University of Cambridge

COUNCIL

Finance Committee

Minutes of the meeting held on Wednesday 4 March 2009.

Present: The Vice-Chancellor in the Chair, Professor Barker, Mr Chote, Dr Clark, Ms Coutu, Dr Dissanaike, Mr Downer, Mr Johnston, Ms Lowther, Professor Minson, Mr Pratt and Mr Summers, with the Administrative Secretary as Secretary, the Registrary, the Academic Secretary, the Director of Finance, the Director of Estate Management and Dr Allen.

The Vice-Chancellor welcomed Mr Chote to his first meeting of the Committee.

PART A: INTRODUCTORY

32. Procedure of the Committee – Declaration of Interest

Dr Clark, as a member of the Cambridge UCU Executive Committee, declared an interest in matters relating to academic employment and, because of his involvement in technology transfer, declared an interest in respect of discussions concerning departmental reserves.

The Registrary, as a member of the national pay negotiating body, JNCHES, declared an interest in respect of the discussion recorded under Minute 37.

33. Minutes

It was noted that the Finance Committee Business Sub-Committee, at its meeting on 4 February 2009, had proposed an amendment to Minute 28 (Pensions) to record that the increase in employer’s contribution would take effect from 1 August 2009.

The Minutes of the meeting held on 7 January 2009, as so amended, were approved.

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

A paper listing straightforward and reported business was received and is attached to the minutes. 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 2008-09 was received as Paper FC(09)22.
36. **Accounts**

**Management Accounts**

The Management Accounts for the second quarter of 2008-09 were received as Paper FC(09)21. The Director of Finance gave a presentation identifying the key points in the half-year review. It was noted that the summary statement indicated a surplus ahead of budget. Research grants and contracts income was satisfactory and overhead recovery in absolute (although not in percentage) terms was good. Sponsored research represented an increasing proportion of overall income. It was noted that the latest forecast for the full year had been adjusted to take account of the 5% (i.e. above budget) pay increase, detailed research grant and contract forecasts and certain other adjustments and changes. Operating costs, which had been held down over a number of years, were now running above trend.

The Committee was reminded that, at its meeting on 7 January 2009, it had agreed that it was not necessary for it to receive the green book quarterly. It was noted that an additional page, providing a summary of the financial results for School and non-School institutions at the half-year stage, had therefore been introduced into the red book.

37. **Finance and Resources**

**University Budget 2009-10**

The Committee received Paper FC(09)23 which set out the key assumptions and a first draft of the budget for 2009-10 and plan for 2009-13. It was noted that the Finance Committee’s comments on the budgetary envelope for 2009-10 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 of 6 May 2009 and, before that, by a meeting of the FC Business Sub-Committee, prior to publication of the Budget report to Council.

Professor Minson noted that the development of future plans and budgets had proved unusually difficult this year. Predictions of inflation, pay awards, pension costs and energy costs had changed substantially during the past six months. In addition, the 2008 RAE had introduced uncertainty into predictions of the HEFCE Block Grant. The HEFCE letter had now been received and the grant would be £186m for 2009-10, about £2m short of the sum predicted in the circulated paper.

It was noted that the draft budget for 2009-10 predicted Chest and non-Chest deficits of £14.3m and £4.6m respectively. The main underlying causes for the predicted deficit were: below target recovery of indirect costs on research grants; increased utility costs; and increased pension costs. Two actions had already been taken and incorporated into the draft: a proposed 10% increase in overseas fees for 2010-11 (generating £3m p.a.); and an increase of 20% in indirect cost rates to be included in grant applications from 1 February 2009. The central bodies were being invited to consider further proposed actions which would contribute towards reducing the deficit budget for 2009-10 to c.£10m. It was important to consider the message which these actions conveyed within the University as well as the actual financial implications, particularly in the context of a small projected surplus for 2008-9. The actions would probably include restraint on
recruitment and promotion as well as a modest reduction in funds for estate maintenance. The actual savings would be relatively limited, but the measures would clearly establish that the University could not continue to operate on a ‘business as usual’ basis in the current economic climate. It was noted that pay levels were agreed nationally by the national pay negotiating body and that the University was bound by those agreements. A 2% pay award had been budgeted for, but the Committee noted that the rapid fall in the RPI might mean a lower award.

The Committee was asked to consider whether it was willing to accept a proposed Chest deficit of about £10m for 2009-10 and to invite the PRC to develop the budget and plan on that basis.

The Committee agreed that it was appropriate to proceed on that basis for the forthcoming financial year and, in so doing, accepted the measures proposed in Paper FC(09)23. However, it was noted that the forecasts for following years indicated a deficit of a similar magnitude and it was agreed that it was not appropriate to accept what appeared to be a structural deficit on an ongoing basis. PRC should develop a budget and forward plan on this basis.

It was noted that a further draft of the Budget and Plan would be considered by the Finance Committee Business Sub-Committee at its meeting of 15 April 2009 and that a final draft would be considered and would need to be agreed by the Finance Committee at its next meeting.

Action: PVC (Planning and Resources), Director of Finance

38. Cambridge University Press

The Minutes of the meeting of the Working Group with Cambridge University Press and its auditors, and the Cambridge University Press Annual Report 2007-08 were received as Papers FC(09)24 and 25. Confidential Paper FCBC (09)19, referred to the Finance Committee by the FC Business Sub-Committee was received for information.

