PART A: INTRODUCTORY

1. Procedure of the Committee – Declaration of Interest

Dr Clark, as a resident of North West Cambridge and Mr Summers, as the Bursar of a College with involvement in the NIAB project, declared interests in respect of the matter recorded as minute 5 (North West Cambridge Project). Mr Du Quesnay, as the Bursar of a College seeking to invest in the CUEF declared an interest in respect of the matter recorded as minute 6 (Cambridge University Endowment Fund 2010-11). Otherwise, no personal or prejudicial interests were declared.

2. Minutes

The Minutes of the meeting held on 14 September 2011 were approved.

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

A paper listing straightforward and reported business was received.

The minutes of the Pensions Working Group’s meeting on 22 August 2011 were unstarred. The Working Group had agreed to discontinue the practice of reporting changes to the USS to the Finance Committee because such changes were notified directly to USS members. It was noted, however, that
not all members of the Finance Committee were members of USS. It was therefore agreed that changes to the Scheme should continue to be reported to the Finance Committee.

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

4. Future business and work plan

An updated workplan for 2011-12 was received as Paper FC(11)99.

PART B: SUBSTANTIVE BUSINESS

5. North West Cambridge

The Committee received as Paper FC(11)100 a proposal and budget for Phase 1 development preparation of the North West Cambridge Project.

The Senior Pro-Vice-Chancellor (Planning and Resources), Mr Johnston and the Director of the North West Cambridge Project reported.

The Council, at its strategic meeting on 26 September 2011, had considered the academic and strategic case for the North West Cambridge Project, the financial appraisal (as discussed by the Finance Committee at its last meeting), and the commitment of resources in respect of the pre-development activities for the first phase of development. The Senior Pro-Vice-Chancellor reported that, in considering the strategic case, the Council had taken the clear view that it was vital, in the interests of international competitiveness, that the University pursued an agenda for continued growth in research and postgraduate education. A retrenchment model was simply not viable. This would inevitably mean an increase in the number of graduate students and postdoctoral researchers and it was important that the University was able to integrate this community, with its diverse needs and expectations, into the collegiate system and provide accommodation and academic and other facilities commensurate with those in competitor institutions.

The additional work which had been undertaken over the summer on a feasibility study for a College had been helpful in establishing that a Collegiate entity could be created around the original proposals. It was emphasised however, that the work had been undertaken only to establish feasibility; no decision on this matter need be taken at this stage. There was significant flexibility within the plans and the potential, at a later stage, to determine the precise allocation and use of the graduate units and key worker
housing. The Council had been clear on the need for the provision of this accommodation.

The Council had, at its strategic meeting, recognised that borrowing on the scale required for both the North West Cambridge Project and the Capital Plan would result in significant indebtedness for the foreseeable future. It would, however, provide the University with a significant (albeit somewhat illiquid) asset. Consideration would need to be given to the extent to which existing internal resources might be used to reduce the debt requirement. The Council had agreed that the proposed internal rate of return (IRR) was acceptable, given the strategic importance of the project.

The Council, at its meeting on 17 October 2011, would be invited to approve expenditure of £13.25m on pre-development work on Phase 1. In doing so, it would be making a commitment (subject to any significant changes to the financial appraisal or viability of the project) to recommend to the Regent House in due course that it approve a Phase 1 development of the scale, elements and features as set out in the Feasibility Report and its Addendum. It was important to recognise that any change to the plan as set out in that documentation would result in changes to costs both in the overall financial appraisal and in the pre-development work and to timings for the project.

The Director of the North West Cambridge Project reported that the planning application for the site, which included an indicative masterplan, had been submitted on 22 September 2011. It was anticipated that the Local Authorities’ resolution to grant consent on the outline planning application would be achieved in the early spring of 2012 with the S.106 legal agreement being signed and the grant of content issued in April 2012. It was important that these processes were satisfactorily completed before the Regent House was invited to consider a Phase 1 proposal.

