Minutes of the meeting held on Wednesday 7 July 2010.

Present: The Vice-Chancellor in the Chair, Mr Chote, Dr Clark, Ms Coutu, Mr Downer, Mr Du Quesnay, Professor Gamble, Ms Lowther, Mr Summers and Professor Young; with the Registrary (for part of the meeting) the Administrative Secretary (for part of the meeting), the Director of Finance, the Director of Estate Management and Dr Allen.

Apologies: Dr Dissanaike, Mr Johnston,

Mr Kerry Sykes, Deputy Director of Finance, was in attendance for the business recorded under Minutes 61 - 70.

On the proposal of Ms Coutu, the senior external member of the Committee present, the Committee expressed its warm gratitude to the Vice-Chancellor for her outstanding leadership of the Finance Committee over the past seven years.

PART A: INTRODUCTORY

57. **Procedure of the Committee – Declaration of Interest**

Dr Clark, as a researcher in the field of clinical medicine, expressed an interest in the matter recorded as Minute 61 (Taxation). Mr Downer, Ms Lowther, Mr Du Quesnay and Mr Summers, as College Bursars, declared interests in respect of the matter recorded as Minute 70 (West Cambridge Sports Centre).

58. **Minutes**

The Minutes of the meeting held on 28 April 2010 were approved.

59. **Straightforward and reported business: agenda items starred as straightforward**

A paper of 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.
60. **Future business and work plan**

The following were received and approved:

- Paper FC(10)70 Updated statement for 2009-10
- Paper FC(10)71 Proposed work plan for 2010-11
61. **Taxation**

Mr Sykes, Deputy Director of Finance, attended for this item. A paper about the current University tax issues was received as Paper FC(10)72. The Committee noted the University’s tax position, as part of its annual review of taxation and confirmed the University’s approach.

**Action:** Deputy Director of Finance

62. **Insurance**

**Renewal 2010**

Mr Sykes, Deputy Director of Finance, attended for this item. A paper about proposals for insurance renewal was received (Paper FC(10)73). The renewal of the insurance programme showed an increase of 12.76% which was attributable to increases in the University’s activity and size; to greater activity in the area of travel insurance; and to a correction of an error in the 2008-9 declaration. There would be a tender exercise for advisors during the forthcoming year.

A review of clinical research activities had indicated that the current cover no longer met the Clinical School’s requirements. An alternative policy had been identified; the underwriters were a Lloyds syndicate called Newline which had extensive experience in this specialist insurance field. Their policy provided better cover and was wider in scope; it would meet all of the Clinical School’s requirements in terms of both standard and non-standard risks. It was, however, more expensive. Clinical School research projects currently paid for the required clinical trials insurance. This was not the case for most of the comparable research carried out elsewhere in the University, although additional premiums were charged to departments undertaking activities which fell outside normal cover. There was some capacity for some clinical projects to incur significant costs if they were based overseas or involved higher risk activity. These factors required consideration in determining an appropriate funding mechanism.

The Committee agreed:

(i) to approve renewal of the insurance programme with the current insurers in all areas except those associated with clinical research;

(ii) to move the existing clinical trial policy to Newline;

(iii) that the University should, for clinical research, meet the insurance costs associated with the standard risks but that the Clinical School should meet all additional costs associated with non-standard (including non-UK) risks.

**Action:** Deputy Director of Finance
At its April meeting the Committee had received a presentation on the Estates Implementation Plan (including proposals for developing the New Museums site and related projects) and had agreed that a draft capital plan which addressed wider estate issues (including the Downing Site, the Addenbrookes biomedical campus and enhancements to the Engineering Scroope Terrace site) should be submitted to the Finance Committee. The first draft Capital Plan was accordingly received as Paper FC(10)74.

The Senior Pro-Vice-Chancellor reported that work on the plan had been initiated by the discussion at the Council’s away day in September 2009 and carried forward jointly by the Estate Management and Finance Divisions. The paper was an assemblage and a financial analysis of the estate plans and infrastructure aspirations of all Schools and Institutions. It was submitted to the Committee as a first iteration on which comments would be welcomed; it would then be considered by the Planning and Resources Committee before consideration by the Council.

The paper set out the historical context; the current approach to capital planning; and the funding source considerations. The University had traditionally funded capital projects from donations; from HEFCE capital funding streams; from cash-reserves; and from the operating budget. In the context of an increasing constraint on public funds and the need to undertake projects involving a number of departments and activities (such as the principal central site proposals) which could not be funded on an individual basis, it was now important to consider the capital plan as a framework for external borrowing.

The Senior Pro-Vice-Chancellor drew the Committee’s particular attention to Table 4, which set out a forecast of buildings expenditure from 2009-10 to 2023-24 by School, Site and project status (current, approved, concept registered, aspirational) and to Table 8, which set out forecasted expenditure against anticipated funding. This latter table indicated a funding gap of about £100m over the 15 year period, primarily for funding requirements for development of the New Museums Site.

