

Finance Committee

Terms of Reference

Preparation and Approval	
Prepared by:	Governance Team
Reviewed by:	Finance Committee April 2020
Approved by:	Board of Trustees June 2020
Date of next review:	Second round of Committee and Board meetings 2021

Scope and purpose

The Finance Committee is a Committee of the Versus Arthritis Board of Trustees. The Committee has been established to exercise, on behalf of the Board, responsibilities of supervisory oversight, judgement and scrutiny of the Charity's financial policies and financial operations. The Committee shall exercise all the powers delegated by the Board in respect of such matters.

Terms of reference

It is the Finance Committee's responsibility to advise the Board of Trustees on matters that may affect the short and long-term financial viability of the Charity and the proper and effective stewardship of the assets of the Charity. It should do so in a manner consistent with the pursuit and attainment of the Charity's objects and in accordance with the legal and regulatory framework within which the Charity must operate, as set out in the Articles of Association and other internal and external regulations.

Budgeting, forecasting and financial performance

The Finance Committee will;

1. Ensure that the Charity's financial obligations are met and advise the Board of Trustees on the financial implications and financial risks relating to Board decision making.
2. Consider the annual budget developed by the executive team, in the context of the latest strategic financial model, and make recommendations to the Board for adoption of the budget in its existing format, or with modifications. Make recommendations for the

adoption or modification of the short and long-term revenue plan included within the budget and ensure that all plans are aimed at achieving the Charity's objectives as set out in the Articles of Association, and the current goals and strategic plans

3. Provide oversight over the financial input into the plans of the Charity, including the appropriate period for forward planning of the Charity's capital resources, commitments, income and expenditure.
4. Oversee the financial performance of the Charity and rolling financial forecasts, including income generating activities, charitable and infrastructure expenditure. Ensure that infrastructure expenditure is appropriate in the light of the strategic objectives of the Charity.
5. Ensure that financial information is presented in such a way as to facilitate understanding by the Board of Trustees, probity and good governance.
6. Review the Charity's arrangements in relation to reserves, including its reserves policy, making recommendations to the Board as required.

Financial strategy, planning and policy

The Finance Committee will;

7. Keep under review the long-term financial sustainability of the Charity and its subsidiaries. Contribute to the development and oversight of the Strategic Financial Model to improve understanding of the Charity's future sustainability.
8. Review the financial strategy and advise the Board on its approval - monitoring and reporting on any subsequent changes.
9. Advise the Board on the financial impact of new accounting policies, laws and regulations.
10. Annually review the policies.

Investment management

The Finance Committee will;

11. Oversee the management of the Charity's cash and investments and ensure that these are managed in a manner appropriate to the strategic objectives of the Charity, including oversight of the relationship with the investment managers and custodians.
12. Appoint the investment managers and custodians.
13. Review the Investment Policy regularly; including risk appetite, investment parameters, and ethical policy, and provide recommendation to the Board on the adoption of any proposed changes.
14. Review the valuation of the Charity's pension funds, including the former Arthritis Care Pension Scheme, and approach to funding this scheme annually by delegation from the Board.
15. To oversee the Charity's investment in its subsidiary companies.
 - a) In respect of the products subsidiary Arthr the Committee will:
 - scrutinise the budget and business plans submitted to the Committee by the Arthr Board of Directors

- consider its progress in meeting its financial and non-financial objectives against the investment case made to the Board in respect of the project, and
- consider whether any conditions precedent to any further draw down against the loan facility made to it by the Charity have been satisfied, and any other matter that the Committee considers relevant in the management of an investment in a subsidiary company to ensure compliance with the Board's duties as Trustees and any guidance issued by the Charity Commission,

But in each case recognising the Charity has appointed a Board of Directors with appropriate skills and experience to manage the day to day and operational activities of Arthr.

Finance Risk and Control

The Finance Committee will;

16. Review the organisation's financial risk management and internal financial control systems, including financial policies and process for identifying, assessing and managing financial risks. Details of the mechanisms in place to oversee the management of financial risk and any particular concerns to be reported to the Risk and Audit Committee.
17. Exercise general oversight of the conduct of financial transactions and the maintenance of financial records including and necessary review of the Charity's financial policies and procedures, delegations and mandates.
18. Review the Charity's finance risk register and receive reports on the main financial risks faced by the Charity.
19. Review the internal financial controls and financial management systems for all major high-risk activities in collaboration with the Risk and Audit Committee.
20. Investigate on behalf of the Board, in conjunction with management, any matter that may put the Charity at significant financial risk.
21. Review procedures for procurement activity, and the controls in place to ensure value for money. Additionally, review the top 10 suppliers by spend per year, and how management are comfortable that value for money is being received.

