Minutes of the meeting held on Wednesday 9 January 2008.

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

Apologies were received from: The Vice-Chancellor, Dr Clark and Ms Coutu.

PART A: INTRODUCTORY

24. Minutes

The minutes of the meeting held on 21 November 2007 were approved.

25. 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.

26. Future business and work plan

An updated work plan for 2007-08 was received as Paper FC(08)2.

PART B: SUBSTANTIVE BUSINESS

27. Financial Internal Controls

(a) Annual Audit Reports

The following Reports were received:-


The Committee noted that:

(i) the Audit Committee report was important, carefully drafted and was the Audit Committee’s view of the analysis of the control functions over which it had oversight. It also made a statement on the University’s governance arrangements;

(ii) the Audit Committee had discussed the periodicity, intensity and scope of internal audits with Grant Thornton and, in addition to the usual programme, they had been asked to seek value for money improvements through identifying redundant or over elaborate processes; and

(iii) the responses to the recommendations in the External Auditors’ Management Letter regarding IT had not been sufficiently urgent. A number of the recommendations had been implemented immediately whilst the remainder would be addressed in due course.

(b) Financial Regulations

The first draft revised Financial Regulations as part of the triennial review were received as Paper FC(08)17. The Director of Finance introduced the paper. The Regulations were the cornerstone of the University’s internal control and had been reviewed and updated following the last full review in 2005.

The Committee made a number of observations on the First Draft revised Financial Regulations about financial limits for purchasing; possible disciplinary action against staff who breached the regulations; allowances for entertaining; and where the section on “Authority” should appear in the Regulations. The amended regulations, following this meeting, would be circulated more widely for consultation, then brought back to the March meeting of the Finance Committee before being submitted to the Council and being published in the Reporter.

Action: Director of Finance

28. North West Cambridge

The Minutes of the meeting of the NW Cambridge Strategy Committee (NWCSC) held on 21 November 2007 were received as Paper FC(08)21

The Committee noted that:

(i) the appointment of a Project Director was moving forward;

(ii) it had been proposed that Phase 1 be developed in parallel with promoting the University’s Preferred Masterplan through the Area Action Plan process;

(iii) the Masterplan had been developed to address concerns expressed by the local authorities, whilst maintaining the benefits of the original proposals;

(iv) financial viability depended on a range of factors, however the figures now suggested the scheme was sufficiently financially viable to be progressed to the next stage;

(v) a draft Notice for publication in the Reporter was at an advanced stage and would be considered by the Business Committee. Next term work on the Fourth Report to the Regent House would begin;
a meeting of Bursars had taken place on 18 December 2007 to clarify the Colleges’ appetite for participation;

the University needed to determine the level of risk and profit it wanted from the project;

the project was proceeding on a much broader front than before and would need to be well defined by the middle of the year in order to start the project by early 2009. The costs of the project would escalate quickly; and

a further report would be received setting out the financial analysis with full cash flow forecasts.

**Action:** Registrary

29. **Pensions**

(a) **Pensions Working Group**

The Minutes of the meeting of the Pensions Working Group held on 5 December 2007 were received as Paper FC(08)8.

The Committee noted with concern that a significant number of new staff choose to opt out of the CPS. Staff should be informed of the benefits of the CPS on joining and annually.

**Action:** Director of Finance

(b) **Contributory Pension Scheme (CPS) Actuarial Report as at 31 July 2007**

The first annual valuation of the CPS, following the implementation of the Pensions Act 2004, was received as Paper FC(08)9.

The report was qualitative and broadly positive. The funding position of the scheme had improved. As this was an interim report the assumptions used had not been changed since the last valuation. There would be quantitative report in July 2008 when the assumptions would be reviewed.

(c) **Proposed Rule Changes to the CPS**

A paper setting out the proposed Rule Changes to the CPS was received as Paper FC(08)10. The Managing Committee of the CPS at its meeting on 7 December 2007 had agreed to accept the proposal made by the University to amend the benefits offered by the CPS to new entrants from a date to be determined.

The current level of benefits was higher than was likely to be sustainable in the long term and a small reduction in benefits for new future new members would be prudent. The changes would result in marginally less favourable benefits for new joiners than for existing members and would align the benefits of the CPS with the USS. The proposals would have to go to consultation facilitated by the Personnel Committee. Possible discussion about closing the CPS to new members in favour of the USS should not take place until the outcome of current national discussions about pensions in the HE sector.

**Action:** Director of Finance
30. **University Companies**

(a) **New subsidiary companies**

A proposal to incorporate limited liability companies to carry out the activities of the Cambridge Programme for Industry (CPI) in Australia and South Africa was received as Paper FC(08)18. The Director of CPI (Mrs Courtice) attended for this item.