The Committee was asked to consider the financial elements of the draft Plan; it was not asked to approve the substantive contents of the Plan. The Planning and Resources Committee would require a business plan (including information about the capacity for income generation) in respect of each individual project. All major projects would be subject to approval by the Regent House. There had been no attempt at present to prioritise projects, but, rather, to set out all possibilities. In considering the proportion of the proposed spend which was focussed on the New Museums Site, it was noted that if the Site were not to be redeveloped it would still be necessary to spend significant sums on maintenance and upgrading. The activities on the Site
would need to be accommodated anyway and it was important that the University retained a significant presence in the city centre. In a competitive world HE environment, it was important that the University invested in its estate and infrastructure and made best use of available space.

Subject to these comments, the Committee agreed to send the paper to the Planning and Resources Committee for comment and, subject to that, to the Council.

**Action:** Senior Pro-Vice-Chancellor, Director of Finance, Director of Estate Management

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64. **External Finance: draft Report of the Council**

The revised draft Report of the Council on external financing for the development of its land holdings in North West Cambridge and other building projects was received (Paper FC(10)75). The draft Report, with changes tracked from the version considered at the Committee’s meeting on 28 April 2010, sought approval in principle from the Regent House for external borrowing for the capital programme should such borrowing prove necessary and the market favourable. The circulated documentation now set out the potential financing requirements for the North West Cambridge project and the Estate Implementation Plan and the case for external financing earmarked for, but not restricted to, these projects.

It was important (as recorded as Minute 63) clearly to differentiate between approval in principle for borrowing to support capital (and other) projects, from approval for the projects themselves, which would be sought separately and by project. The draft Report did not commit the Regent House to either the North West Cambridge Project or to any of the projects in the Capital Plan.

The North West Cambridge Project was a distinct, ring-fenced project (with separate governance arrangements) which sat alongside the other elements of the Capital Plan. The premise of the Report was that borrowing would permit some degree of financial independence from public funding; facilitate long-term planning and assist the University to maintain a competitive advantage.

The projects set out in the draft Report were, therefore, illustrative rather than exhaustive or prescriptive. It was important to recognise that the £100m set out in the Report, additional to the funding needs of the North West Cambridge development, would not finance the whole of the Capital Plan.

Subject to these comments, the Committee agreed to send the paper to the Planning and Resources Committee.

**Action:** Senior Pro-Vice-Chancellor, Director of Finance
65. Deposit Account

The University’s Cash Balances and Authorised Investment Limits

(i) The Committee received (as Paper FC(10)76) the current report on the University’s cash balances and authorised investment limits.

(ii) The Committee agreed to remove the temporary measures agreed in October 2008 (and reconfirmed in October 2009) and to approve the proposed Authorised Investment Limits policy as set out in Paper FC(10)77, to be reviewed annually.

(iii) The Committee received and approved a proposal (Paper FC(10)78) to invest £50 million of surplus cash in CUEF. It was agreed that future iterations of the paper should include information about the relationship between the cash balances and the University’s expenditures.

Action: Director of Finance

66. Accounts

Management Accounts 2009-10

The Committee received the Management Accounts (Paper FCBC(10)33) for the third quarter 2009-10 which had been considered in detail by the Business Sub-Committee on 2 June 2010, together with a summary statement to May 2010 (Paper FC(10)79).

The Director of Finance reported that trends continued as previously reported. Staff costs were £7m favourable to budget primarily as a result of Schools and Institutions holding posts vacant. Operating expenditure was £5m favourable to budget. There was an underspend on administered funds, including utilities. Income from research grants and contracts remained ahead of budget. There was, however, a significant (and growing) adverse variance against budget on the contribution to indirect costs from research income.

67. Financial Statements

Review of Accounting Policies

The Committee received Paper FC(10)80 and approved the accounting policies proposed in it to be applied for the 2009-10 financial statements.

Action: Director of Finance
68. **Pensions**

**CU Assistants’ Contributory Pension Scheme (CPS)**

The minutes of the meeting of the Pensions Working Group held on 24 June 2010 were received as Paper FC(1)81. The Registrary reported that the representatives of the recognised trades unions had requested that a Special Joint Negotiating Committee be established to discuss the proposals, in accordance with the Ordinances (p125-6). It was noted that there was no requirement under the law for the University to negotiate to agree with union representatives. Nonetheless, there was an obligation to consult with the representatives of the staff affected. Legal advice was being sought on the most appropriate way forward. This process and the subsequent discussions that would be necessary would delay the timetable for initiating the formal consultation process with all the staff affected. In the meantime, the Pensions Working Group was giving serious consideration to the form of that consultation process with a view to ensuring that it followed best practice and was fair, full and informative.

**Action:** The Registrary

69. **North West Cambridge**

The Committee received a report from the NW Cambridge Project (Paper FC(10)82) requesting approval for additional funding of £1,678K. The Committee noted that the original budget had been predicated on the basis of a September 2010 submission of the outline planning application and that the budgeted funds were sufficient for that timeframe.

