internal University guidance.

Resources

Secretary Ms Ruth Moir, University Secretary

Clerk TBC, Governance Officer

Meetings At least four times per annum.