The Committee noted the following:

(i) CPI, a non-School institution under the supervision of General Board, delivered a range of open executive programmes and tailored programmes for private sector companies;

(ii) expansion required more formal structures in Australia and South Africa;

(iii) it was proposed to incorporate two subsidiary companies, controlled by the University, in Australia and South Africa: Cambridge Programme for Industry (Australia) (retrospective approval) and Cambridge Programme for Industry South Africa. Papers and a draft Memorandum of Understanding were attached. CPI’s Management Board had approved the proposals;

(iv) the General Board, for its part, had considered the academic and other merits and risks of the Australia and South Africa activities in November 2007 and approved the proposal on the basis that CPI would submit a proper business case for the activity and that the risks to the University should be assessed and an account provided of how these risks would be managed. The relationship between each company should be governed by a Memorandum of Understanding clarifying the activities within the scope of the company, as was standard practice for all University subsidiary companies. This would include provision for a University representative independent of CPI;

(v) the advantages of a company are limited liability to the University, tax-exemption (if properly structured) and a clear operational and commercial identity. The disadvantages were compliance and other costs, and additional “control” concerns; and

(vi) if the Finance Committee’s approval in principle was given, the Memorandum of Understanding with each of the companies would be developed further and other legal documentation put in place (in particular covering other shareholders where required).

The Committee expressed grave concern that the Financial Regulations had been breached and a company set up in Australia without Finance Committee consent. The University’s interests needed to be protected and the risk balanced against the opportunity in order to protect the University’s reputation. For both companies a lot of work remained to be done in relation to the Memorandums of Understanding, the relationship with the external shareholders, financial and employment liabilities, accountability, company secretary functions, legal matters and how the University’s nominated members would take part when the companies were so far away. While there appeared to be a business case for the expansion of the activity, the resulting companies needed to be in an appropriate form. The existing Australian Company may need to be dissolved and another, more appropriate company set up. The Committee made a number of detailed points and asked the Registrary to find the most appropriate way of facilitating
the CPI businesses in Australia and South Africa. A revised paper would need to be brought back to the Committee before approval could be given.

Action: Registrary

(b) University Companies

The Financial Statements of the University’s wholly-owned subsidiary companies for 2006-07 were received as Papers FC(08)19 and 20.

The Committee agreed that, in future, the Chief Executive or Chair of each company should include a brief commentary to review the activities of the company over the course of the year and explain the financial statements.

Action: Director of Finance

31. Accounts

Management Accounts for ‘Little U’ for the first quarter of 2007-08 were received as Paper FC(08)1.

The Committee noted that the Management Accounts were broadly in line with budget, other than staff costs which were slightly above budget and likely to exceed the forecast for the full year. Capital Expenditure was showing some timing differences. A number of trend graphs and slight changes in format had been introduced.

32. Performance Indicators

A CUC Report on the Monitoring of Institutional Performance and the Use of Key Performance Indicators (KPIs) was received as Paper FC(08)4. KPIs could assist governors in discharging their responsibilities of oversight and were valued by Government and the Higher Education Funding Council for England (HEFCE). A small Cambridge group would be convened to consider the matter and would report back with options to the Committee in the Easter term. The aim was to have made considerable progress prior to the HEFCE Institutional Audit in the fourth quarter of the year.

Action: Registrary

33. Catering

The Report of the group to review Catering in the University was received as Paper FC(08)5. The Committee agreed that this item would be discussed in greater detail at a future meeting. In the meantime any comments on the report should be forwarded to the Registrary who was planning to submit a paper about the implementation of the recommendations of the report to forthcoming meetings of the Council and the Finance Committee.

Action: Registrary
34. Investments

CU Endowment Fund: Trading and Distribution Dates

The Committee had approved the Investment Board’s recommendation that the CUEF accounts to a 30 June year-end and that the Finance Division investigated changing the trading dates for units in the CUEF to calendar quarter ends. A paper on the proposed calendar quarter arrangements was received as Paper FC(08)3.

The Committee confirmed that:

(i) the trading dates for units in the CUEF as at calendar quarter-ends; and
(ii) distributions would be credited monthly (quarterly for external investors).

Action: Director of Finance

Vice-Chancellor
6 February 2008
Finance Committee 9 January 2008: Straightforward and reported business submitted for decision or report

1. **Finance Committee**

   **List of Sub-Committee**

   Received the list of Sub-Committees of the Finance Committee as from January 2008.

   For decision: Noted that those members whose names had been highlighted in bold were due to be re-appointed or replaced. Agreed provisionally to make the re-appointments indicated and to confirm the appointments at the next meeting in the light of further consultations.

2. **Committees**

   Received the Minutes from the following Committees:

   - **Planning and Resources Committee** – 21 November 2007
   - **Buildings Committee** – 5 December 2007
   - **Audit Committee** – 22 November 2007
   - **Purchasing Working Group** – 15 November 2007

   Noted.

3. **Sealings**

   Received.

   Paper No.

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