

COUNCIL

Minutes of a meeting of the Council held on Monday 24 September 2012 at 10.15am in the Council Room, The Old Schools.

Present: The Vice-Chancellor (in the Chair); the Master of Caius, the Master of Christ's, the Master of Fitzwilliam, the Warden of Robinson College; Professor Abulafia, Professor Donald, Professor Gay, Professor Hopper; Dr Bampos, Dr Barnes, Dr Cowley, Mr Dowling, Mr Du Quesnay, Dr Good, Dr Oosthuizen, Dr Padman; Mr Casserley, Dr Lawrence, Dame Mavis McDonald (Deputy Chairman), Mr Shakeshaft; Mr Bell, Ms Old, Mr Wakeford (for unreserved business); with the Registry, the Head of the Registry's Office and the Reporter Editor; the Senior Pro-Vice-Chancellor, the Pro-Vice-Chancellor (Education), the Pro-Vice-Chancellor (International Strategy) and the Pro-Vice-Chancellor (Institutional Affairs).

Apologies for absence were received from Dr Good.

The Director of External Affairs and Communications was present.

The Senior Proctor was present.

UNRESERVED BUSINESS

PART A: PRELIMINARY, LEGISLATIVE AND STRAIGHTFORWARD BUSINESS

1. Declarations of Interest

Dr Oosthuizen, whose husband is an employee of Cambridge Assessment, declared an interest in the matter recorded as minute 3(i) (Cambridge Assessment). Mr Dowling, as a member of the University Computing Service, declared an interest in the matter recorded as 6(a) (Council Work Plan). Otherwise, no personal or prejudicial interests were declared.

2. Minutes

The unconfirmed minutes of the meeting held on 16 July 2012 were received and approved subject to a minor amendment to minute 123((b)(ii) (North West Cambridge project: Memorandum of Understanding) as follows: 'The Syndicate *would make recommendations* to the Council's Remuneration Committee.'

Action: Personal Assistant to the Head of the Registry's Office to web.

3. Matters arising

- (i) Cambridge Assessment – OCR (Minute 120(l) refers)

The Chairman of the Local Examinations Syndicate had reported to the Council, at its meeting on 16 July 2012, that OCR had confirmed that errors in totalling and transcribing marks during the 2011 examinations had necessitated a number of grade changes. Ofqual had undertaken a regulatory investigation and had issued a

direction to OCR. A letter from the Group Chief Executive of Cambridge Assessment to the Registry setting out the terms of the Direction and the actions which OCR proposed to take in response was received.

The Chairman of the Local Examinations Syndicate reported. The direction related to the 2011 examination series; the 2012 series had been conducted without similar incident. OCR was well embarked on the programme of action required by the Ofqual direction. He and Professor Rallison (who would succeed him as Chairman of the Syndicate) had discussed the matter with the Chief Executive in advance of the Syndicate's meeting later this week. It was intended that the Syndicate's Audit Committee would take on detailed oversight of the programme of action and report back to the Syndicate at its November meeting. The Syndicate should, at that stage, be in a position to make a formal statement of full compliance to Ofqual.

In response to a question at the Council's meeting in July about the position of the whistleblower who had discovered the clerical errors, the Syndicate had provided a statement, in confidence, as follows: 'Cambridge Assessment takes its responsibilities under the Public Interest Disclosure Act seriously, and has a whistleblowing policy for its staff to follow. After the member of staff concerned 'blew the whistle', he was treated no differently than before, and worked on in his existing role. Unfortunately, subsequent to this, the whistleblower took a series of actions that were not whistleblowing, but which constituted gross misconduct. Cambridge Assessment instigated mediation proceedings, which were unsuccessful, and so we dealt with the misconduct under our Conduct and Capability procedure. As a result of this, the whistleblower was dismissed. At appeal, the finding of gross misconduct was upheld but he was offered the opportunity to return to Cambridge Assessment in one of two roles, each at the same level of seniority and terms and conditions as his previous role. He declined, and therefore remains dismissed.'

The Chairman reported that entirely separate issues had arisen during the 2012 examination series concerning movement in grade boundaries in GCSE English. OCR was not cited in the legal action which had been launched by local authorities, teachers' unions and schools.

