Minutes of the meeting held on Wednesday 5 January 2011.

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

Apologies: Ms Coutu.

Mr Roger Taylor attended for the matter recorded as minute 29.

PART A: INTRODUCTORY

20. Procedure of the Committee – Declaration of Interest

Dr Clark declared an interest in respect of the minutes of the meetings of Cambridge Enterprise on 14 June and 20 September 2010 (straightforward and reported business item 4(d)). Otherwise, no personal or prejudicial interests were declared.

21. Minutes

The Minutes of the meeting held on 17 November 2010 were approved.

22. 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.

23. Future business and work plan

An updated work plan for 2010-11 was received as Paper FC(11)3.
PART B: SUBSTANTIVE BUSINESS

24. Financial Internal Controls

Annual Audit Reports

The following documents were received:

Annual Report of the Audit Committee (Paper FC(11)4)
Annual Report of the Internal Auditors (Papers FC(11)5 & 6)
External Auditors' Management Letter (Paper FC(10)117 Re-circulated)

The Registrary, as Secretary to the Audit Committee, confirmed that the documentation had been received, scrutinised and signed off by the Audit Committee at its meeting on 18 November 2010. The format of the Audit Committee’s Annual Report had been in accordance with guidance from HEFCE. The new format provided a greater level of detail. The Committee’s particular attention was drawn to the ‘opinions’ on page 5 which confirmed the Audit Committee’s satisfaction on three key issues (risk management, control and governance; economy, efficiency and effectiveness; data integrity).

The Committee received internal audit reports from Grant Thornton UK LLP (for the period from 1 August 2009-31 December 2009) and Deloitte LLP (for the period from 1 January 2010-31 July 2010). Deloitte LLP had confirmed its ‘reasonable assurance’ in respect of the University’s internal controls for the year ended 31 July 2010. It was noted that the transition between internal auditors in the middle of the financial year had been managed effectively.

The external auditor had issued an unqualified audit opinion on the financial statements of the University. It was noted that it was the first year in which PricewaterhouseCoopers LLP had been responsible for auditing the University as a whole, including CUP. It was reassuring, given the scale and complexity of the organisation, that there were no significant matters of concern. It was noted that the audit of CUP had been the most difficult element in the process but the Press’s 30 April year-end had permitted the group deadline for preparation of financial statements to be met.

The Committee welcomed the assurance that the University had in place effective systems for risk management, control and governance. It was suggested that the Audit Committee might, for future years, consider strengthening the wording of its positive assurances in respect of risk management, control and governance and economy, efficiency and effectiveness. It was further suggested that Deloitte might be invited particularly to identify any matter in respect of which it had raised a priority 4 recommendation.

Action: Registrary (as Secretary to the Audit Committee)
25. **Accounts**

The Committee received the Management Accounts for the first quarter of 2010-11 (Paper FC(11)1) and a summary for November 2010 (Paper FC(11)2). Trends continued as reported at the end of the previous financial year. The surplus for the year was higher than anticipated with other operating expenditure controlled at lower than budget. It was clear that institutions had continued to respond positively to forecasts about future financial stringencies by deferring or cancelling certain discretionary expenditure.

Income on research grants and contracts was in line with the budget. However, there was a significant slowing in income from the Research Councils although income from charities and other sources had risen. Overhead recovery on research grants and contracts continued to be consistently and worryingly adverse to budget. It was agreed that trends in respect of research income and expenditure should be closely monitored. The Director of Finance would produce a paper (including information about income trends broken down by Research Council) for consideration at the Business Sub-Committee’s meeting on 2 February 2011.

It was noted that investments held by the University on behalf of other bodies were significantly greater than at 31 July 2010. The red book now provided additional information about investments held directly by the University and its subsidiaries and those held by the University on behalf of others.

Cambridge Assessment was significantly ahead of budget; CUP was, at its half year point, slightly ahead of budget.

*Action: Director of Finance*

26. **Pensions**

*Universities Superannuation Scheme (USS) consultation*

The Registrary reported that the USS consultation had ended on 22 December 2010 by which time the University had satisfactorily completed all of the actions required of it, including an Equality Impact Assessment. In addition, the Vice-Chancellor had, following the Council’s meeting on 18 October 2010, set up a working group advisory to him. That group had engaged with both the USS and the Employers’ Pension Forum on the extent and the nature of the consultation material on the USS website. The Council, at its meeting on 22 November 2010, had received an initiated Grace inviting the University to publish (to members of staff who would be affected by the proposed changes to USS) the alternative proposals put forward by the Employers Pension Forums (EPF) and the University and College Union (UCU) and to conduct a consultative ballot of those affected individuals. Council had agreed to go ahead immediately with such a ballot with the outcome to be communicated to USS as part of the consultation.
process. 6,388 ballot papers had been distributed and 988 were returned, of which 802 voted in favour of the UCU proposals.

