University of Cambridge

COUNCIL

Finance Committee

Minutes of the meeting held on Wednesday 2 March 2011.

Present: The Vice-Chancellor in the Chair, Mr Chote, Dr Clark, Mr Downer, Mr Du Quesnay, Professor Hopper, Mr Johnston, Professor Lizieri, Mr Summers and Professor Young with the Director of Finance and Dr Allen.

Apologies: Ms Coutu, and the Registrary.

Professor Hopper was welcomed to his first meeting of the Committee.

PART A: INTRODUCTORY

32. Procedure of the Committee – Declaration of Interest

Dr Clark, as an inventor with IP managed by Cambridge Enterprise, declared an interest in respect of the matter recorded as Minute 40 (University Companies). Otherwise, no personal or prejudicial interests were declared.

33. Minutes

The Minutes of the meeting held on 5 January 2011 were approved.

34. Straightforward and reported business: agenda items starred as straightforward

A paper listing straightforward and reported business was received.

The Committee approved matters for decision contained in the confirmed list of straightforward or reported business, and received the other material.

35. Future business and work plan

An updated work plan for 2010-11 was received as Paper FC(11)31.
PART B: SUBSTANTIVE BUSINESS

36. Accounts

Management Accounts for the second quarter of 2010-11 were received as Paper FC(11)30. The Director of Finance reported on key issues.

The forecast had been amended to take account of changes to both income and expenditure. In particular, it now included a provision (£10m) for the cost of the Voluntary Severance Scheme (VSS).

Trends continued as had been seen over recent quarters. Income on research grants and contracts remained in line with budget but there was some significant variation from the budgeted mix of income by sponsor type and the balance between pay and non-pay costs. It was of particular concern that there was a significant slowing in income from the Research Councils while income from charities and other sources had risen. Overhead recovery on research grants and contracts therefore continued to be adverse to budget. It was agreed that these trends in respect of research income and expenditure were worrying and should continue to be closely monitored.

The surplus for the year was higher than anticipated with other operating expenditure controlled at lower than budget. This was, in part, as a result of a lower than budgeted pay increase. However, it was also clear that institutions had continued to defer or cancel discretionary expenditure.

It was noted that the current limited surplus was sustainable only in the short term and while the current financial uncertainties remained unresolved. It was necessary, in the longer term health and competitiveness of the University, that there should be significant investment in capital projects. Further, it was not possible indefinitely to defer or cancel discretionary pay and non-pay spend without damaging academic and other activities.

Action: Director of Finance

37. Finance and Resources

(i) HEFCE

A HEFCE circular letter, dated 2 February 2011 and entitled ‘Funding for universities and colleges for 2010-11 and 2011-12’ was received as Paper FC(11)32.
The Committee received (as Paper FC(11)33) a Notice and Grace about the proposed arrangements for the undergraduate Composition Fee for UK and EU undergraduates from 1 September 2012 which had been published in the Reporter on 23 February 2011 together with the slides from a presentation which the Senior Pro-Vice-Chancellor, the Chairman of the Cambridge Colleges’ Bursars’ Committee and the Director of External Affairs and Communications had made at the Department for Business, Innovation and Skills on 10 February 2011 (Paper FC(11)34).

The Senior Pro-Vice-Chancellor reported that there had, at the Council’s initial discussion of the matter at its meeting on 14 February 2011, been unanimity about the proposed £9K fee level. There had also been consensus about the total sum of money which should be dedicated to the provision of fee waivers and bursaries and to widening participation activities; however, there remained some divergence of opinion about the precise split. The Council would consider this matter further at its meeting on 14 March 2011. It had been agreed that a target of between 61% and 63% of admissions from state schools or colleges was ambitious but achievable. It was noted, in this regard, that the current equivalent figure was 58/59% and had been reached by means of incremental increases of about 0.5% p.a. over the past decade. It was emphasised that the target related to admissions and not to offers. It was noted that the mid-April deadline for submission of access agreements to OFFA was tight, particularly given that guidance from OFFA was not now expected until mid-March. OFFA could not, however, extend its deadline because of the need to sign-off agreements by July in order to permit increased fee levels from the start of the 2012-13 academical year.

