Minutes of the meeting held on Wednesday 6 October 2010.

Present: The Vice-Chancellor in the Chair, Dr Clark, Ms Coutu, Professor Dissanaike, Mr Downer, Mr Du Quesnay, Professor Gamble, Mr Johnston, Ms Lowther, Mr Summers and Professor Young with the Administrative Secretary as Secretary, the Registrary, the Director of Finance, the Director of Estate Management and Dr Allen.

Apologies: Mr Chote

Mr Nick Cavalla, Chief Investment Officer, was in attendance for the business recorded under Minute 9.

The Committee congratulated Professor Gishan Dissanaike on his appointment to the Robert Monks Professorship of Corporate Governance and Mr Robert Chote, in his absence, on his appointment as the Chair of the Office for Budget Responsibility.

PART A: INTRODUCTORY

1. Procedure of the Committee – Declaration of Interest

Dr Clark, as a member of the Cambridge University Executive Committee of UCU, declared an interest in matters relating to academic employment and pay. Otherwise, no personal or prejudicial interests were declared.

2. Minutes

Subject to a correction of the interest declared by Dr Clark, the Minutes of the meeting held on 7 July 2010 were approved as a correct record.

3. 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.

4. Future business and work plan

An updated workplan for 2010-11 was received as Paper FC(10)109.
PART B: SUBSTANTIVE BUSINESS

5. Accounts

Quarterly Management Accounts 2009-10

The Management Accounts and Summary Financial Reports by School for 'Little U' for the 12 months to 31 July 2010 were received as Paper FC(10)87. 'Big U' financial statements would be submitted to the Finance Committee Business Sub-Committee at its meeting on 3 November, with final draft Reports and Final Statements being considered by the Finance Committee at its meeting on 17 November and by the Audit Committee at its meeting on 18 November. The Council would be invited to consider and approve the final Report and Financial Statements at its meeting on 22 November.

Trends continued as reported throughout the financial year. Revenue had levelled off. Research grants and contracts activities had slowed and overhead recovery on research grants and contracts was, again, adverse to budget. The profile of research grant income had shifted slightly with an increase in funding from UK charities and a drop in that from the research councils; this had, inevitably, impacted on FEC recovery. There was some increase in student fee income which now represented a slightly greater element in the overall revenue mix. There had been an increase of £93m in the investment assets value.

Expenditure was below budget and down on the equivalent figures for the 2008-9 financial year. There had, in the final quarter, been a marked reduction in expenditure against previous forecasts with significant savings being achieved on both pay and non-pay costs. Institutions had responded positively to prognostications about future financial stringencies by keeping posts vacant and controlling discretionary spend on non-pay costs. Further, there had been an increased use of non-Chest funds (donations and trust funds) to meet core costs. The resulting positive expenditure line accounted for an overall operating surplus of £12m (up from £9m in 2008-9) of which £9m had been achieved in Faculties and Departments. A surplus of £29m would be retained in general reserves; this sum represented only 4% of turnover.

The Committee queried the nature and the extent of the impact (particularly on research activities) of the actual reduction in expenditure on posts and on non-pay costs. The implications for Faculties and Departments would be established during the planning round. It was important to safeguard the University's research position in a competitive international market and to ensure that it was well-placed to compete for increasingly limited Research Council funding.
It was agreed that the modest operating surplus for 2009-10 did not raise any particular presentational issues; there were no illusions anywhere in the University about the seriousness and uncertainty of the University’s financial position.

The Committee would consider the assumptions for the 2011 Budget Report during Lent Term.

Action: Director of Finance

6. HEFCE

The Committee received the following HEFCE documentation:
(i) Model Financial Memorandum between HEFCE and institutions (Paper FC(10)96);
(ii) HEFCE Circular letter 19/2010 – Accounts Direction to higher education institutions for 2010-11 financial statements (Paper FC(10)97);

The Vice-Chancellor drew the Committee’s particular attention to the paper concerning the relationship between HEIs which are exempt charities and their subsidiary, associated or linked charitable entities. This represented a significant new regulatory responsibility for the University.

Action: Director of Finance

7. Board of Scrutiny

The Annual Report of the Board of Scrutiny was received as Paper FC(10)99. The Committee noted that the Report would be the subject of a Discussion on 12 October 2010 and that the University’s response to the Report would be approved by the Council and subsequently published.

Action: Registrary, Administrative Secretary

8. Financial Strategy

The Committee received the following documentation:
(i) Financial Strategy Steering Committee (FSSC) – progress report (May 2010) (Paper FC(10)100);
(ii) Minutes of the meeting of the Financial Strategy Steering Committee (FSSC) held on 7 July 2010 (Paper FC(10)101);
(iii) Strategy Papers considered at Council’s Strategic Meeting (Paper FC(10)102).
The Senior Pro-Vice-Chancellor drew the Committee’s particular attention to the three papers which had been discussed at the Council’s Strategic Meeting on 21 and 22 September 2010.

The paper on general financial strategy (B1) provided updated financial projections and set out the assumptions for the current planning round. In particular, the assumed cuts in HEFCE income had been increased from 9% over three years to 20% over four years. It would be necessary to review regularly the assumptions over the coming year particularly in the context of the outcomes of the Browne Review and the Comprehensive Spending Review and the University’s analysis of the financial implications. It was not appropriate to speculate on those outcomes or on the impact of the changes to the default retirement age until that legislation was confirmed. However, it was likely that significant flexibility would be required both of the University and of the Colleges in their interaction with the University, particularly on the question of student numbers.

