PART A: INTRODUCTORY

32. Procedure of the Committee – Declaration of Interest

Mr Downer, Ms Lowther and Mr Summers, as College Bursars, declared interests in respect of the matters recorded as Minute 37 (Finance and Resources) and Minute 42 (Cambridge University Endowment Fund – Extension to Colleges and Trusts). Dr Clark, as a resident of North West Cambridge, declared an interest in respect of the matter recorded as Minute 44.

33. Minutes

The Minutes of the meeting held on 6 January 2010 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 workplan for 2009-10 was received as Paper FC(10)25.
PART B: SUBSTANTIVE BUSINESS

36. **Accounts**

Management Accounts for the second quarter of 2009-10 were received as Paper FC(10)26. The Director of Finance reported on key issues. Income and expenditure figures were broadly in line with budget projections. Staff costs were favourable to budget. A new budget line had been introduced to report ‘other’ income. Recovery of indirect costs on research income remained behind budget; indeed, the figures compared unfavourably with the equivalent figures for the 2008-9 financial year. At the Committee’s request, summary accounts for Cambridge Assessment (for the six months to January 2010) and Cambridge University Press (for the nine months to January 2010) had been included, for the first time, with the management accounts. The figures for Cambridge Assessment showed a significant net surplus; Cambridge University Press was slightly ahead of budget. The balance sheet indicated a slight debtor increase as a result of one significant late payment; the general trend continued to be downward. The summary of results by departmental group was testament to significant efforts, across the University, in reducing expenditure.

Concern was expressed about the figures for indirect cost recovery on research grants. It was recognised that financial modelling in this area had improved since the budget was established and that the budget figures had been over-optimistic. Nevertheless, the matter needed to be addressed as a matter of urgency, particularly given the downward trend. It would be important to consider means by which Faculties, Departments and PIs might be incentivised to maximise indirect cost recovery. It would be useful to compare the University’s recovery rates and processes with those in other HEIs.

37. **Finance and Resources**

The Committee received Paper FC(10)27 which set out the key assumptions and a first draft of the budget for 2010-11 and the plan to 2013-14. The Finance Committee’s comments on the budgetary envelope for 2010-11 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 28 April 2010 and, before that, by a meeting of the Finance Committee Business Sub-Committee, prior to publication of the Budget report to Council.

Professor Young reported that PRC guidance on the 2010-11 budget and the process of updating five-year plans had been issued to Schools and Institutions in July 2009. This documentation reflected likely reductions in some sources of Chest income, particularly the HEFCE grant. The guidance assumed a reduction in expenditure of 3% by 2011-12 but also asked Schools and Institutions to establish plans in case of more negative funding scenarios. (The documentation received as Paper FC(10)27 assumed
expenditure in accordance with the guidance, not the two incrementally worse case scenarios.)

The resulting plans had been scrutinised during December and January and had since been considered twice by RMC. Requests for allocations in excess of the parameters set out in the guidance had been approved only in exceptional cases and where there had been clear evidence that additional expenditure would generate significant Chest income. Schools and institutions had responded positively to the guidance and had delivered considered and within-budget plans.

There were some recent developments of which the circulated figures did not take account as follows:

- The approved increase to composition fee levels for certain students and for certain courses would result in income in excess of that originally budgeted.

- There would be more expenditure as a result of the College Fee Transfer than had originally been anticipated. The College Fee Agreement required the fee calculation to be run at the close of the working day closest to 14 February. Financial forecasting had been undertaken on the basis of inflation indices in late 2009, which would have produced a reduction in the College Fee. Changes to the inflation rates in the interim had resulted in a significantly increased liability.

- Most significantly, the details of HEFCE funding would not be confirmed until the middle of March.

The resulting draft budget for 2010-11 and budget forecasts to 2013-14 indicated a limited surplus against budget in 2010-11 and 2011-12 with a healthier surplus thereafter. However, there was significant uncertainty about HEFCE funding for 2011-12 (and thereafter) which was not reflected in these figures. (It was likely, for example, that there would be significant cuts to the Capital Investment Fund.) It was important that the Allocations Report communicated this and other significant issues of financial uncertainty.