USS Trustees would meet on 20 January 2011 to consider responses to the consultation. Subject to the outcome of that discussion, it was still anticipated that any changes to the Scheme would be effective from 1 April 2011.

Cambridge University Assistants’ Contributory Pension Scheme (CPS)

The minutes of meetings of the Pensions Working Group on 8 and 25 November 2010 were received as Papers FC(11)7 and 8. As required by Ordinance, a Special Joint Negotiating Committee of the University and Assistants Joint Board had been established to consider proposals for changes to the CPS. The Special Joint Negotiating Committee had so far met twice and had proposals under consideration. It was anticipated that an agreed proposal (consistent with the objectives and parameters in terms of affordability, fairness and sustainability agreed by the Finance Committee at its meeting on 6 January 2010) would be brought forward in due course. The formal consultation process would be conducted thereafter.

Action: Director of Finance, Registrary

27. HEFCE

The Department for Business Innovation & Skills’ (BIS) letter on HE funding for 2011-12 and beyond and UUK’s initial analysis were received as Papers FC(11)9 and 28. It was noted, by way of introduction, that the BIS letter represented the position for the sector as a whole; the University would not receive its HEFCE funding letter until March 2011.

The Senior Pro-Vice-Chancellor drew the Committee’s attention to key issues as follows:

- There would be significant demands made of institutions wishing to charge a fee in excess of £6K in terms of widening participation from all groups currently under-represented in Higher Education. The Office for Fair Access (OFFA) would not release details of these new arrangements until February 2011. There would, therefore, be a very short time period within which the collegiate University would need to agree and commit to a widening participation strategy.

- The number of undergraduate places for entry 2011 would be the same as that for 2010. There was, at present, no indication of the position thereafter. It was possible that there might be a sector wide cap but that it would not be applied at an institutional level.

- There was a commitment to the protection of arts and humanities subjects.

- There was pressure to achieve further efficiencies in the way in which research was conducted and to exercise pay restraint.
- There would be a 6% reduction in the teaching grant for 2011-12 during which there would be no additional income from fees. The year-on-year funding profile thereafter was unclear.
- There would a 4% reduction in Quality Related (QR) research funding for 2011-12. BIS had stipulated that HEFCE should focus funding on 'only internationally excellent research'; it could therefore be assumed that there would be no funding for 2* research.
- Higher Education Innovation Funding (HEIF) remained flat.
- The most significant cut was in capital funding. While capital spend was, to some extent, discretionary, it was important that the University continued with its capital plan in order to meet academic and infrastructural needs and to remain internationally competitive.

It had been assumed, in using the information in the letter to inform the current planning round, that HEFCE would distribute funds on a pro-rata basis.

In the course of discussion, the Committee particularly considered the implications for the University of the revised system of targets for widening participation. These were likely to be more stringent than at present and to be progressive. Further, they were politically determined and it was likely that immediate and significant financial penalties would be imposed on HEIs which failed to achieve their targets. It was already clear that bursary schemes would not be sufficient to meet widening participation considerations. It was therefore important that there was a unity of purpose across the University and that all Colleges annually met the agreed widening participation target.

**Action:** Senior Pro-Vice-Chancellor,
Pro-Vice-Chancellor Education (re. widening participation)

28. **Financial Strategy**

The Committee received the following papers:

(i) Financial Strategy Committee (FSSC) – progress report (November 2010) (Paper FC(11)10)
(ii) Minutes of the meeting of the Financial Strategy Steering Committee (FSSC) (Paper FC(11)11).

The Senior Pro-Vice-Chancellor, speaking to the progress report, drew the Committee’s particular attention to the section on indirect recovery rates. There were difficulties inherent in establishing appropriate mechanisms to incentivise principal investigators (PIs) to maximise indirect recovery returns because of the direct nature of the relationship between PIs and sponsors and the limited extent to which Schools could manage the type and volume of research grant applications. It was noted that the balance between indirect overheads and IPR were significant for some sponsors.
It was noted that good progress had been made in respect of the various work streams and the areas of financial strategy development set out in sections 3 and 4.

The Senior Pro-Vice-Chancellor drew the Committee’s attention to minutes 1 and 6 of the Financial Strategy Steering Committee’s meeting on 17 November 2010 which related to the development of the University’s strategic approach to the REF. He indicated that this matter would be forwarded, as a matter of urgency, in consultation with the Pro-Vice-Chancellor (Research) and through the relevant University bodies.

