University of Cambridge

COUNCIL

Finance Committee

Minutes of the meeting held on Wednesday 10 May 2006.

Present: The Vice-Chancellor in the Chair, Professor Chase, Dr Clark, 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, The Director of Estate Management, and Mr Troupe.

Apologies for absence were received from Dr Dissanaike.

PART A: INTRODUCTORY

35. Minutes
The minutes of the meeting held on 10 May 2006 were approved after the last paragraph of Minute 30 had been corrected to read “incorporation of Cambridge Enterprise as a wholly owned company”.

The Vice-Chancellor reported that Dr Nicholls had indicated that she wished to resign at the end of the academical year. The Committee warmly thanked Dr Nicholls for her major contribution to its work, and for her other work for the University.

36. 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 any matters for decision contained in the confirmed list of straightforward or reported business, and received the other material.

37. Future business and workplan
An updated statement was received (Paper FC(06)82).

PART B: SUBSTANTIVE BUSINESS

38. Finance and Resources

(a) Allocations Report 2006-07 (2nd draft)

The Second Draft Allocations Report for 2006-07 was received (Paper FC(06)79), together with a note on sensitivities (Paper FC(06)80). The Pro-Vice-Chancellor for Planning and Resources presented the papers.

The Committee noted that:
the first draft of the Report had been considered by the Planning and Resources Committee, the Finance Committee and the Council, and minor changes had been made;

the Finance Committee had made no suggestions for changes to the figures in the first draft Report, but had asked for an analysis of the sensitivities about pay, research income and cost recovery, and energy costs;

there was particular financial concern that the forthcoming pay settlement might be higher than the 3% assumed in the plans. Whether research volume would continue to increase should 80% cost recovery be achieved was uncertain;

if a number of down-side scenarios were to occur there would be significant deficits in each year and a £19m deficit by 2009-10. However, this would be offset somewhat if there was lower than planned expenditure, as had been the case in 2004-05;

some discretionary allocations (Equipment/Science Capital, New Building Enabling Fund, and Strategic Reserve) had been built into the draft Report, building to £14m by 2008-09. Other sources of funding for these purposes were expected to be available (SRIF funding of around £60m and a transfer from UCLES to the Strategic Reserve of around £15m in 2008-09). These discretionary allocations, therefore, provided a measure of eventual balance against the down side scenarios;

substitutional funding resulting from the 800th Campaign was not built into the Report. Further work would be done on this through the year;

the level of uncertainties was small in terms of overall turnover, but deficits would reduce flexibility;

the report should include a comment stating that the Council had considered a range of sensitivities and had recognised there was a range of uncertainties, which may result in up to £5m variance on the surplus/deficit each year. The Pro-Vice Chancellor for Planning and Resources would also refer to the sensitivities during the Discussion of the Allocations Report. The paragraph on potential staff costs (page 2 of the report) should also be repeated in the “Uncertainties” section; and

the Report indicated that the HEFCE funding for widening participation had increased by 17% nationally, but was targeted differently. As a result of this national policy change, Cambridge had a reduction in such funding. The reduction should be quantified. It was noted, however, that notwithstanding the reduction in HEFCE funding, it was planned to maintain the same level of widening participation activity and this should be stated in the Report.

The Committee agreed, subject to the amendments above, to commend the draft Allocations, as revised, Report to the Council.

Action: Pro-Vice Chancellor for Planning and Resources, Head PRAO
Financial Strategy Discussion

A paper previously discussed at the Committee’s February 2006 meeting, which summarised the main questions and issues to be addressed in determining a financial strategy for the University, was received (Paper FC(06)28) together with the relevant Minute. The Director of Finance presented the Paper in the context of the current Allocations Report and the outcome of the 2005 Planning Enquiry.

The Committee noted that:

(i) a more substantial paper would be considered in September;
(ii) the paper identified financial yardsticks rather than performance indicators. As such the yardsticks did not measure performance. Useful performance indicators should also include non-financial performance as well as financial; and
(iii) the mix of investment in the main areas of people, physical infrastructure and financial, and the breakdown of income and expenditure needed to be addressed.