The paper on student numbers strategy (B2) set out various important questions about fee structures and the future profile of the student body. It considered the balance between Home/EU and Overseas students; between Arts and Science students; between undergraduate and graduate students; and between PGT and PGR students. It was recognised that these two latter cohorts posed significantly different sets of issues both for Colleges and for the University. The Council had agreed to turn its previous planning assumption of a 2% p.a. growth in graduate student numbers into a stated target. There were significant implications of the recent decision by Research Councils not to pay college graduate fees after 2011. This matter would be the subject of ongoing discussion with the Colleges. It would be important, in the University’s negotiations with the Research Councils, to emphasise the quality of its PGR provision and to evidence it through a strong record on completion rates. It was noted that Schools set targets for student numbers (by discipline and course of study) as part of the planning round.

Paper B3 outlined the significant work which had been undertaken in establishing a capital expenditure strategy and a capital plan over the past year. The Council had, on the basis of competitor analysis and academic/infrastructural need, recognised the need for ongoing investment in capital and had agreed a target annual spend of 3.5% of income on buildings and 1.5% on equipment. External borrowing was likely to be necessary, particularly in respect of projects involving a number of departments and activities (particularly on the New Museums Site). Individual business cases were required for each project; it would, however, be important to take into account the intangible benefits (such as staff recruitment and retention; an increased capacity to generate research income; and national and international competitiveness); as well as the more direct financial costs and benefits.

Action: Senior Pro-Vice-Chancellor, Director of Finance
9. **Investments**

Mr N Cavalla, Chief Investment Officer, attended for this item.

(i) **Cambridge University Endowment Fund 2009-10**

The Committee received the following documentation:

(i) The Cambridge University Endowment Fund Investment Report for 2009-10. (Paper FC(10)103);

(ii) CUEF financial statements for 2009-10 (Paper FC(10)104).

Mr Cavalla reported that the value of the endowment had risen by 19.2% in the year to 30 June 2010 which compared favourably with competitors in the UK and the US. The CUEF had outperformed the traditional benchmarks. He did not intend to provide the F & C comparison in future reports. He reflected on the market environment and described the current CUEF asset allocations strategies and targets. He noted that two Colleges had invested in the CUEF in June 2010 and that assets from the Gates Trust were received in September 2010. There was now £1.3 billion in the CUEF as a whole. The Investment Office team was at full strength and there were, at present, no plans for expansion. The direct departmental costs remained significantly below the agreed cap of 25bps of the fund value.

The Committee welcomed the report. On a presentational matter, it was suggested that future papers might usefully include a breakdown of units by holder and expanded versions of the net assets and distribution tables. It was noted that the paper was confidential to the Committee; however a summary annual report was provided to investors.

*Action:* Director of Finance, Chief Investment Officer

(ii) **Investment Board**

The Minutes of the Investment Board meeting held on 16 September 2010 were received as Paper FC(10)105. The Director of Finance drew the Committee’s attention to the matter considered under Minute 4 ('Venture/Growth Capital in Cambridge'). The Committee supported the Investment Board’s conclusion that it was not appropriate for venture/growth capital opportunities to be pursued through CUEF. Further, there was not an alternative suitable University vehicle through which such opportunities might be pursued.
(iii) Investment Board – Membership

The Committee received Paper FC(10)106 and agreed to recommend to the Council that Mr Robert Wallace and Mr Jeremy Hosking be appointed to the Investment Board with effect from 1 January 2011.

Action: Director of Finance

10. North West Cambridge

The Committee received the following documentation:
(i) Minutes of the meeting of the NW Cambridge Project Board held on 26 July 2010 (Paper FC(10)107);
(ii) A summary of current Financial Appraisal (Paper FC(10)108)

Mr Johnston, as Chair of the Project Board, reported. A green paper had been published in the Reporter on 25 June 2010. There would be a Discussion on Tuesday 12 October 2010 to which Council would respond in a Report later in the term. Graces for the adoption of the master plan and the proposed governance arrangements would be submitted in December or January. An application for outline planning permission would (subject to approval by the University) be submitted thereafter. It was hoped that detailed planning consent could be achieved in July 2011.

The financial appraisal summarised the potential value to the University of the project and the main areas of expenditure. It also provided an analysis of assumptions and sensitivities. The Project Board reviewed the financial summary and model on a regular basis. It had also recently been subject to a review by the University’s Internal Auditors for a view of its appropriateness and soundness of purpose. As presented, the model showed encouraging signs, especially when subject to the sensitivity tests. Nonetheless, it was recognised that strategic and academic need were the main drivers for the project and the basis, ultimately, on which the decision to proceed would be made.

It was noted that the Public Inquiry into the proposed improvement works on the A14 had been deferred. There would be significant implications both for the timetable and potentially for the cost of the North West Cambridge project should the government decide not to go ahead with those works or defer them for a period of time.

Vice-Chancellor
17 November 2010
Finance Committee 6 October 2010: Straightforward and reported business submitted for decision or report

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

   - **Buildings Committee** – 30 June 2010
   - **Audit Committee** – 8 July 2010
   - **Planning and Resources Committee** – 14 July 2010
   - **Board of Cambridge Enterprise Limited** – 14 June 2010.
   - **Pensions Working Group** – 17 August 2010
   - **Assessment Sub-committee** – 29 June 2010, 14 September 2010

   **Noted.**

2. **Committees - Membership**

   (i) **University Farm Committee of Management** – nominated Mr A. Crouch J

   (ii) **Fitzwilliam Museum Enterprises Limited** – nominated Miss N Walker as a director.

   (iii) **Judge Business School Executive Education Limited** – recommend that the Council appoint Dr. Jennifer Barnes.

   (iv) **Cambridge Investment Management Limited** – recommended the Council to appoint Sir Leszek Borysiewicz (subject to FSA approval) to the Board *vice* Professor Dame Alison Richard.

   **Approved the nominations**

3. **ADC Theatre Manager**

   **Approved**