The current warrant (for £7,293K) had been intended to fund development of the masterplan and all work up to and including the submission of an outline planning application by the end of September 2010. Given the complexity and scale of the project, it had proved necessary to engage to a significantly greater extent with city and county planning officers than had been anticipated. Further, the recent suspension of the A14 improvement works, subject to the outcome of the spending review in the autumn, necessitated additional transport modelling and an assessment of the consequent increased risk. These considerations meant that it was no longer possible to complete the work to the original timescale. It was now anticipated that work on the development of the outline planning application would be completed in November 2010, approval would be sought from the Regent House in December 2010 and, assuming that approval was forthcoming, the application would be submitted in January 2011. The requested additional funding would facilitate this work and would also cover the period during which the application was being considered by the planning authorities (January–July 2011).

Preliminary feasibility work on a possible Phase 1 would be carried out at the same time.
The Committee approved the additional funding for the purposes set out in the paper.

Action: Registrary; the Director of Finance

70. West Cambridge Sports Centre

The Committee received as Paper FC(10)83 a case for making funding available for the development of the Sports Centre at West Cambridge. The Chair of the Sports Syndicate reported that the proposal was strongly supported by the Syndicate. The West Cambridge Sports Centre was a long standing project which had been approved by the PRC and in respect of which full planning permission for a three-phase £46m project had been granted in 2002. A business plan, predicated on the assumption that funds would be realised as part of the 800 campaign, had been produced in 2004.

She noted that the current business plan, which related only to Phase 1 of the project, focussed on the capacity of the Sports Centre to generate sufficient income to service an internal loan. Phase 1, which included a multipurpose sports hall and a fitness facility, could be realised at a cost of £16m. It was conservatively estimated that £1m could be realised from the sale of Fenners. The Director of Development considered that it was reasonable to seek up to £5m through benefactors as a contribution to the total capital costs. The Finance Committee was therefore asked to consider whether it would, in principle and subject to the scrutiny of the business plan by the Planning and Resources Committee and other University bodies, agree to the making of a loan of £10m for the Sports Centre. Such a loan would represent a clear commitment to the project on the University’s behalf which would be vital in approaching donors both for this initial Phase and for Phases 2 and 3 (which included a swimming pool and indoor tennis facilities). The need for a University Sports Centre was clearly established; it was now a question as to how that could be achieved.

In the course of discussion, it was noted that a conservative assessment of the Centre’s capacity for income generation suggested that a loan of up to £15m could be serviced in perpetuity on an interest only basis should the full £5m of donation funding not be forthcoming. The business plan figures suggest that, when all costs, income and accruals, and cash flow were considered, repayment of a £10m loan would be achieved within 20 years.

It was noted that the Colleges had not yet been consulted about the proposed College contribution. A case would be made on the basis of the potential for savings which individual Colleges could make as a result of the provision of a central sports and fitness facility. There might also be some possibility to replace some of the existing capitation fee. In any case, the total extent of this proposed contribution represented a small proportion of the overall project cost and was not, therefore, central to the overall viability of the business plan.
In considering the potential for fundraising for the potential project, it was noted that there were alumni and other supporters who would not want to support the University’s academic activities but might be willing to donate significant funds for a Sports Centre.

The Committee agreed, in principle, to approve a Chest loan of £10m for the Sports Centre development subject to approval of the project by the Planning and Resources Committee (which would be responsible for scrutiny of the business case) and other University bodies and by Grace of the Regent House. A paper would be submitted to the Planning and Resources Committee in due course.

**Action:** Director of Finance

### 71. Financial Strategy

(i) The Committee noted that a meeting of the Financial Strategy Steering Committee would follow the Finance Committee to review progress of work streams. A report would be brought to the Finance Committee’s meeting on 6 October 2010.

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

(ii) The Committee received a copy of a letter (Paper FC(10)84) from the Senior Pro-Vice-Chancellor to Heads of Departments summarising the latest information about government funding for HE and announcing the formation of three PRC Working Groups to look at the costs and efficiency of the University’s academic departments and administrative services.

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

### 72. University Companies

(i) **Cambridge Enterprise**

The Committee approved the Annual Budget for Cambridge Enterprise Limited for 2010-11 (Paper FC(10)85) as required by the Memorandum of Understanding.

**Action:** Director of Finance
The Committee received the JBSEEL Budget for 2010-11 (Paper FC(10)86) as required by the Memorandum of Understanding. It was noted that the financial arrangements would be subject to review by the Finance Committee in December 2011 at the end of the first five years of operation.

Action: Director of Finance

Vice-Chancellor
6 October 2010
Finance Committee 7 July 2010: Straightforward and reported business submitted for decision or report

1. Finance Committee Business Sub-Committee

Minutes – 2 June 2010. To be approved at the next Sub-Committee meeting. For information

2. Committees

Received the Minutes from the following Committees:

- Audit Committee – 13 May 2010
- Buildings Committee – 12 May 2010
- Investment Board Minutes – 27 May 2010
- Value for Money Committee – 18 May 2010
- Purchasing Working Group – 25 February 2010
- West and North West Cambridge Project Board – 24 May 2010

Noted.

3. HEFCE

- Government Matched Funding Scheme – Approved Colleges’ share of matched funding.

4. Mileage and Subsistence

Travelling and Subsistence Allowances

For decision: Approved the recommended rates

5. Internal Loans

Annual Report

Noted Annual Report

6. Sealings

Noted