Action: Director of Finance

39. University Companies

Judge Business School Executive Education

Professor Dawson (Director of the Judge Business School) and Mr Tim Bellis (Interim Director of Executive Education, JBS) attended for this item. A paper proposing incorporation of a wholly-owned subsidiary company of the University to carry out the Judge Business School’s executive education activity was received (Paper FC(06)65).

The Committee noted that:

(i) the proposal was part of the Judge’s long-term business plan to transform itself into a world-class business school. The proposal comprised three elements:

- the incorporation of a private company to be called Judge Business School Executive Education Limited (“JBSEEL”), as a subsidiary of the University;
- the transfer to JBSEEL the executive education business of the Judge Business School; and
- thereafter, for JBSEEL to be the principal vehicle through which the executive education activities of the Judge Business School be carried out;

(ii) the long-term plan had the support of the Council of the School of Technology and the Director Designate of the School, Professor De Meyer, and would be considered by the General Board meeting on 10 May 2006;
the plan had three strategic aims - an increase in international reputation, revenue growth, and growth in volume;

executive education was a core component of any world-class business school and most competitor business schools delivered executive education through a subsidiary company. The company would be a commercial operation serving and aligned to the academic purposes of the Judge Business School;

the corporate structure would enable quick decisions;

the courses would be tailored to clients’ needs and would be non degree-bearing;

any profit would be returned to the University as gift aid, the initial destination being the Judge Business School, but this should be reviewed after 5 years;

a draft Memorandum of Understanding was included with the paper. A number of drafting issues were referred to: the agreement should be with the Chancellor, Masters and Scholars and the Company; subsequent arrangements should be between the Judge Business School and the University; clause 2.3 stated that JBSEEL’s activities should be consistent “if appropriate” with both the University’s and School’s relevant policies, and this qualification should be deleted; more detail on staffing arrangements should be included in section 7;

the number of staff employed by the company would be small as the teaching would be delivered by Judge Business School staff employed by the University. Staff numbers would reflect the volume of business, and the income generated; and

the Director of Finance would be the University’s nominated officer.

The Committee, for its part, agreed to recommend to the Council that the proposal to set up a wholly-owned subsidiary company of the University to carry out the executive education activity of the Judge Business School be approved, subject to the General Board’s comments on the academic case.

**Action:** Registrary, Director of Finance

40. Estates

**Development of North West Cambridge**

A paper by the Registrary with proposals for the governance, management and financial arrangements for the development of North West Cambridge was received (Paper FC(06)81). The Registrary presented the paper.

The Committee noted that:

(i) the paper reported progress. The outcome of the Planning Enquiry and a draft job description for the post of Project Director were attached, for information;

(ii) the main point was that the project could not move forward without a high level strategic committee;

(iii) a very significant amount of work needed to be done, which the Planning and Resources and Finance Committees, and the Council, did not have the capacity directly to undertake;
(iv) the Land Use Working Group should be replaced by a North West Cambridge Strategy Committee (NWCSC), reporting to the Council through the Finance Committee, and consulting the Planning and Resources Committee, as appropriate;

(v) the NWCSC should give early consideration to reviewing the masterplanning work; assessing the possible mix and quantum of uses on the site; establishment of a corporate vehicle through which the detailed planning and implementation would be undertaken; and the financial arrangements to fund the project, ensuring sufficient resources were in place during the early phase and beyond, without putting at risk the University’s operational budget;

(vi) in order to take the project definition stage further some early resource would be required. The paper proposed that a loan of up to £1.5m be made by the Chest to the project. Any spending from this would have to be approved by the NWCSC. The £1.5m would be paid back in the future from project revenues, however there would be some loss of interest to the Chest as a result;

(vii) members of the NWCSC would include “at least one external person with relevant commercial experience”. The Committee considered that for a project of this size and complexity this was insufficient. There should be several external members with a range of skills. The Council would make the appointments and take account of this observation; and

(viii) the NWCSC should report back in approximately 18 months with a concrete proposal on how to proceed on the best commercial terms. Frequent progress reports would be received in the meantime.