In the course of discussion, it was noted that the upshot of the Browne review (regardless of the election outcome) might impact on the funding arrangements for undergraduate teaching. It was possible (although not likely) that there would be greater clarity on this and other issues by the time the 2010 planning round was launched in July. The scenario planning which had already been undertaken would be invaluable in managing a variety of funding outcomes. Scenario A (which assumed a real reduction of 6% for 2011-12) could be accommodated by most Schools with limited impact on activities; Scenario B (which assumed a real reduction of 9% for 2011-12) would require significantly more strategic activity, including targeted cuts.

It was recognised that the outcome of the pay negotiations would be critical in budgetary terms.
It was agreed that the HEFCE funding letter should be circulated to the Committee when it was received.

Action: Senior Pro-Vice-Chancellor, Director of Finance

38. University Finance

Long Term Funding

The Committee received Paper FC(10)28 concerning external borrowing for the capital programme and other strategic initiatives and was reminded that it had, in March 2007, received a concept paper on a possible bond issue. It had, at that stage, been agreed that the matter should be explored further and, in particular, that it would be important to identify specific needs. In the interim, Statute F had been amended to render unambiguous the University's power to borrow. The Committee was now invited to consider whether Council should seek approval, in principle, from the Regent House for the provision to borrow should such borrowing prove necessary and the market favourable.

In the course of a detailed discussion, the following points were raised:
- It was important to separate the decision to ask the Regent House for approval to borrow from any decision actually to enact the provision. It would be necessary to establish a clear business plan for a capital project before borrowing externally. The estate implementation plan indicated outline needs but did not identify or cost specific projects for which borrowing might be required. The development of the New Museums Site was identified as one such possible project.
- Consideration should be given to the nature and the terms of the borrowing and, in particular, whether it should be a single long-term loan or a series of smaller medium-term loans.
- There was a question as to the form in which the debt would be incurred and to the type of rate.
- In the case of a public bond issuance it was suggested that it would not be necessary to seek a rating if only a single issue (rather than a series of bonds) was proposed.

It was agreed that further work should be undertaken to allow the Council to seek approval, in principle, from the Regent House for external borrowing for the capital programme. The Finance Committee Business Sub-Committee at its meeting on 14 April 2010 would consider both a detailed technical proposal and a draft Report. Revised documentation would then be received by the Finance Committee at its meeting on 28 April, with a view to submitting a report to the Regent House during Easter Term.

The Committee would welcome a presentation, in due course, on proposed capital projects.

Action: Director of Finance
39. **Cambridge Assessment**

The following documents were received:-

Paper FC(10)29  Minutes of the meeting between the Finance Committee’s working group and Cambridge Assessment and its auditors, held on 22 February 2010, together with a presentation by Mr Lebus on the key points of the 2010-2015 business plan.

Paper FC(10)13 (re-circulated)  Cambridge Assessment Annual Report 2008-09

Professor Young reported that there had been an increase in revenue across all three of the Group’s income streams. The ESOL business stream was particularly strong. The Business Plan for 2010-2015 included significant capital investment, particularly on IT. The Finance Committee’s working group considered that Cambridge Assessment’s management arrangements and financial controls were appropriate and robust and that the Group was to be congratulated on a successful year.

40. **The Cambridge Trusts**

The following documents were received:-

Paper FC(10)30  Minutes of the meeting between the Finance Committee’s working group and representatives of the Cambridge Trusts held on 24 February 2010.

Paper FC(10)31  Accounts of the Trusts for 2008-09.

Professor Young reported as follows:

(i)  *The Gates Cambridge Trust*

The Trust had agreed to reduce the number of studentships awarded to take more realistic account of PhD completion times.

(ii)  *The Cambridge Commonwealth and Overseas Trusts*

The Trusts had reviewed their operating plans and agreed to make fewer but higher value awards in order to provide assured funding to the best students at the point of application.

(iii)  *The Cambridge European Trust*

The Trust was being phased out; activities therefore related to legacy responsibilities.
The Trust was in sound financial health. It was important, however, to convene a meeting of Trustees to confirm the management arrangements.

Action: Registrary

41. **Pensions**

Cambridge University Assistants’ Contributory Pension Scheme (CPS)

The following documents were received:-

Paper FC(10)32 CPS valuation as at 31 July 2009.

