Minutes of the meeting held on Wednesday 8 October 2008.

Present: Professor Minson in the Chair, Professor Barker, Dr Clark, Ms Coutu, Dr Dissanaike, Mr Johnston, Ms Lowther, Mr Pratt, Dr Reid and Mr Summers, with the Administrative Secretary as Secretary, the Registrary, the Academic Secretary, the Director of Finance, the Director of Estate Management and Mr Troupe.

Apologies were received from: the Vice-Chancellor.

PART A: INTRODUCTORY

1. Procedure of the Committee – Declaration of Interest

   No declarations were made.

2. Minutes

   The minutes of the meeting held on 9 July 2008 were approved.

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 work plan for 2008-09 was received as Paper FC(08)133. The Committee noted that a meeting of the Business Committee would be held on Wednesday 5 November 2008 in the Council Room.

PART B: SUBSTANTIVE BUSINESS

5. Accounts

   (a) Management Accounts

   The Management Accounts for the 12 months to 31 July 2008 were received as Paper FC(08)123. The Director of Finance presented the papers.

   The Committee noted that:

   (i) the full year accounts for Grand ‘U’ would be submitted for approval by the Council on 24 November 2008, having been recommended by the Finance and Audit Committees;
(ii) the numbers were provisional at this stage and included some early estimates;
(iii) in terms of Little ‘U’ income was up 12.4% on 2006-07 at £676m;
(iv) expenditure had risen 9.4% to £655m;
(v) there would be an accounting surplus well above that budgeted. This was due to a number of factors. Most of the surplus had accrued in Schools and Departments;
(vi) indirect cost recovery for Research Grants and Contracts was adverse to budget but £9m ahead of last year. The adverse variance had been more than offset by an £11m transfer from Cambridge Assessment;
(vii) there had been a £100m reduction in investment assets value at the balance sheet date due to the problems in the financial markets;
(viii) accounting changes resulting in the capitalisation of heritage assets may add £9m to income; and
(ix) staff costs were adverse to budget but in line with expectations.

**Action:** Director of Finance

(b) **HEFCE**

HEFCE Circular letter 16/2008 – Accounts Direction to higher education institutions for 2008-09 financial statements was received as Paper FC(08)134.

6. **Assurance**

(a) **HEFCE Assurance Visit**

The Interim Report from the recent HEFCE Assurance visit and the University’s response were received for information, as Papers FC(08)135 and 136.

The Committee noted that the HEFCE report had been positive and posed some questions, particularly in relation to governance and additional assurance on the University/College interface. Following approval by the Council a response would be sent to HEFCE. Both the HEFCE report and the University’s response would be published once this had been agreed with HEFCE.

**Action:** Registrary, Administrative Secretary

(b) **Board of Scrutiny**

The Annual Report of the Board of Scrutiny was received as Paper FC(08)137 for information. The Committee noted that the report would be the subject of a Discussion on 14 October 2008 and that the University’s response to the report would be approved by the Council and subsequently published.

**Action:** Registrary, Administrative Secretary

7. **Financial Strategy**

A paper outlining the progress on developing a financial strategy for the University was received as Paper FC(08)138. Ms Coutu presented the paper.
The Committee noted:

(i) that on 7 May 2008 a paper proposing a process and objectives for developing a financial strategy for the University was considered. That strategy would draw strongly on the “Financial Framework and Strategic Directions” produced as one of the series of Council’s Strategic Directions;
(ii) the goal of the project was to improve the ability of the Finance Committee to support the University in evaluating the strategic impact of changes in its environment and in seeking to influence external stakeholders to the University;
(iii) the work undertaken to date;
(iv) the key objectives and strategic benefits that would result from the work;
(v) the proposed timetable and programme of activities, split into two phases, about which the Finance Committee would be consulted and informed;
(vi) it was likely that consultants would be engaged to provide professional help; and
(vii) the Project was timetabled to be complete by September 2010, however a first cut of the strategy would be available in September 2009.

Action: Ms Coutu, Registrar

8. Investments

Mr. N. Cavalla, Chief Investment Officer attended for these items.

(a) Investment Board

The Minutes of the Investment Board meeting held on 11 September 2008 were received as Paper FC(08)139.

(b) Cambridge University Endowment Fund 2007-08

The Cambridge University Endowment Fund Investment Report for 2007-08 was received as Paper FC(08)140.

The Committee noted that:

(i) the performance of the CUEF to 30 June 2008 was 7.1% down on the previous year. This included Investment Office and transitional costs;
(ii) in a difficult year for all markets with the exceptions of cash and government debt, the endowment performed slightly better than its historical charities benchmark. Nevertheless performance was well below the new long-term benchmark of RPI + 5.25%, reflecting the negative returns to equities and property (FTSE All-Share -12.9%; IPD UK Property -14.9%). Performance also suffered from a position in Northern Rock held by F&C (a cost of 0.8% to the fund);
(iii) the long-term asset allocation envisaged allocations to a more diverse set of asset classes: Global Equities 40%; Real Assets 23%; Private Equity 9%; Absolute Return 20%; Fixed Income 8%;
(iv) in November 2007 the securities assets of the CUEF were moved from F&C into the oversight of BlackRock and the custody of J P Morgan. By June 2008 the Global Equities part of the endowment was re-deployed to a set of 10 active equities managers and away from its previous focus on UK equities towards a Global benchmark (MSCI AC World). This shift in geographical emphasis was positive for the endowment;
by the end of August 2008, a total of 5.9% had been allocated to 7 hedge fund managers; an eventual allocation of 20% was envisaged. Allocations to private equity have increased fractionally to 1.6%, and a strategy has been agreed for the gradual increase in this total over the next few years. The Investment Office was very cautious about extending these allocations;