The Committee’s attention was drawn to the material in the slides and, in particular, to the data underpinning the £17.1K full economic cost of a Cambridge undergraduate education. The University valued and invested in that education and would continue to do so. It was also noted that the £9K fee level, if implemented, would result in slightly less income in total from fees and funding than would have been generated if steady state (in terms of fee income and T funding) had been maintained since 2006-7. If fees were charged at £6K rather than £9K, the University’s income would be reduced by £32m p.a. with inevitable consequences.

In the course of discussion, the Committee noted that the contractual obligation in respect of widening participation targets was between OFFA and the University and not with the Colleges (individually or collectively). It was likely that significant financial penalties would be imposed on HEIs which failed to achieve their targets. The need for
unanimity of purpose and a shared understanding of responsibility across all Colleges had been recognised and accepted.

(iii) University Budget 2010-11

The Committee received Paper FC(11)35 which set out the key assumptions and a first draft of the budget for 2011-12 and the plan to 2014-15. The Finance Committee’s comments on the budgetary envelope for 2011-12 would inform the Planning and Resource Committee’s preparation of a budget. The budget and the plan would be considered at the Committee’s meeting on 4 May 2011 and, before that, by a meeting of the Finance Committee Business Sub-Committee, prior to publication of the Budget report to Council.

The Senior Pro-Vice-Chancellor spoke, in particular, to the first three tables. Table 1 set out the draft budget for 2011-12 for Chest and non-Chest activities. The draft Chest budget projected a deficit of £6.5m (by comparison with a forecast Chest deficit of £7.6m in the 2010 budget report) and a non-Chest surplus of £0.5m (£6.1m forecast budget surplus in 2010). It was noted that the figures for the HEFCE grant and capital funding remained estimates; the HEFCE funding letter confirming the position was expected on 14 March 2011. The figures assumed a £9K undergraduate fee level from 2012-13.

Table 2 set out the main movements from the 2010 budget report for the draft budget and forecast for 2011-12 for Chest and non-Chest activities. These figures took account of the establishment of a capital fund in which the University would make a recurrent investment of £25m p.a.

Table 3 provided draft Chest budget/forecasts for 2011-12 to 2014-15 inclusive. The Senior Pro-Vice-Chancellor observed that in view of the economic and geopolitical uncertainties, it would be prudent to allow for a 30% reduction in income from Cambridge Assessment relative to their business plan projections and this would be reflected in the next iteration of the budget. It was noted that the capital fund had first call on income from Cambridge Assessment; any income which remained once the £25m investment had been achieved (including from CIF) was available for general use. Table 3 would be adjusted accordingly in later drafts of the Budget.

The Committee noted, in the context of falling indirect recovery rates, that there were currently few mechanisms by which the University, through the Schools, could balance the research grants and contracts portfolio or manage the type and volume of research grant applications. Competitor institutions took a more strategic approach in this regard.

**Action:** Senior Pro-Vice-Chancellor, Director of Finance
38. **Cambridge Assessment**

The following documents were received:

- Paper FC(11)36 Minutes of the meeting between the Finance Committee’s working group and Cambridge Assessment and its auditors, held on 3 February 2011.
- Paper FC(11)26 Cambridge Assessment Annual Report and Accounts (re-circulated) 2009-10.

The Senior Pro-Vice-Chancellor noted that Cambridge Assessment’s total operating revenue had increased by over 10% during 2009-10 to £261m; £14.9 m had been transferred to the University. There had been an increase in revenue across all three of the Group’s income streams; ESOL with IELTS was particularly strong. The business plan included significant capital investment, particularly on IT. Major threats included: an increasingly competitive environment; changes to immigration controls; and political uncertainty (particularly in Egypt and Pakistan). However, the Finance Committee’s working group had concluded that Cambridge Assessment’s business plan, management arrangements and financial controls were appropriate and robust.