The Committee welcomed the paper and endorsed, in principle, the establishment of the NWCSC and the loan of £1.5m.

**Action:** Registrars

41. Accounts

The Cambridge Trusts

The Minutes of the meeting between the Finance Committee’s working group and representatives of the Cambridge Trusts held on 4 May 2006, and the accounts of the Trusts for 2004-05, were received (Papers FC(06)83 and 70). The Pro-Vice-Chancellor presented the Papers.

The Committee noted that:

(i) it had been highlighted in 2004 that the Trusts had been building up reserves rather than using most income as grants to students;

(ii) the Trusts had said that reserves needed to be built due to future commitments and as University funding was then on a year by year basis;
(iii) since 2004 a five year rolling University funding arrangement had been agreed and the Trusts were now moving to committing to awards almost all their income received;

(iv) the recent international students review had recommended that fewer students should be funded but at a higher level; this important recommendation should be acted upon, although this would be viewed as inconsistent with School aspirations to increase the numbers of overseas and graduate students. A review of graduate education was also scheduled to report soon;

(v) although the Trusts were a vehicle for the University to distribute funds to students, the University at present had little control over policy implemented by the Trusts. The Trusts should be engaged to ensure that they delivered the University’s plans for graduate education;

(vi) in order for the University to recruit the best graduate students, single offers of funding from whatever internal sources, including the Trusts would need to be available; and

(vii) the University was not obliged to route assistance to students exclusively through the Trusts and alternative vehicles may be used more.

Vice-Chancellor
7 June 2006
Finance Committee 10 May 2006: Straightforward and reported business submitted for decision or report.

<table>
<thead>
<tr>
<th>No.</th>
<th>Paper</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Sealings</td>
</tr>
<tr>
<td></td>
<td>List attached. <strong>For decision:</strong> to note</td>
</tr>
<tr>
<td>2.</td>
<td><strong>Student Matters:</strong> Graduate Union</td>
</tr>
<tr>
<td></td>
<td>The sub-committee will have met on 4 May 2006. <strong>For decision:</strong> to note</td>
</tr>
<tr>
<td>3.</td>
<td><strong>PRC Minutes</strong>* – April 2006</td>
</tr>
<tr>
<td></td>
<td>Attached. Attention is drawn to Minute 788, East Forum. The draft Report to the University on the East Forum and associated papers are also attached for information. <strong>For decision:</strong> to receive the Minutes and draft Report</td>
</tr>
<tr>
<td>4.</td>
<td><strong>Pensions</strong></td>
</tr>
<tr>
<td>(i)</td>
<td>FSSU: Supplementation of Pensions</td>
</tr>
<tr>
<td></td>
<td>71, 72&amp;73</td>
</tr>
<tr>
<td>(ii)</td>
<td>USS: 5th and 6th Deeds of Amendment</td>
</tr>
<tr>
<td></td>
<td>74,</td>
</tr>
<tr>
<td>(iii)</td>
<td>Loan Fund I Committee Minutes – 20 April 2006</td>
</tr>
<tr>
<td></td>
<td>75&amp;76</td>
</tr>
<tr>
<td></td>
<td><strong>For decision:</strong> to receive the documents</td>
</tr>
<tr>
<td>5.</td>
<td><strong>Mileage and Subsistence</strong></td>
</tr>
<tr>
<td></td>
<td>Travelling and Subsistence Allowances</td>
</tr>
<tr>
<td></td>
<td><strong>For decision:</strong> to approve the recommended rates</td>
</tr>
<tr>
<td>6.</td>
<td><strong>Buildings Committee Minutes</strong> – 15 March 2006</td>
</tr>
<tr>
<td></td>
<td>Attached. <strong>For decision:</strong> to receive the Minutes</td>
</tr>
<tr>
<td>7.</td>
<td><strong>University Reporter</strong> – Price Increase</td>
</tr>
<tr>
<td></td>
<td><strong>For decision:</strong> to approve the proposed prices</td>
</tr>
</tbody>
</table>

* Private and confidential