

Establishment, Management and Dissolution of Subsidiary Companies and Joint Ventures Procedure

Ref: GS0015

This procedure sits under the Subsidiary Company and Joint Venture Policy

Brief Description & Purpose:	This procedure sets out the steps to be taken and detailed responsibility for the formation, governance and dissolution of University subsidiaries and joint ventures.		
Applicable to (list cohorts):	Staff: All staff	Students: Not applicable	Third Parties: Not applicable
Effective From:	31 March 2023	Last reviewed date:	31 March 2023
Executive Owner:	Georgina Bailes	Next review date:	March 2026
Business Owner:	Richard Elliott	Publication External Y/N	Y
Contact for queries:	Richard Elliott		

1. Introduction

1.1 The University has established a number of subsidiary companies and joint ventures in accordance with Article of Government 3.1.12, which exist to hold and manage specific activities and resources, where it is beneficial to separate these legally from the University. This activity is governed by the Subsidiary Company and Joint Venture Policy, the implementation of which is subject to the procedures set out below.

References in these procedures to subsidiary companies also apply to joint ventures unless specifically stated otherwise.

2. Internal process for establishing a subsidiary company

2.1 Initial Proposal

2.1.1 The initial case for establishing a subsidiary company should originate from and be sponsored by a member of the University Executive in consultation with the VC and the Chief Financial Officer. Where the proposal relates to a specific Faculty activity, the proposal should be sponsored by the relevant Faculty PVC.

2.1.2 However, it is important to note that where a proposal to establish a subsidiary company is an outcome of a strategic project or initiative (e.g., the creation of a satellite or branch campus), the company component is likely to be part of a wider business plan, which must be considered through the usual reporting and approval routes. This will entail consideration through the University's project governance arrangements, endorsement by the University Executive and onwards to Finance and Resources Committee for approval.

2.1.3 Whether as part of, or separate to, any wider business plan, the Director of Governance should be consulted with in the first instance on the outline proposal. The Director of Governance will liaise with the Head of Legal, Chief People Officer where staffing implications are expected and Chief Financial Officer to ensure appropriate due diligence, and financial and resourcing scrutiny is undertaken. Specifically, this will involve an assessment of the necessity and viability of establishing the subsidiary company for the purpose intended, including:

- whether the establishment of a subsidiary company is the most appropriate vehicle and structure for the activity in question;

- whether the activity could be delivered through an existing part of the University's organisational structures;
- financial, staffing, governance and legal implications of the proposal, including taxation and employment contracts.

2.1.4 The Head of Legal shall be responsible for engaging any external legal advice required to support the establishment of the subsidiary company.

2.1.5 Other key colleagues will be consulted as appropriate, including colleagues in Business Development, and the Chief Marketing Officer in relation to matters of branding of the company, recognising that the name under which any subsidiary operates or trades will be subject to company law.

2.1.6 Key matters to be determined at the point of approval and pending further advice from those listed in above, include:

- the directors and shareholders;
- share capital;
- appropriate audit arrangements (see 2.5.5 below)
- specific provisions to be included in the Articles of Association.

2.2 University Executive and Finance and Resources Committee

2.2.1 Following satisfactory completion of the discussions identified in 2.1.3 above, the University Executive will consider the proposal. To be considered by Finance and Resources Committee the proposal will require a full business plan which addresses any feedback received from University Executive and endorsement from the University Executive for the approval of the establishment of the subsidiary company along with the appropriate assurances.

2.2.2 The Finance and Resources Committee has delegated authority from the Board of Governors to approve the establishment and dissolution of subsidiary companies. Any feedback or requests for further information or assurances from the Finance and Resources Committee must be acted upon prior to commencing the formal registration process for incorporation of a subsidiary company of the University.

2.2.3 The registration process for incorporation of a subsidiary company of the University outlined below will be not undertaken until approval of the Finance and Resources Committee has been granted.

2.3 Registration with Companies House or International Equivalent

2.3.1 The Director of Governance in consultation with the Head of Legal shall be responsible for making arrangements for the registration of the subsidiary company as required by Companies House (or international equivalent), namely the filing of the initial registration documents: the key information about the company, such as its intended company status, share capital and shareholder/director details, and the Memorandum and Articles of Association, whether the Model or adapted versions reflecting the specific requirements of the University and company.

2.3.2 A subsidiary company does not exist and cannot operate as a company before its certificate of incorporation is issued by the Registrar of Companies (or international equivalent). Confirmation of registration will be returned to the Director of Governance who will confirm the Directors and other relevant parties that the company can commence operation.

2.4 Subsidiary Company Governance

2.4.1 A suitable Board of Directors will need to be appointed and details are required to be submitted to Companies House (or international equivalent) as part of the registration process. Directors should be suitably qualified/ experienced and of sufficient seniority for this role. Generally, Directors will be members of University Executive with responsibilities related to the purpose of the subsidiary and will be nominated by the VC. Consideration will also be given to appointing other senior managers who are not members of University Executive but have subject matter expertise relating to the activities of the subsidiary. The Chair of the Board of Directors in question in consultation with the relevant University Executive member and subject to the approval of the Board of Directors can make such an appointment. Occasionally an Independent Governor may be appointed as Director if this would be beneficial to the management of the subsidiary. Such an appointment will require the approval of Finance and Resources Committee.

2.4.1 The duties of directors under the Companies Act 2006 are set out in the Subsidiary Company and Joint Venture Policy. The Director of Governance and Head of Legal will provide induction and ongoing training to directors on their duties and responsibilities, as required.