Financial Reporting and External Audit

The Finance Committee will;

22. Take responsibility, with the Risk and Audit Committee, for recommending the financial statements in the annual report for approval by the Board. The Finance Committee shall approve the accounting policies before the Annual Report and Accounts are prepared.
23. Review the monthly reports and annual financial statements, with attention to:
 - a. critical accounting policies and practices, and any changes in them;
 - b. decisions requiring a major element of judgment;
 - c. clarity of disclosure and the extent to which the financial statements are affected by an unusual transaction in the year;

- d. significant adjustments resulting from the audit;
- e. compliance with accounting standards and regulatory requirements in collaboration with the Risk and Audit Committee.

Other Matters

24. Review and approve major capital expenditure in line with the Board Schedule of Delegation.
25. Work and liaise as necessary with all other Board Committees.
26. Other matters delegated to the Committee.

Delegated Authority

27. In the following areas the Committee has full delegated authority to act on behalf of the Board of Trustees within agreed policies and procedures, subject to the Schedule of Matters reserved to the Board of Trustees:
 - a. To oversee the banking arrangements of the Charity.
 - b. To obtain independent professional or legal advice as necessary in areas related to the work of the Committee.
 - c. To approve previously unbudgeted expenditure up to a limit of five per cent of the total budgeted expenditure in any financial year.
 - d. To review and approve financial policies delegated to the Committee.
 - e. To review and recommend annually to the Board of Trustees the investment and reserves policies of the Charity and to take actions required to implement such policies.
 - f. To take or approve such actions as are required in order to ensure that the Charity and, if appropriate, any subsidiary is able to meet its financial commitments as they fall due within Reserved and Delegated Powers.
 - g. To review and recommend to the Board of Trustees, with the Risk and Audit Committee, the Annual Reports and Accounts of the Charity.
 - h. To request information from the executive in a form that enables the Committee to conduct its duties.
28. In the exercise of the powers delegated to it by the Board to advise on and recommend to the Board for approval the above matters, the Committee shall conform to any regulations and financial limits within which it is required to operate, as imposed on it by the Board. The Committee shall not exceed such financial limits without the authorisation of the Board.

Membership and Procedures

29. The Chair of the Committee shall be a Trustee and shall be appointed by the Board on recommendation of the Chair of the Board. The Chair of the Finance Committee will not also hold the role of Chair of the Risk and Audit Committee.
30. The appointment of Committee members will be completed in line with the Board recruitment procedure.

31. In addition to the Chair there shall be a minimum of 4 Trustees and Co-opted members (the majority of whom shall be Trustees).
32. No employee shall be a member of the Committee; however, the following are normally expected to be in attendance as an invitee:
 - a. Chief Executive;
 - b. Director of Finance & Procurement.
33. The Finance Committee Chair shall attend the Annual Board Meeting.
34. The Board of Trustees shall satisfy itself that a majority of the Committee has recent and relevant financial experience and that appropriate skills and experience exist amongst other members to enable the Committee to review and assess the overall financial activities of the Charity.
35. With regard to non-Trustee members, membership of the Committee shall be for an initial term of four years, after which a member may be re-appointed for one further term.
36. The attendance of three members of the Committee (two of which must be a Trustee) will constitute a quorum. Attendance at meetings can either be in person or remote.
37. The Chair of the Board of Trustees may not be a member of the Committee but may attend meetings ex-officio. The outcome of this will not be recorded in the minutes but may be recorded separately if material.
38. In the event of a tied vote, the Chair shall have the casting vote.
39. At any meeting with the External Auditors, the Chair will ask the executives to withdraw at the end of the meeting to enable a private discussion with the non-executive members.
40. The Committee will meet at least four times a year. Meetings should coincide with key dates in the company's financial reporting cycle and precede Board meetings by a suitable margin. Meeting dates, times and locations to be communicated at least 4 weeks in advance of the Committee meeting and papers provided to members (and invitees where appropriate) 5 working days in advance of the Committee meeting.
41. In the absence of the Committee Chair and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.
42. If a Committee member is absent without the permission of the Committee Chair for 50% of meetings each year then that office would become vacant, at the discretion of the Chair of the Finance Committee and Chair of the Board of Trustees.
43. Minutes of the Committee meetings must be taken and signed by the Chair of the Committee and, following approval, provided to the Board.
44. The Chair of the Finance Committee and the Chair of the Risk and Audit Committee will, after each meeting, discuss any important issues.
45. The Committee shall fully report its actions and proceedings to the Board of Trustees as soon as is reasonably practicable.
46. The Committee's terms of reference and effectiveness should be formally reviewed at least annually.