The Secretary of State for Education had announced proposals to reform GCSE provision with a single examination board chosen by competitive tender to provide papers for each subject.

In the course of discussion, some members of the Council expressed continuing disquiet about the position of the whistleblower and the efficacy of Cambridge Assessment's whistleblowing policy. The Chairman of the Syndicate undertook to convey this disquiet to the Syndicate together with a request that the policy be reviewed. A further report would be brought back to the Council.

(ii) IPR Revenue Distribution Policy (Minute 123(b)(iii) refers)

The Finance Committee and the General Board at their respective meetings on 11 July 2012 had approved a draft joint Report setting out proposed amendments to the IPR revenue distribution policy. The Council, by a majority, had agreed to sign the draft Report at its meeting on 16 July 2012. One member had indicated an intention to submit a Note of Dissent. Only thirteen of those members of Council present at the meeting had subsequently signed the Report.

It was therefore agreed that the Report should be withdrawn and the existing IPR revenue distribution policy be retained.

4. Procedure of the Council

(a) Approval of arrangements for the chairing of agenda items

It was proposed that the Vice-Chancellor should chair all items of business at the Council's formal meeting and that the Deputy Chair would chair the strategic meeting which would follow. The Council approved this arrangement.

(b) Business starred as straightforward

The Council approved matters for decision set out in the confirmed starred items. It was noted that three items had been unstarred.

(c) Council Circulars

The Council noted the issue and approval of the following:

Circular	Issue	Approval
18/12	20 July	30 July
19/12	17 August	28 August (exceptionally)

5. Vice-Chancellor's Report

(a) The Vice-Chancellor congratulated Professor Simon Franklin, *CL*, Professor Simon Shaffer, *DAR* and Professor Huw Price, *T* who had been elected Fellows of the British Academy.

Action: Vice-Chancellor's Private Secretary

(b) The Vice-Chancellor and the Pro-Vice-Chancellor (International Strategy) had undertaken a successful trip to India from 4–19 September 2012 during which they had visited Chandigarh, Delhi, Bangalore and Mumbai. A report of media interactions and coverage was tabled. The visit had highlighted the importance of the University's India Strategy as recently approved by the General Board. A new joint initiative for chemical biology and molecular therapeutics at inStem, Bangalore had been announced. This was just one initiative which had showcased the University as a forward-looking and energetic institution. There had been much discussion about the British Government's immigration policy particularly in the wake of the developments at London Metropolitan University. The Vice-Chancellor had taken every opportunity to voice the University's opposition to the policy.

(c) A successful alumni weekend had taken place from 21-23 September 2012. More than 5000 alumni had returned to Cambridge during the weekend; nearly 800 attended University-organised activities.

(d) The Duke of Edinburgh had written to the Vice-Chancellor thanking him for providing photographs of the recent unveiling of his portrait in the Council room. He had written that he often thought of those in Cambridge with whom he had interacted over the years.

6. Council, legislative and comparable matters

(a) Council Work Plan 2012-13

The Work Plan for 2012-13 was received. It was noted that the report of the review of IT infrastructure and support would be brought to the Council, following discussion at the Planning and Resources Committee and the General Board, at its meeting on 22 October 2012.

(b) Business Committee

There had been no meeting of the Business Committee on 17 September 2012.

(c) The Council's Annual Report 2011-12

A first draft was received. Council members were asked to submit detailed drafting suggestions to the Head of the Registry's Office. The Council would receive a final draft for signature and for publication with the financial statements at its meeting on 26 November 2012.

Action: Head of Registry's Office

(d) Council Handbook and fundamental documents

The Council was reminded that, at its meeting on 16 July 2012, it had re-adopted the existing Council handbook including the standing orders and other fundamental documents (the Code of Practice, Statement of Primary Responsibilities and Statement of Corporate Governance) for use until December 2012.

(e) Strategic meeting 24-25 September 2012

The programme was attached for any necessary reference during the present meeting. Papers had been distributed electronically. A note would be circulated as soon as possible after the meeting.

(f) Council response to the remarks at Discussion on 24 April 2012 about the following topic of concern: The selective and unreasonable punishment of a single student for a collective act of protest by students and senior members.