The Committee noted some concern about references in the documentation to inadequate communication between CUP, Cambridge Assessment and the central University authorities. It was noted that the proposed new structure for the Press Syndicate would enable significant and beneficial change. It was suggested that the Press Syndicate Finance Committee was, in effect, a Business Strategy Committee and its terms of reference might usefully reflect that.

39. Pensions

(i) C. U. Assistants’ Contributory Pension Scheme (CPS)

The Committee received Paper FC(09)26 and agreed to appoint Dr. R Hinckley [CHR] as Chairman of the CU Pension Trustee Limited with effect from April 2009. The Committee noted its gratitude to Professor Barker for his chairmanship of the CPS Managing Committee during a difficult but productive period.

(ii) The Minutes of the meeting of the Pension Working Group held on 5 February 2009 were received as Paper FC(09)27.
40. Catering

The response to the University Review of Catering, Paper FCBC(09)22, referred to the Finance Committee by the FC Business Sub-Committee, was received. The Registrary reported that the proposed business plan had been independently stress tested and appeared to be robust.

The Committee approved the responses to the Review of Catering and the five-year financial plan for the University Centre (including those catering outlets run directly by the Centre), which included the continuation of a grant of c.£1m to the Centre in respect of the provision and services it made to the wider University community. It noted its gratitude to the Registrary, the Director of EMBS and the Head of Facilities Management in EMBS in bringing forward a sustainable financial plan that gave the prospect of the Centre running at or above break-even for the period in question.

Action: Registrary

41. North West Cambridge

The Registrary reported that significant and positive progress was continuing to be made in respect of the North West Cambridge Development, particularly with regard to the possible outcomes from the current enquiry into the Area Action Plan. The Inspectors’ final report was now expected at the end of July 2009. Further discussion and exploratory work was being undertaken as to how to take the development of the site forward, with a view to issuing a green consultation paper within the University during Michaelmas Term.

Action: Registrary

42. Non-Operational Estate

The Committee received a proposal to delegate authority to purchase property assets for land bank and similar purposes, where capital costs did not exceed £2m, on the conditions set out in Paper FC(09)28. The Committee approved the proposal, subject to an amendment such that any acquisition should be approved normally by ‘the Pro-Vice-Chancellor (P&R) and either the Registrary or the Director of Finance.’
PART C: SPECIAL BUSINESS

43. Financial Strategy

A Report prepared by Cambridge Associates ‘A comparison of financial outlook and strategic considerations for certain peer research universities’ was received as Paper FC(09)29.

In the course of a long discussion, the following points were made:

a) It was noted that the report emphasised the importance of research capacity and profile; it was therefore relevant to consider how such income could be maximised. However, an overly intensive focus on maximising research income risked mission drift and the potential skewing of the relationship between teaching and research.

b) The dual support system was beneficial. Substantial endowments alone did not necessarily provide financial security.

c) While comparisons provided a useful context, it was essential that the primary focus for the future was on developing a clear sense of what strategies Cambridge might need or want to pursue to fulfil its mission, with the financial consequences of these being an integral part of that thinking rather than as a disconnected strand. This would be the subject of the next such meeting. It was recognised that this phase of the process was likely to demand greater internal input which might impact upon proposed timescales.

d) Competitor universities were not restricted to North America and the UK and competition would, in time, emerge from Asia.

e) The report did not make reference to one of the University’s key activities, representing about 40% of its consolidated income: educational services delivered through CUP and Cambridge Assessment.

f) Further consideration might be given to the ‘pipeline’ question (that is, the development of early-stage researchers) and, in particular, to how graduate research students, particularly PhD students, featured within that ‘pipeline’.

g) It was agreed that it would, in the next phase, be appropriate to focus on a 3-5 year projection rather than the 25 year projection originally proposed. It was vital, however, that this discussion about strategy was kept entirely separate from the immediate planning issues.

Vice-Chancellor
6 May 2009
Finance Committee 4 March 2009: Straightforward and reported business submitted for decision or report

1. **Finance Committee: Dates of Meetings 2009-2011**

   Noted

2. **University Farm: Committee of Management**

   The Committee agreed to nominate Mr. D. Hearn (Chairman), Mr. G. Kiddy (external member) and Dr. J. L. Jones (Secretary)

3. **Minutes and Annual Report**

   Received and noted the following Minutes and Annual Report:

   - **FC Business Sub-Committee** – 4 February 2009
   - **Buildings Committee** – 28 January 2009
   - **Planning & Resources Committee** – 18 February 2009
   - **University Security Section** – Annual Report 2007-08

4. **The University’s Cash Balances and Authorised Investments Limits**

   (i) The Committee agreed at its November meeting that in the current economic conditions regular reports would be made on the status of the University Deposit Account. The standard quarterly summary is included in the Management Account (Red Book). Further information received.

      Status noted

   (ii) At its October meeting the Committee agreed a temporary revision of authorised investment limits. A review of the policy was received.

      The Committee agreed that the temporary policy be continued for review in July 2009.

5. **Department for Innovation, Universities & Skills (DIUS)**

   Noted
6. **Financial Systems**

   It was proposed that the Committee’s Financial Systems Management Committee (FSMC) act as the Project Board under project governance guidelines as set by the Information Systems and Strategy Syndicate. The terms of reference of the FSMC should be expanded and amended. It was suggested that the Committee be renamed the Financial System Committee.

   Approved revised terms of reference

7. **Sealings**

   Noted