2.4.2 An Annual General Meeting (AGM) of the directors may be called, but this is not compulsory. The purpose of the AGM is principally to discuss and adopt the audited annual accounts and should be called within six months of completion of the audit under company law, should a decision to convene an AGM be made. Other topics which may be covered at a general meeting or annual meeting include confirming and agreeing changes to shareholdings, directorships, and the winding up or dissolution of the company.

2.4.3 The Board of Directors should meet a minimum of two times per year, one of which is to discuss and adopt the audited annual accounts as above; additional meetings may be convened as required to discharge the business of the subsidiary

2.4.4 In line with company legislation, a Company Secretary need not be appointed to the company, although aspects of this role will be undertaken as described below.

2.5 Financial management, monitoring and filing information with Companies House

2.5.1 As noted above (2.1.6), share capital will need to be determined prior to registration of the subsidiary company. Shares may be issued as ordinary shares or with preferred, deferred, or other special rights as regards dividends, voting and return of capital. Shares with limited voting rights or no voting rights are possible. In the case of subsidiary companies of the University, share capital structures should align to the company purpose.

2.5.2 Under UK company law, the subsidiary must have at least one shareholder, and a minimum authorised share capital of 1 share at £1.

2.5.3 The Board of Directors will set an annual budget for the subsidiary and will monitor financial and operational performance against it, commissioning information as required to support this responsibility. For 100% owned subsidiaries, financial information will be provided by the University's Finance Service. Financial performance will be reported to University Executive, Finance and Resources Committee and Board of Governors via the subsidiary's annual accounts, except where variations from the budget or planned performance are sufficiently material in the opinion of the Board of Directors to require in-year reporting to University Executive initially so that any necessary interventions can be commissioned and any requirement for further exception reporting to Finance and Resources Committee and Board of Governors can be considered.

2.5.4 Finance and Resources Committee should receive an annual report for all subsidiary companies of the University as part of the annual report and accounts.

2.5.5 Audit requirements for the subsidiary will be determined as part of the establishment process (see 2.1.6 above) where Auditing Standards require. A separate audit of the subsidiary may not be required if its transactions are tested as part of the audit of the University's accounts; if this is the conclusion it should be endorsed by Audit Committee and approved by Finance and Resources Committee. A subsidiary operating commercially outside or partially outside the University Group is likely to require specific audit regardless of overall materiality. Arrangements for any external audit of the subsidiary company will be coordinated by the Assistant Director Financial Control, as part of the audit of the University as a parent undertaking, whether these are consolidated in the annual accounts of the University or reported on separately. If the Board of Directors of the Subsidiary or the University's Chief Financial Officer conclude that a change to the audit approach for a subsidiary is required, this will be submitted to Audit Committee for endorsement and Finance and Resources Committee for approval.

2.5.6 The filing of information to Companies House on the University's subsidiary companies holds statutory significance, on the basis that it is a criminal offence to file late, misleading, or false information relating to the University's subsidiary companies. In addition to the incorporation documents submitted to Companies House prior to registration of the company, the other returns submitted (if required in most cases) include:

- the annual return
- change of accounting reference date
- appointment of directors or company/corporate secretary
- change of particulars of directors or company/corporate secretary
- termination of directors or company/corporate secretary
- dissolution or winding up documentation and the return of an allotment of shares, where appropriate.

2.5.7 Filing of electronic and or other information on the University's subsidiary companies will be completed by Governance Services

2.6. Dissolution of a subsidiary company and re-registration of the status of a subsidiary company

2.6.1 There may be circumstances in which the continued operation of the subsidiary company is no longer required and the University does not wish to retain it as a dormant entity. Companies can make a request to be dissolved or closed, provided that they have not traded within the last 3 months; the name of the company has not changed; and not subject to legal proceedings; has not made a disposal for value of property or rights.

2.6.2 Following consultation with the VC, Chief Financial Officer and Director of Governance, the Directors of the subsidiary company will need to make a resolution to wind up the subsidiary company, and will require:

- the endorsement of University Executive
- the approval of Finance and Resources Committee.

2.6.3 Any assets, financial resources and shareholdings of the subsidiary company will be transferred to the University as the parent body, provided that all creditors of the company had been paid.

2.6.4 Should the company status of a subsidiary company seek to be amended (e.g., the subsidiary merges with a pre-existing or newly-registered subsidiary company), or a decision is made to adopt a new company status, then this will require a resolution of the Directors of the relevant company/companies, and:

- the endorsement of University Executive
- the approval of Finance and Resources Committee.

2.6.5 The relevant closure and dissolution of the company, and re-registration with Companies House will need to take place in line with the procedure in Section 2.5.

3. Key Contacts

Service/Team	Responsibility
Governance Services	Advice on subsidiary companies policy and procedure and governance of established companies.
Financial Business Partners	Consult as needed during the required due diligence for establishing a Subsidiary Company and for assistance with monitoring accounts as detailed in the Procedure
Legal Services	Consult as needed during the required due diligence for establishing a Subsidiary Company as detailed in the Procedure.

4, Related Policies, Procedures and Other Resources

- **Subsidiary Companies and Joint Ventures Policy**
- Policy for Managing Intellectual Property
- Spin-out Companies Policy (tbc)
- [Declaration of Conflicts of Interest](#)
- [Gifts and Hospitality](#)
- [Code of Conduct](#) (internal access only)

6. Version

Version No.	Reviewer	Date	Changes
2.0	Dr Adam Dawkins	28 th October 2013	
2.1	Richard Elliott	31 March 2023	Policy format change and creation of associated procedure, links added, minor updates to wording.
2.2	Clare Stogden	2 August 2024	Minor updates to Committee and role titles