The Council received a draft response. In the course of discussion, it was agreed that the Council would wish to return to the question of whether and how it might review the court processes. Other drafting suggestions were submitted. It was agreed that a revised version of the document should be put to the Business Committee for approval for publication in due course.

Action: Reporter Editor, Head of the Registry's Office

(g) Election to the Council: Notice

A draft Notice together with supporting documentation was received. It was agreed that the Notice should be amended to include the information provided in the proposed

nomination form and to indicate that completion of that form was optional. Subject to these amendments which would be reviewed by the Business Committee, the Council approved publication in the Reporter on both 3 and 10 October 2012.

Action: Reporter Editor, Head of the Registry's Office

(h) Graduate Union: Governance

A direction from the Council Committee for the Supervision of the Student Unions (CCSSU) to the Sabbatical Officers and Senior Treasurer of the Graduate Union (GU) was received. Mr Shakeshaft, as Chair of the Committee, reported. The Council was required, under Section 22 of the Education Act, to ensure that the governance arrangements and the financial management of the Unions were properly conducted. It had been brought to the attention of the CCSSU that the GU was not operating according to its constitution and, in particular, that it had not appointed the number of trustees required in order to render meetings of the Board quorate.

Mr Bell reported that the Council of the Graduate Union took very seriously the matters which had been raised and was acting to address them. There were significant flaws in the current constitution.

Action: Mr Shakeshaft, Head of the Registry's Office

PART B: MAIN BUSINESS

8. Finance, Planning and Resources Finance Committee

The Joint Head of the Legal Services Officer, Mr Bickerton from Clifford Chance LLP and Mr Burkitt from Rothschild attended for this item.

The Finance Committee had met on 19 September 2012. The minutes had been circulated electronically on 20 September 2012 and were also tabled.

(i) North West Cambridge project (minute 69 refers)

An update report on the current status of the North West Cambridge project and a financial summary, following their review by the Syndicate for the West and North West Cambridge Estates, was received. The Senior Pro-Vice-Chancellor reported. The paper set out the current financial status of the project, in part to inform the Council's decision concerning external borrowing. However, while the North West Cambridge project represented a major justification for external borrowing, the purpose of obtaining external borrowing was to promote the general corporate purposes and wider academic mission of the University. The funding could, for example, be applied towards the capital plan; in contributions against pension fund deficits; or invested in CUEF.

This most recent financial appraisal demonstrated that the development could be delivered within the required financial performance indicators though the overall position had weakened slightly since its last iteration. Construction costs had increased, in part because the appointment of architects had enabled a more detailed assessment. A 20% contingency fund remained in place. Peak borrowing now stood at £250m; it had been

£233m in the previous iteration. A key parameter was that the amount of external borrowing taken on with respect to the North West Cambridge project should be limited so that net revenue from the project would cover interest by a margin of at least x1.25 once in steady state; the revised modelling showed interest cover of x1.43 by 2034. The internal rate of return (IRR) remained at an acceptable 6%.

The Finance Committee had received and approved a warrant to progress preparatory works in order to ensure the completion and occupancy of key worker housing for the start of the 2015-16 academic year. The budget for these works was £4m. A Notice would be published in the Reporter to explain the operational and strategic importance of these works.

(ii) External Finance (minute 70 refers)

The following documentation was received:

- A report in relation to the proposed bond issue, including an anticipated interest rate for the bonds, from Rothschild, in its capacity as financial adviser to the University;
- A copy, in near final form, of the prospectus to be dated, if approved, on or around 1 October 2012 and to be filed with the UK Listing Authority of the Financial Services Authority and the London Stock Exchange and to be issued by the University to prospective subscribers of the bonds;
- A proposed schedule for the launch of the bonds;
- A summary paper on the legal considerations relating to the proposed bond issue from the Joint Head of the Legal Services Office, including advice from Clifford Chance LLP on the University's potential legal liability in respect of the bond issue and its continuing obligations;
- A copy, in near final form, of the legal opinion to be given by Mills and Reeve to the Joint Lead Managers (HSBC Bank plc, Morgan Stanley & Co. International plc and The Royal Bank of Scotland plc), confirming the University's authority to issue the bonds;
- A draft Notice for publication in the Reporter concerning the Council's exercising of its delegated authority to borrow.
- A draft minute which, subject to Council members' approval, would form part of the record of the meeting.

