Minutes of the meeting held on Wednesday 6 May 2009.

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

Apologies: The Vice-Chancellor and Mr Summers.

PART A: INTRODUCTORY

44. Membership and Chairmanship of the Committee

(i) Chairman
It was noted that the Vice-Chancellor was away on University business. On her recommendation, the Committee, under the provisions of Statute K 9(d), appointed Mr Johnston to Chair the meeting.

(ii) Membership of the Committee
The Chair welcomed Professor Gamble, who had been appointed by the General Board in place of Professor Barker, to his first meeting of the Committee. The Committee recorded thanks to Professor Barker for his contribution to its work.

45. 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 pay and, because of his involvement in technology transfer, declared an interest in respect of the discussion recorded under Minute 50 (Cambridge Enterprise).

46. Minutes

The Minutes of the meeting held on 4 March 2009 were approved.

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

A paper listing straightforward and reported business was received and is attached to the minutes. At the request of Professor Minson, it was agreed that item 2(i) (Pensions: CPS) should be discussed by the Committee at the meeting (Minute 55 refers). The Committee received the other matters contained in the list of straightforward or reported business.

48. Future business and work plan

An updated work plan for 2008-09 was received as Paper FC(09)40.
PART B: SUBSTANTIVE BUSINESS

49. Finance and Resources

University Budget 2009-10

A final draft Budget Report recommending allocations from the Chest was received as Paper FC(09)41. The Pro-Vice-Chancellor (Planning and Resources) introduced the Report which had been considered, in a preliminary form, by the Finance Committee at its meeting on 4 February 2009 and, following significant further work on both the figures and the text, by the Finance Committee Business Sub-Committee at its meeting on 15 April 2009. Drafts had also been considered twice by both PRC and the General Board and once by Council. All of these bodies had confirmed that they were content with the general tone and content of the Report. A final version would be signed by Council at its meeting on 18 May 2009.

Professor Minson pointed out that significant uncertainties in respect of both income and expenditure had created particular difficulties in establishing the 2009-10 budget report. Predictions of inflation, pay awards, pension costs and utility costs had changed substantially during the planning and drafting process. In addition, the 2008 RAE had affected the HEFCE block grant. The revised assessment methodology had, as anticipated, occasioned a wider distribution of QR funds across the sector and the University, in spite of a successful RAE outcome as to quality, had received a funding increase of only 2% on 2008-9. Wider financial uncertainties, particularly in respect of public expenditure, must also be taken into consideration in establishing the budgetary envelope. It was important that the Report conveyed a measured message, recognising the extent to which the University was subject to the current recession, but indicating that the impact was likely to be gradual rather than immediate, not least because of the diversity of the University’s income streams and assured funding commitments on a number of research grants and contracts.

It was important, given the various elements of financial uncertainty (particularly beyond the 2009-10 financial year) that the budget should be realistic and, while not complacent, not overly pessimistic. It was recognised that there were significant income streams about which it was impossible to make definitive medium- or long-term assumptions, including: research grant funding; the block grant; and certain special sources and capital funds (including CIF). Certain areas of expenditure were also difficult to predict, particularly pay and pension costs. It was noted that although the specific proposals (para.29) to restrict the growth in pay costs would generate relatively limited savings, they would clearly establish that the University could not continue to operate on a ‘business as usual’ basis.

In discussion, the Committee noted that the figure of £6.5 million identified in Tables 2 and 3 as ‘strategic provisions’ allowed for £1 million for strategic planning reserves with the remainder providing a fund which could be used should later tranches of CIF funds not be forthcoming in respect of projects on which the University had already made a capital commitment. It was noted, in this context, that there was some uncertainty about the future availability of these capital funds, hence the need for a strategic provision. In respect of the income figures in Table 3 for Cambridge Assessment, the Committee noted that the University received annually a formula derived sum and, every three years, a further negotiated capital transfer if appropriate.
The Committee was reminded that medium and long term financial strategy and modelling would be considered at future meetings.

The Committee agreed to commend the draft report to the Council for signature at the meeting on 18 May 2009.

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

50. **Cambridge Enterprise**

Ms Teri Willey, Chief Executive of Cambridge Enterprise, attended for this item. The Committee received the Annual Report of the Cambridge Enterprise Group for 2007-08 and summary financial results for 2008-09 (Paper FC(09)42). The report and the financial results both indicated a successful year for the organisation which, it was noted, had been recognised as a model of best practice within the sector. The University benefited considerably from Cambridge Enterprise’s activities both financially and in terms of the service and recognition which the company provided to individual academics. The Committee particularly noted the distribution of funds to departments both directly and indirectly through the generosity of those academics who designated consultancy and licensing income to support departmental initiatives.

In the course of discussion it was noted that consideration would need to be given, perhaps as an element of the formal review of the organisation’s activities which would take place in 2011, to the financial distribution arrangements on which the Memorandum of Understanding was predicated. Various considerations in respect of IP income meant that it was likely to be a considerable number of years before the company would be in a position to generate an operating surplus. In the meantime, an internal review, possibly chaired by a member of the Finance Committee, would be undertaken of the company’s internal financial structures.

The Committee welcomed the contribution of the company and the progress being made and noted that it would receive Cambridge Enterprise’s annual budget for 2009-10 at a future meeting.