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

− The decision to progress with Phase 1 would be taken on the basis of academic and strategic need. It was for the Finance Committee to decide (and to recommend accordingly to the Council) whether the financial case was acceptable and the project was viable.
− Steps were being taken to identify a principal-designate to work with the project team and the Colleges’ Working Group on a collegiate model. There remained significant opportunity for involvement and engagement with the discussion about the type and nature of that model.
− Work had already been undertaken to establish more clearly what postdoctoral researchers might want from the collegiate experience. The Post Doc Society had contributed to the discussions of the working group chaired by Lord Wilson and had been consulted by the project team. This work would be continued by means of focus groups.
− Detailed work had already established that 70% of those identified as having a need for key worker housing were postdoctoral researchers.
The Committee confirmed its view that the process by which the financial appraisal had been undertaken was robust; that the financial case was acceptable and supported the academic case. On that basis, the Committee commended the proposals for Phase 1 and agreed to recommend to the Council that approval be given to expenditure of up to £13.25m on pre-development work for the project through to November 2012.

Action: Registrary, Director of the North West Cambridge Project.

6. Investments

Cambridge University Endowment Fund 2010-11

Mr Nick Cavalla, the Chief Investment Officer, attended for this item.

The Committee received the following papers:

Paper FC(11)102 CUEF Financial Statements to 30 June 2011.

The Chief Investment Officer reported that the value of the endowment had risen by 16.1% in the year to 30 June 2011 reflecting a favourable market environment, although there had been slowing in the last two quarters. The total value of the fund, at 31 August 2011, was £1,493m representing both endogenous and exogenous growth over the past year. Performance relative to peers was favourable. The Office’s investment approach was equity risk focused; sought, where possible, to diversify the portfolio; was based primarily on a closely controlled external manager model (with some internal management for certain activities); and was opportunistic and pragmatic. He described the current CUEF asset allocations strategies and targets and reported on performance trends over the past three financial years; on the attribution of returns in 2011; and on intentions for future asset allocation.

He reported that the Investment Office team was at full strength but that consideration was being given, in the interests of succession planning, to a limited number of graduate level appointments. The direct departmental costs remained significantly below the agreed cap of 25bps of the portfolio value.

7. Accounts

Quarterly Management Accounts and Financial Statements 2010-11

Quarterly Management Accounts and Summary Financial Reports by School for ‘Little U’ for the 12 months to 31 July 2011 were received as Paper FC(11)95. Preliminary ‘Big U’ financial statements would be submitted
to the Finance Committee Business Sub-Committee at its meeting on 2 November, with final draft Reports and Final Statements being considered by the Finance Committee at its meeting on 16 November and by the Audit Committee at its meeting on 17 November. The Council would be invited to consider and approve the final Report and Financial Statements at its meeting on 21 November.

The Director of Finance reported. Trends continued as reported throughout the financial year. The profile of research grant income had changed: direct income from the Research Council had fallen; income from UK charities and the EU had increased. This inevitably impacted on FEC recovery which remained significantly adverse to budget although with some upturn later in the year. HEFCE funding represented an increasingly small proportion of the University’s overall revenue mix. There was some increase in student fee income. Investment income had increased. Cambridge Assessment had enjoyed another very successful year; Cambridge University Press had been close to budget at the end of its financial year in April 2011. Both companies would be operating in a difficult market environment over the next few years.

Operating expenditure had increased but was significantly favourable to budget. The resulting positive expenditure line contributed to an overall operating surplus of £20m. It was clear that institutions were responding to current financial uncertainties (particularly around salaries and the removal of the Default Retirement Age) by deferring or cancelling discretionary non-pay expenditure.

The balance sheet showed a healthy 10% increase in net assets.

The Committee considered the deposit cash analysis as at 31 July 2011 and confirmed that the list and the authorised limits were appropriate.

**Action:** Director of Finance

8. **Taxation**

A summary of current University tax issues was received as Paper FC(11)103. The Committee noted the University’s tax position, as part of its annual review of taxation, and confirmed the University's approach.

Vice-Chancellor
16 November 2011
Finance Committee 5 October 2011: Straightforward and reported business submitted for decision or report

1. **Committees**

   Received the Minutes from the following Committee:

   **Pensions Working Group** – 14 July and 22 August 2011

   Paper No. 96 and 97

2. **Committees - Membership**

   Cambridge Enterprise – recommended to Council that Professor Florin Udrea (change: Professor Chris Abell) be appointed as an academic non-executive director with effect from 1 October 2011

   Paper No. -

3. **Sealings**

   Noted

   Paper No. 98