The Senior Pro-Vice-Chancellor reported. The Council, at this meeting, was asked: (i) to confirm support, in principle, for borrowing at the level recommended by the Finance Committee; (ii) assuming such support, to consider and approve the legal obligations involved and the mechanisms for a bond issue.

The Council, on the recommendation of the Finance Committee, had agreed, in December 2010, to seek authority in advance from the Regent House to arrange external borrowing of up to £350 million. This had been granted by Grace in February 2011. Rothschild's Debt Advisory Department had been commissioned to advise on external financing and had presented a first report to the Finance Committee at its meeting on 14 September 2011. The report was subsequently considered by the Council at its Strategic Meeting on 26 and 27 September 2012. Further reports had been brought to the Finance Committee on 14 March 2012, 9 May 2012 and 11 July 2012. On each occasion, the Finance Committee had reaffirmed its recommendation to the Council that external borrowing should be pursued. Moody's rating agency had visited the University in June 2012 and had indicated a rating which had recently been reconfirmed, but had not yet

been published. The Finance Committee, at its meeting on 19 September 2012, had unanimously agreed to recommend to the Council that the University should issue, as soon as possible, a bond of up to £350m to promote the wider academic mission of the University. As noted above, in addition potentially to financing the North West Cambridge project, the funding could be applied towards the capital plan, in contributions against pension fund deficits or invested in CUEF.

Mr Burkitt reported. The University had selected its bookrunners (The Royal Bank of Scotland PLC, HSBC Bank PLC and Morgan Stanley & Co. International PLC) and external solicitors (Clifford Chance LLP to advise on the capital markets aspects and Mills & Reeve LLP to advise on University matters). HSBC had been appointed as the trustee for the bondholders and the paying agent to make payments to the bondholders. There had been good progress on the preparation of the documentation.

Should the Council decide to approve the issue of a bond, the bookrunners, on or around 2 October 2012, would contact potential investors and invite them to the roadshow presentation. On the same day, Moody's would publish its rating for the University. The roadshow would take place in Edinburgh and London from 5 to 9 October 2012. Thereafter the bookrunners would communicate with the University, through a Bond Subcommittee, to set the interest rate and maturity date of the bond. The proceeds of the issue would be expected to follow 7 days after that process has been completed.

The Council unanimously approved the Finance Committee's recommendation that the University should issue a bond of up to £350m.

The Joint Head of the Legal Services Office reported. Legal Services had been working closely with external solicitors, Clifford Chance and Mills & Reeve since July on the documentation required to effect the bond issue. Council members had received a memo outlining the legal liabilities of the University, particularly in relation to the prospectus, and the ongoing obligations associated with a bond issue. The form and content of the prospectus was dictated by legal regulation. The University's obligation under the relevant legislation was to provide in the prospectus sufficient information to enable potential investors to make an informed assessment of the issuer's assets, liabilities, financial position, profit, losses and prospects and the rights attaching to the bonds. Liability for failing to comply with the relevant legislation could be both civil and criminal. This liability, except in extraordinary circumstances, attached to the corporate body of the University rather than individual charity trustees. Considerable care had been taken to minimise the risks, including through the procurement of expert legal and financial advice. The material in the prospectus was factual and either taken from audited financial statements or explicitly verified with the originating source. There were no forward looking statements or financial (or other) predictions. PricewaterhouseCoopers, the University's external auditors, had identified and confirmed the financial data. The bookrunners had conducted a due diligence exercise. Similar care had been taken in drawing up the roadshow presentation, in particular to ensure that it was consistent with the material in the prospectus.

She noted that it would be necessary to do further work on the draft Notice; this paper was therefore withdrawn at this stage. It would be brought back for approval through the Business Committee and published on the day on which the bond was issued.

She reminded members of the Council that they were required to provide information about their principal activities outwith the University and any conflicts of interest.

Mr Bickerton reported. He commended the process which had been followed and the extent and quality of the due diligence activities. He provided further detail about the nature of the activities and conflicts which Council members should declare. He emphasised the need to ensure that the materials and the Council's decision remained strictly confidential until the bond issue was launched. There were both financial and reputational risks inherent in failing to do so.