**Action:** Senior Pro-Vice-Chancellor

29. **North West Cambridge**

Mr. Roger Taylor, North West Cambridge Project Director, attended for this item.

A progress report and the minutes of the Project Board meeting of 13 December 2010 were received as Papers FC(11)12 and 13. Mr Taylor reminded the Committee that the consultative Green Paper issued by the Council in June 2010 had anticipated that a planning application would be submitted in January 2011, subject to Regent House approval. The subsequent Notice setting out the Council’s response to the submissions to the consultation and to the comments made in Discussion had indicated that the Council would bring forward formal proposals concerning the planning application and governance arrangements for the project once the implications of the Government’s decision to cancel the A14 upgrade project were clear. 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 would, however, be necessary to undertake an entirely new Transport Assessment Study, for submission with the planning application, to take account of the new traffic model and to establish on and off-site traffic mitigation arrangements. It was hoped that this work could be completed during the early months of 2011. Meanwhile the project team was in a position to submit a draft plan, without the traffic elements, to planning officers for internal consideration during January. The Committee agreed that the expenditure intended for the determination period in the original programme and the Phase 1 feasibility study should be re-designated to cover the additional application costs arising from the cancellation of the A14 upgrade project.

Mr Johnston, as Chair of the Project Board, 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 which would need to be agreed by the Project Board and the Finance Committee over the next few months. A paper setting out
proposals for Phase 1 would be brought to the Finance Committee at its meeting on 2 March 2011.

It was agreed, in terms of reporting to the University, that the process of seeking approval for the masterplan should be considered separately from the arrangements for governance and management of the project. It was vital, given the scale, complexity and the financial and reputational risks inherent in the project, that there were robust management structures and clear accountability arrangements. It was therefore agreed that a Report about the governance arrangements should be put to the University at the earliest opportunity.

**Action:** Registrary, Director of the North West Cambridge Project, Chair of the North West Cambridge Project Board

30. Cambridge University Press (CUP)

The Committee received the minutes (Paper FC(11)14) of the meeting of the working group held on 17 November 2010, to consider the Press’s 2009-10 financial statements together with a summary of financial projections for 2010-15 (Paper FC(11)15). The Senior Pro-Vice-Chancellor noted that PricewaterhouseCoopers LLP, who had audited the Press for the first time in 2010, had given a clear audit opinion. However, as set out in Minute 24 above, the process had not been straightforward: there were some concerns about the effectiveness of the financial control systems and the sufficiency of the administrative infrastructure, given the recent expansion of the Press. The working group had been satisfied that the Press was actively and effectively addressing these concerns. The Audit Committee would seek an update on progress in due course.

The five year business plan anticipated reaching a 10% return on sales through a combination of efficiencies and growth. A major financial concern remained pension schemes: the FRS17 deficit on the schemes had risen to £81m. There was a positive attitude to increased collaboration with Cambridge Assessment.

**Action:** Registrary (as Secretary of the Audit Committee)

31. Investments

Investment Board

The minutes of the meeting of the Investment Board held on 24 November 2010 were received as Paper FC(11)16.

Vice-Chancellor
2 March 2011
Finance Committee 5 January 2011: Straightforward and reported business submitted for decision or report

1. Finance Committee
   (i) Noted that Mr. Summers had been elected a member of the Finance Committee by the representatives of the Colleges, to serve for three years from 1 January 2011.

   (ii) Noted that the Council had appointed Professor Hopper \textit{(vice Ms Lowther)} and reappointed Dr Clark, Ms Coutu and Mr Johnston as members of the Finance Committee, to serve for four years from 1 January 2011.

   (iii) Membership List attached.

2. Finance Committee: Dates of Meetings 2011-2013
   Noted

3. Finance Committee
   List of Sub-Committees
   List of Sub-Committees of the Finance Committee as from January 2011. Noted/confirmed.

4. Committees
   Received the Minutes and Annual Report from the following Committees:
   - Planning and Resources Committee – 24 November 2010
   - Audit Committee – 18 November 2010
   - Value for Money Committee Annual Report 2010
   - Cambridge Enterprise Minutes – 14 June and 20 September 2010
   Noted.

5. Accounts
   University Centre
   For decision: received under Ordinances, Regulation 4(a) of Chapter X, Institutions under the supervision of the Council, and noted.
6. **Cambridge Assessment**

   Annual Report and Accounts for the year ended 31 July 2010 received. The Finance Committee Working Group would meet with representatives from Cambridge Assessment on 3 February 2011. Noted

7. **Sealings**

   Noted.