39. **The Cambridge Trusts**

The following documents were received:

- Paper FC(11)29 Accounts of the Trusts for 2009-10.

The Senior Pro-Vice-Chancellor noted that the primary purpose of the annual meeting was to provide assurance to the Finance Committee about management arrangements and financial controls in the Trusts but also to take account of HEFCE’s role as Principal Regulator of such linked charities.

The one area of concern which had been noted in the course of the meeting was that the last full meeting of the Trustees of the Malaysian Commonwealth Studies Centre had taken place in 2003; this concern had already been raised with the Trustees and a meeting would be convened as soon as possible.
Otherwise, the working group had concluded that the financial and managerial arrangements were appropriate and well regulated.

Action: Registrary

40. University Companies

The Committee received the Financial Statements of the University’s wholly-owned subsidiary companies for 2009-10 (Paper FC(11)40) and a summary of the University group structure and governance arrangements (Paper FC(11)39). It was noted that the documentation related to wholly-owned subsidiary companies established by the University; it did not cover subsidiaries of the Cambridge Assessment and Cambridge University Press groups. The Audit Committee had commissioned a review which would cover the governance and assurance arrangements for the University’s subsidiary companies and their relationship with the University.

41. North West Cambridge

The following documents were received:

Paper FC(11)41 Minutes of the meeting of the West and North West Cambridge group held on 24 January 2011.

Paper FC(11)42 The Project Director’s Report and an update re: Outline Planning Application.

Mr Johnston, as Chair of the Project Board, reported on progress. He noted that considerable work had been undertaken to address the implications of the Government’s decision to cancel the A14 upgrade project. Recent discussions with the Highways Agency had been positive and it still seemed likely that the project could be submitted successfully on the basis that its impact on the strategic road network would be minimal. It was important, however, that approval in this regard was for the project as a whole and not just for phase 1.

He noted that consideration would soon need to be given (assuming planning approval and approval from the Regent House) to the possible shape and scale of the Phase 1 project should it be agreed that that project should go ahead. There were important decisions of principle (including those relating to governance and resourcing) which would need to be agreed by the Project Board and the Finance Committee as a matter of some urgency and then taken to the Council. It was important, if it was agreed that an outline planning application should be submitted, that the University was in a position to proceed with Phase 1 should the application be successful. A detailed paper would be brought to the Finance Committee at its meeting on 4 May 2011.

Action: Director of the North West Cambridge Project Board, Registrary
42. **Pensions**

Cambridge University Assistants' Contributory Pension Scheme

The Committee was reminded that a Special Joint Negotiating Committee comprising employer and union representatives had been established to discuss proposed changes to the CPS, in accordance with the provisions in Ordinances (p125-6). The Committee had now agreed proposals (within the parameters agreed by the Finance Committee at its meeting on 28 April 2010) which would be considered by the University and Assistants Joint Board. The proposals would, thereafter, be submitted to the Finance Committee Business Sub-Committee at its meeting on 13 April 2011 and to Finance Committee, at its meeting on 4 May 2011. Assuming that the CPS Trustee and the Council were content with the proposals, they would be taken to formal consultation in the summer with a view to implementation in 2012.

Vice-Chancellor

4 May 2011
Finance Committee 2 March 2011: Straightforward and reported business submitted for decision or report

1. **Finance Committee Business Sub-Committee**
   
   Minutes – 2 February 2011. To be approved at the April Sub-Committee meeting. For information

2. **Membership**
   
   Finance Committee
to re-co-opt Mr. R. Chote for two years to 2012.

   FC Business Sub-Committee
to appoint Professor Lizieri and Mr Du Quesnay.

   Approved

3. **Committees**
   
   Received the Minutes from the following Committee:

   Audit Committee – 20 January 2011

   Noted.

4. **Sealings**

   Noted.