The Registry reported that the University had appointed a financial PR agency to help it to communicate with financial markets. Council members should provide a 'no comment' response to any question about the bond issue and redirect the enquiry to the Office of External Affairs and Communications.

The Council noted that a specific minute was required on their decision-making and approved the following as that formal record.

The following matters were reported to the Council:

- 1 By a Grace submitted to the Regent House on 9 February 2011 the Council was given authority in advance to arrange, on the advice of the Finance Committee, external finance of up to a total amount of £350m, earmarked for the Capital Plan and the North West Cambridge development.
- 2 The Director of Finance had been taking preparatory steps with a view to raising funds through a public bond issuance, as agreed by the Finance Committee at its meeting in July 2012.
- 3 The business of the meeting was to endorse the recommendation of the Finance Committee that the University undertake a public bond issuance (the "**Bond Issue**") on the terms set out in summary below:

Principal amount:	up to and including £350 million.
Maturity:	not shorter than 25 years and not longer than 50 years.
Denomination:	a minimum of £100,000 and higher integral multiples of £1,000 up to and including £199,000.
Interest:	not more than 4.5% unless agreed in advance by the Vice-Chancellor as the Chair of the Finance Committee payable semi-annually in arrears.
Listing:	admitted to the Official List and traded on the London Stock Exchange.
Rating:	expected to be rated Aaa stable by Moody's Investors Services Limited.
Joint Lead Managers:	HSBC Bank plc Morgan Stanley & Co. International plc The Royal Bank of Scotland plc
Trustee:	HSBC Corporate Trustee Company (UK) Limited
Paying agent:	HSBC Bank plc

The Council received:

- 4 An extract from the minutes of the Finance Committee held on Wednesday 19 September 2012 relating to the proposed Bond Issue.

The Council noted:

- 5 That the meeting had been properly convened and a quorum was present.

- 6 That no member of the Council at the meeting had, directly or indirectly, any interest in the transactions contemplated by the documents referred to above which she or he was required by the Statutes or Ordinances of the University or by statute or otherwise to disclose or was for any reason disqualified from voting at the meeting or forming part of the quorum.
- 7 That the Finance Committee had recommended that the Council approve:
- (a) the launch of the Bond Issue;
 - (b) the publication of the Prospectus (in both its preliminary form and, subsequently, in its final form) and the making of the Investor Presentation to prospective investors; and
 - (c) the execution and delivery of the other Bond Issue Documents as in the best interests of the University
- subject in each case to such adjustment that the Finance Committee (or any sub-committee of the Finance Committee) may see fit.
- 8 That the Finance Committee has constituted a Bond Sub-committee whose role would be to approve the terms of the Bond Issue and to oversee the initial and ongoing administration of the Bonds, including execution of all documents required in connection therewith.

The Council resolved:

That the recommendation of the Finance Committee be endorsed.

That the following be and are hereby approved:

- (a) the launch of the Bond Issue;
- (b) the publication of the Prospectus and the making of the Investor Presentation to prospective investors; and
- (c) the execution and delivery of such documents, certificates and notices as may be expedient or desirable in connection with the Bond Issue, including but not limited to the Bond Issue Documents,

subject in each case to such adjustment that the Finance Committee (or any sub-committee of the Finance Committee) may see fit.'

Action: Registry, Director of Finance, Joint Head of Legal Services, Senior Pro-Vice-Chancellor, external advisors

(iii) Non-Operational Estate (minute 72 refers)

The Finance Committee had approved a proposal to transfer the Roger Needham Building from the non-operational estate to the operational estate. The current tenant, Microsoft Research Ltd, was due to break its lease on 24 March 2013 and it was proposed that the building should be transferred to the University's operational estate at that point. The Review of IT Infrastructure and Support would recommend that the University Computing Service (UCS) and the Management Information Services Division (MISD) should be merged. There were, in any case, obvious benefits to co-location. Further, it had already been agreed that UCS would need to vacate their current premises on the New Museums site in order to allow that site's redevelopment. It was noted that the PRC had previously agreed that the building should remain in the non-operational estate. This revised proposal, with costings, would be brought back to the PRC.

Vice-Chancellor
22 October 2012

