University of Cambridge

COUNCIL
Finance Committee

Minutes of the meeting held on Wednesday 8 March 2006.

Present: The Vice-Chancellor in the Chair, Professor Chase, Dr Clark, Dr Dissanaike, Professor Hunter, Mr Johnston, Mr Larkum, Ms Lowther, Professor Minson, Dr Nicholls, Dr Reid and Mr Thompson, with the Administrative Secretary as Secretary, the Director of Finance, the Registrary, the Academic Secretary and Mr Troupe.

PART A: INTRODUCTORY

17. Minutes
The minutes of the meeting held on 8 February 2006 were approved.

18. Straightforward and reported business; agenda items starred as straightforward
A paper listing straightforward and reported business was received and is attached to the minutes. One item was discussed (Minute 24). The Committee approved any matters for decision contained in the confirmed list of straightforward or reported business, and received the other material.

19. Vice-Chancellor’s Report

The Vice-Chancellor reported that:

(i) an article that appeared in The Times on 8 March 2006 stating that the University was to allow candidates to graduate without sitting any examinations was totally without substance;
(ii) the search for the Chief Investment Officer continued;
(iii) she had met a number of leading politicians across the political spectrum, including the Chancellor of the Exchequer; there was a general recognition that funding of teaching was still a significant issue; and
(iv) the Pro Vice-Chancellor for Planning and Resources reported on the HEFCE Grant letter for 2006-7; the block grant would increase by 5.4% to £167m, 3% above inflation. Within that funding for teaching had risen by 2.3% to £60m, a slight reduction in real terms, whilst funding for research had risen by 8.2% to £100m. Following the College fee transfer the additional grant money available to the University would be in the region of £6m. In addition there would be around £8m in new fee income,
£6.5m net after the provision of bursaries. The total new money would therefore be in the region of £12.5m. The Pay and Grading exercise was now believed to be likely to cost around £7.5m, rather than the £5m originally estimated, and energy costs had risen by £2m per annum.

20. Future business and workplan
An updated statement was received (Paper FC(06)30).

PART B: SUBSTANTIVE BUSINESS

21. Accounts

Management Accounts
Management Accounts for the second quarter 2005-06 were received (Paper FC(06)38). The Director of Finance presented the half-year’s results, highlighted the following and explained the variances against budget:

(i) overall the second quarter accounts were much in line with expectations;
(ii) revenue was up 6% over the equivalent period last year but slightly below budget;
(iii) expenditure was £12.7m below budget with non-pay expenditure (non-research) being level with the equivalent period last year; this was of some concern if necessary expenditure was not taking place;
(iv) the surplus/deficit was ahead of budget, at £1.8m deficit for the half year;
(v) capital expenditure was well below expectations with £19.8m being spent against a budget of £36m for the year to date;
(vi) net assets had increased by £74.4m to £1,676m;
(vii) Research Grants and Contracts revenue was up 10.8% on the same period last year, and direct costs were up 6.4%, mainly non-pay; overhead recovery was below expectations but this might be due to the phasing in of full economic costing;
(viii) staff numbers had increased slightly and staff costs had increased by 3.7%; however this was before the cost of implementation of the Pay and Grading exercise had been accounted for;
(ix) the level of debtors had reduced and the overall trend was downward;
(x) the Amalgamated Fund value was up 9.9% since 1 August 2005. The current arrangements for distribution were set by a formula agreed by the Committee previously, leading to stability and a smoother distribution. In the past special dividends had been paid in good years, this was no longer the case; and
(xi) the accounts for Cambridge and Oxford were remarkably similar, although benchmarking on the detail and with other comparable institutions in the UK and internationally would be useful.
It was suggested that budgets should be phased rather than pro-rata during the year, the Director of Finance was asked to progress this. Additionally the Acting Director of EMBS would be asked to comment on the apparent capital expenditure under-spend.

**Action:** Director of Finance, Acting Director of Estate Management and Building Service

22. **Deposit Account**
   (a) A paper on the performance of the Deposit account and proposing minor adjustments to the amounts allocated to external managers was received and approved (Paper FC(06)42).

   **Action:** Director of Finance

   (b) A paper giving an analysis of the Deposit account and policies was received (Paper FC(06)43).