the distribution, by formula, for 2007-08 was £1.30 per unit. The distribution for 2008-09 was calculated to be £1.41 per unit. This represented an increase of 8.5%, being a yield of 4.05% on three years' average of unit capital values and of 4.25% on the unit value as at 30th June 2008; and

there were currently five staff in the Investment Office; the Chief Investment Officer was of the opinion that two more members of staff were required to reach critical mass.

(c) The University’s Cash Balances and Authorised Investment Limits

A paper proposing a temporary extension of authorised investment limits was received as Paper FC(08)141.

The Committee noted that:

the basis of the limits policy to date had been one of diversification across a number of counterparties with good credit ratings. However the current state of the financial markets was exceptional, and it was proposed that the limits be adjusted to allow greater concentration with named counterparties judged less susceptible to failure (in general the largest national banks) and by increasing the individual limits to make such deposits acceptable to those counterparties;

this would be a temporary measure to increase flexibility and included seventeen named major national banks where investment up to £100 million for up to 180 days would be allowed;

two Irish banks had been included in the list due to the guarantee of all deposits agreed by the Irish Government;

concentrating the University’s cash of over £300 million in a small number of banks could carry some risk but banks might not accept smaller deposits in the current circumstances; and

it was important that the governance and management arrangements for the matter were clear.

The Committee agreed that:

diversified deposits should be maintained, so far as practicable, but should be migrated as soon as possible to a selection from the seventeen banks presented to and approved by the Committee and that deposits might be concentrated in a small number of banks, should circumstances so dictate;

investment of up to £50m could be made in any of the seventeen banks on the list, except in circumstances where it proved impossible to make smaller deposits across a range of banks. In that case up to £100m could be placed with one bank. This policy would be reviewed in January 2009;
the total exposure to the two named Irish banks together was not to exceed £100 million, to limit exposure to Ireland;
(ix) the Investment Office/Director of Finance would jointly have discretion to move deposits between the banks on the list;
(x) the UK Government should be added to the list of approved institutions; and
(xi) reports on actions and status would be made to each meeting of the Finance Committee and its Business Committee. In exceptional circumstances an emergency meeting may be held.

**Action:** Director of Finance, Chief Investment Officer

9. **North West Cambridge**

(i) **Executive Group Report**

Deferred until the next meeting.

(ii) **Relocation of the Genetics Field Station**

A paper on the relocation of the Genetics Field Station was received as Paper FC(08)143. The Committee approved further expenditure of £1.77m as a charge to the NW Cambridge Development Project to fund the relocation of the Genetics Field Station. The loan from the Chest to the Project would be increased accordingly.

**Action:** Project Director

10. **Statutes and Ordinances**

**Proposed review of Statute F.III**

At its meeting on 9 July 2008, the Committee had considered a preliminary paper on the proposed review of Statute F.III and had agreed that the University’s financial powers under its Statutes needed to be unambiguous and up to date. Paper FC(08)144 represented a further development of the original paper and a draft of the revised Statute.

Ms Coutu declared an interest as a member of the CUP’s Finance Committee.

The Committee noted that:

(i) advice had been provided by Mills and Reeve;
(ii) the advice was weak in relation to possible regulation by the Financial Services Authority and whether extending the Endowment Fund to Colleges and other associated bodies would constitute a regulated activity;
(iii) consequential changes to Statute J, which governed the CUP were proposed and would require consultation with the Press Syndicate. These were necessary and were intended to maintain appropriate safeguards for the Council with regard to financial transactions undertaken by the Press; and
(iv) further work would be undertaken to bring forward a satisfactory draft of Statutes F and J, and any consequential amendments, for approval. The amended Statutes would then be submitted to the Privy Council with a view to them being
approved in the first half of 2009. Clearer legal advice was also required about regulation by the Financial Services Authority.

Action: Registry

Vice-Chancellor
19 November 2008
Finance Committee 8 October 2008: Straightforward and reported business submitted for decision or report

1. **Committees**
   Received and noted the Minutes from the following Committees:
   
   - **Buildings Committee** – 25 June 2008
   - **Audit Committee** – 10 July 2008
   - **Cambridge Enterprise Limited** – 23 June 2008

2. **Committees**
   (i) Loan Fund I Committee – to nominate Mr PJ Brindle (DAR)
   (ii) UAS Standing Appointments Committee – to nominate Mr S Summers (CTH) vice Mr Reavley.

   Approved the nominations.

3. **University Companies**
   
   Approved change of name of Cambridge Manufacturing Industry Links Limited to IfM Education and Consultancy Services Limited.

4. **Pensions**
   (i) USS – 15th Supplemental Amending Deed
   (ii) FSSU – Annual Increase

   Noted.

5. **Accounts**
   
   Loan Fund II: Annual Report

   Noted.

6. **Sealings**

   Noted.