51. **Cambridge Assessment**

The Committee received the following papers:

- Paper FC(09)43 Minutes of the meeting of the working group with Cambridge Assessment and its auditors, held on 5 March 2009.
- Paper FC(09)45 Cambridge Assessment Group Business Plan 2009-14
- Paper FC(09)46 Detailed financial forecast to 2012 (based on Business Plan, for purposes of University consolidated financial forecast).

The Pro-Vice-Chancellor (Planning and Resources) reported that it had been an exceedingly successful year for Cambridge Assessment and that, while not being complacent, a robust business plan and historic precedent suggested that the organization was well placed to ride the recession. In respect of Minute 3 in Paper FC(09)43, he noted the importance of obtaining closure about the discussions between Cambridge Assessment and CUP about the printing contract. The matter had raised important questions about interaction and communications between CUP,
Cambridge Assessment and the central University authorities but these questions were being addressed. Indeed, while the University clearly exerted due diligence in respect of its oversight of Cambridge Assessment’s accounts and business plan, there was a case for more regular interaction between relevant University officers and Cambridge Assessment officers (and, separately, CUP Officers) to ensure liaison in respect of financial and business considerations, as part of good corporate governance. It was noted that there had been significant developments in this regard over the past twelve months and that Memoranda of Understanding with other embedded organisations were reviewed on an annual basis. It was nevertheless agreed that it would be appropriate to reflect further on how these relationships could be reviewed on a routine and systematic basis.

[Professor Minson declared an interest as Chairman-designate of the Press Syndicate.]

52. Investments

Investment Board

The Chief Investment Officer, Mr Nick Cavalla, attended for this item. The Committee received, as Paper FCBC(09)29, the Minutes of the meeting of the Investment Board held on 25 February 2009. Mr Cavalla spoke about the Investment Office’s overarching principles; the procedures, policies and structures which governed its conduct; activities and developments over the past year; and plans for the immediate and the longer term future. In the course of discussion, the Committee considered the question of appropriate benchmarking against relevant peer groups. It was reported that some initial work had been undertaken on this and that Cambridge Associates were now engaged in arranging a gathering of comparator long-term endowment institutions. The Committee considered the benefits and disadvantages of, respectively, active and passive investment. The Investment Board was keeping the balance of activities in this area under review. In respect of Minute 8(ii) about ethical investment, the Registrary reported that the Council had agreed that the policy of ethical investment which had been approved in June 2008 should be reviewed annually. The Council’s Executive Committee and the relevant CUSU Officers had considered the policy at a recent helpful and constructive meeting at which minor amendments to the document had been suggested. The Committee noted that proposals would be brought forward to fill vacancies on the Investment Board.

53. Deposit Account/Investments

(i) The University’s Cash Balances and Authorised Investments Limits.

The Committee received a report on the status of the University Deposit Account as at 27 April 2009 as Paper FC(09)47.

(ii) Investments – Deposit Account

The Committee was reminded that it had, in July 2008, approved investment of £60 million of the University’s cash balances in the CU Endowment Fund. It now received and approved a proposal (Paper FC(09)48) to invest a further £40 million of the cash balances in the CU Endowment Fund.
54. Statutes and Ordinances

Proposed Review of Statute F,III.

The Committee received, and commended to the Council, Paper FC(09)59: ‘Report of the Council on amendments to Statute F,III (Property, buildings, and loans) and Statute J (University Press): Notice’ for incorporation into a Report to the University, proposing the approval of new Ordinances to replicate (with due modification) material in the present Statute F which, it was reported, would be repealed from an early date.

55. Pensions

The Committee received the following papers:

(i) CPS – Actuarial Valuation as at 31 July 2009

Paper FC(09)50 Actuarial Valuation of the Cambridge University Assistants’ Contributory Pension Scheme (CPS) as at 31 July 2009.


Paper FC(09)52 CPS – Memorandum on Actuarial Valuation(prepared for CUP Pension Trustee Limited).

(ii) Pensions Working Group

Paper FC(09)53 Note of a meeting of the Pensions Working Group held on Tuesday 14 April 2009).

The Pro-Vice-Chancellor (Planning and Resources) noted that the matters raised in this documentation would necessitate difficult and significant decisions. There were some complexities inherent in synchronising the relevant University Committee structures and schedules with the timetable within which key financial decisions about the management of the scheme would be made. It was important that early discussions took place about key actuarial assumptions and about the employer covenant. The Pensions Working Group would meet on the following day and it was agreed that the Minutes of that meeting, together with the circulated documentation, should inform a detailed discussion of the matter at the next meeting of the Finance Committee Business Sub-Committee and, thereafter, at the Finance Committee’s meeting on 8 July 2009. It was further agreed that Mr Reg Hinckley, Chairman of the CPS Trustees, should be invited to attend both meetings.

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

1. **Minutes**
   Received the following Minutes:

   **FC Business Sub-Committee – 15 April 2009**

   Noted.

2. **Pensions**
   (i) **CPS – Actuarial Valuation as at 31 July 2009**
       See Minute 55.

   (ii) **Pensions Working Group Minutes – 14 April 2009**

   (iii) **FSSU – Annual Increase**

   (iv) **USS**

       16th Supplemental Amending Deeds of the current rules.

       Attached. Received the information and noted that it was not necessary to publish a Notice in Reporter.

3. **Sealings**

   Noted.

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**Paper No.**

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