   The discussion centred around the varying interest rates for different types of deposits and in particular the nil interest paid on deposits made when those sources of funds were deemed to be for current spend rather than to be accumulated. The policy had been introduced in 2003 as a result of the Finance Working Party recommendations and approved by the Finance Committee. Dr Nicholls and Dr Dissanaike declared an interest in relation to the Judge Business School.

   The Committee confirmed the current arrangements.

   **Action:** Director of Finance

23. **Estates**
    **North West Cambridge Site: Governance**
    A paper by the Registrary was circulated for consideration (Paper FC(06)41). The Registrary reported that:

   (i) following a meeting between pro bono alumni advisors, officers and Mr Johnston the paper would be significantly revised and brought back to the next meeting;
   (ii) a senior project director would, in due course, need to be appointed;
   (iii) the Planning Inspector’s decision was due in late Spring;
   (iv) those consulted thus far agreed that the University would need full professional help from outside from the preliminary project definition stage onwards, as the expertise was not available internally;
   (v) a fundamental strategic framework would need to be established early on to enable good management to be put in place;
a master plan would be developed for the site, housing being the recognised major priority;

it was likely that such a major project would be sub-divided into a number of smaller complementary projects; and

until a team was appointed the ongoing work would continue to be dealt with by EMBS and the Finance Division, under the guidance of the Registrary.

Action: Registrary

24. Pensions
   (a) CPS
   A paper about proposed changes in light of the Finance Act 2004 was received (Paper FC(06)35). After discussion the Committee approved the CPS Managing Committee’s particular recommendations and noted the other conclusions of the Managing Committee.

   Action: Head of Pensions Administration

   (b) CPS – Pensions Protection Fund Levy
   A paper about the CPS and the Pensions Protection Fund Levy, and possible means of reducing by pledging of assets to the CPS, was received (Paper FC(06)34). This item was not discussed due to time constraints.

   Action: Director of Finance

25. Investments
   (a) Venture Capital – sales of shares

   Paper FC(06)33 sought formal approval to dispose of the University’s shareholdings in a number of companies. The Committee noted that the decision to sell had been taken by the Ventures Board, but to enable the sale of these US-listed shares to take place, a formal resolution was required. Some members expressed concern about formally approving a decision that had already in substance been taken elsewhere.

   The Committee agreed:

   i) on the recommendation of the Ventures Board, the sale at the first opportunity of share holdings owned directly by the University in Cambridge Display Technology, Solexa and Galapagus;
   ii) that the Director of Finance be authorised to sell, assign or transfer the shares in the aforementioned companies; and
   iii) the corporate resolution form to execute the sale of shares.

   Action: Director of Finance

   (b) Cambridge University Fund I LP
Paper FC (06) 39 on the use of the University name in a fund for which the investors would be the University and certain Colleges was received. There was some concern that the University’s name may be misused. A Trademark agreement was being drafted by the Legal Services Office to prevent this. Only the University and Colleges would invest in the fund, and the name was therefore believed to be appropriate and would add value to the fund. The recommendation was approved.

A member suggested that a clause in the agreement along the lines of, “if 70% of investors propose a name change, a change can be imposed” could solve any particular problem about the proposed name. The Director of Finance would investigate this aspect further.

**Action:** Director of Finance  
Vice-Chancellor  
19 April 2006
Finance Committee 8 March 2006: Straightforward and reported business submitted for decision or report.

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<th>Paper No.</th>
<th>1. Sealings</th>
<th>List attached. <strong>For decision:</strong> to note</th>
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<th>Paper No.</th>
<th>2. Dates of Meetings</th>
<th>List attached. <strong>For decision:</strong> to approve the dates listed Actions: Ms Jones, University Draftsman</th>
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<th>Paper No.</th>
<th>3. Student Matters: Graduate Union</th>
<th>The sub-committee has not yet been able to meet <strong>Action:</strong> Administrative Secretary</th>
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<th>Paper No.</th>
<th>5. Buildings Committee Minutes – 25 January 2006</th>
<th>Attached. <strong>For decision:</strong> to receive the Minutes.</th>
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* Private and confidential