Paper FC(10)33 Report of the Managing Committee and Annual Accounts of the CPS for the year ended 31 July 2009.

The Committee approved the financial assumptions and the recovery plan as set out in Paper FC(10)32.

42. **Investments**

Cambridge University Endowment Fund – Extension to Colleges and Trusts

The Committee received as Paper FC(10)34 a note and legal documentation which reported progress on opening the CUEF to a wider body of investors in collegiate Cambridge and on the structure to achieve FSA authorisation as a necessary step. The Committee approved the documentation subject to minor drafting amendments to the Information Memorandum.

Action: Director of Finance

43. **Financial Regulations**

**Purchasing**

A paper proposing adjustments to the purchasing thresholds and other Financial Regulations was received as Paper FC(10)35.

The Committee approved the proposals as set out in Paper FC(10)35 and agreed to recommend to Council that the Financial Regulations be amended accordingly.
44. North West Cambridge

Mr. Roger Taylor, North West Cambridge Project Director, attended for this item. The following documents were received:-

Paper FC(10)36 A progress report on the North West Cambridge Project, similar to that submitted to the Council at its meeting on 15 February 2010.

Paper FC(10)37 Minutes of the West and North West Cambridge Project Board meetings of 6 January, 3 February and 22 February 2010.

The Project Director summarised progress made by the Project Board. He submitted slides, including phasing plans, and reminded the Committee that various planning matters were still in discussion with the planning authority (in particular key worker housing allocation policy; and pepper-potting).

It was hoped that a draft Green Paper could be approved by the Council in May 2010, and a Report to the University in October 2010, with a view to the recommendations, after Discussion, being submitted for approval by Grace later in the Michaelmas Term 2010. Financial appraisals were in progress.

In discussion, attention was drawn to the connection between financial and other judgements in connection with the implementation of the first and following phases. The Committee noted that the decisions to apply for outline planning permission, and detailed planning permission for early phases, were separate from the internal University decision to initiate a particular phase. It was important that the Committee should be kept informed frequently. It was unlikely that any significant decisions about further expenditure (beyond necessary additional expenditure to pay for the preparation of a detailed planning application) would be required before 2011.

Members of the Committee referred to possible road traffic conditions in the area, and to the attraction to out of area users to the local centre, which would include a supermarket. Various measures to deal with potential traffic problems were being considered by the project team and the local authorities.

The Registrary informed the Committee that it would probably be necessary in due course for members of the Committee, and members of the Council, to sign Non-Disclosure Agreements, to permit commercially confidential information to be communicated to them. It would also be necessary for protocols to be arrived at by which the participation of College officers, and others, with interests in the proposed development, could be regulated.

The Committee noted that the Council would discuss North West Cambridge at its strategic meeting to be held on 24 March 2010.
Note by the Secretary

After the formal meeting of the Committee had concluded at 12.40 pm, members of the Committee met informally. The Project Director and the Director of Finance spoke about further work in progress. Diagrams about the project (which had been received earlier by the Council at its meeting on 15 February 2010) were available. The informal meeting ended at 1.15 pm.

Vice-Chancellor
28 April 2010
Finance Committee 3 March 2010: Straightforward and reported business submitted for decision or report

Paper No.

1. **Finance Committee Business Sub-Committee**
   
   Minutes – 3 February 2010. To be approved at the April Sub-Committee meeting. For information

2. **Committees**

   Received the Minutes from the following Committees:
   
   - **Planning and Resources Committee** – 17 February 2010
   - **Audit Committee** – 21 January 2010
   - **Buildings Committee** – 13 January 2010

   Noted.

3. **Cambridge Enterprise**

   Agreed:-
   
   (i) to recommend to Council the appointment of Mr. Edward Benthall as an additional Director of Cambridge Enterprise Limited; and

   (ii) variation of the Memorandum of Understanding accordingly.

4. **University Dental Practice**

   Approved a new wholly owned subsidiary company of the University and to transfer into it the business of the Dental service.

5. **Accounts**

   **Fitzwilliam Museum**

   A summary statement of Accounts for the year to 31 July 2009 was received under Ordinances, Regulation 4(d) of Chapter X, Institutions under the supervision of the Council, and noted.

6. **Sealings**

   Noted.