Present: The Vice-Chancellor, Professor Chase, Dr Clark, Dr Dissanaike, Professor Hunter, Mr Johnston, Mr Larkum, Ms Lowther, Dr Reid, Mr Thompson, Professor Minson (Pro-Vice-Chancellor and Acting Treasurer), with the Director of Finance, the Registrary, the Administrative Secretary, the Academic Secretary and Mr Troupe;

Apologies for absence were received from Dr Nicholls. Dr Dissanaike was welcomed to his first meeting.

7. MINUTES

The Minutes of the meeting held on 14 September 2005 were approved.

8. MATTERS ARISING AND REPORT ON ACTIONS

The Director of Finance reported on action taken following decisions at the last meeting.

The more detailed analysis of staff costs requested by the Committee (Minute 1,777(b)x refers) would be presented to the November meeting with the fourth quarter management accounts.

With regard to Item 6, Role of the Finance Committee: the Committee agreed to defer this item until the November meeting. The papers circulated to the September and October meetings would be re-circulated with alternatives on the shape of the agenda. The Committee needed to consider whether all items currently on the agenda should remain and the best way to adopt a format that reflected the style of the Council and General Board agendas.

9. ROUTINE BUSINESS

(a) Sealings.

The Committee received Note FC(05)100 and Paper FC(05)122 a list of sealings authorised by the Acting Treasurer under delegated authority since the previous meeting.
(b) *Future Business.*

The Committee received Note FC(05)104 and:

- Paper FC(05)127 The proposed flow of business for 2005-06.
- Paper FC(05)128 Work plans of the Council and the General Board.

The Committee confirmed the flow of business.

(c) *Uncompleted Business.*

The Committee received Note FC(05)108 and Paper FC(05)135 a list of Uncompleted Business.

Minute 1,682 - University Centre, facility at the New Museums site: the Committee noted that the Pro-Vice-Chancellor (Special Responsibilities) was to undertake a University-wide review of catering facilities. The terms of reference for the review would be received by the Finance Committee at its next meeting including membership, timescale and greater detail on the review itself.

(d) *Value for Money Committee.*

The Committee received Note FC(05)92 and Paper FC(05)109 the Unconfirmed Minutes of the meeting of the Value for Money Committee held on 30 June 2005 and agreed to take note of the information provided.

(e) *Buildings Committee Minutes.*

The Committee received Private and Confidential Note FC(05)94 and Paper FC(05)111 the Unconfirmed Minutes of the meeting of the Buildings Committee held on 6 July 2005.

Minute 05.59, Convenience Store at West Cambridge: a member expressed concern that the minute was suggesting that the store would need a subsidy or a rent free period. The member felt that the University, as a charity, should not be subsidising uneconomic ventures. The Registrary responded that the Council had accepted the need for the provision of basic shopping facilities and a cash dispenser at the site and the decision would not be based on purely commercial grounds. The Planning and Resources and Finance Committees would be asked to comment before Council reached a decision.
10. INVESTMENTS

(a) Investment Management.

The Committee received Private and Confidential Note FC(05)105 and:-

- Paper FC(05)129 A status report on progress
- Paper FC(05)130 Revised draft “letter of appointment” of Board members
- Paper FC(05)131 Revised draft terms of reference for the Investment Board
- Paper FC(05)132 Nominations for members of the Investment Board.

The Registrary commented that the recommendation regarding composition of the Board was now that there should be six to eight members: the Vice-Chancellor, one other internal member and four to six others. The Finance Committee would advise but the Council would appoint through the Nominations Committee.

The Committee noted the progress made to date and made the following comments:

(i) point (a) at the bottom of the first page of the appointment letter should read “agreed objectives” as opposed to “objectives”;

(ii) point 1 of the terms of reference should read six to eight members and under point 2, “the terms and conditions of” should be replaced with “matters concerning”;

(iii) points 2 and 3 of the terms of reference should read “shall normally be entitled to” as opposed to “shall be entitled to”; and

(iv) there was some discussion around the quorum, it was felt if one was to be set it should be adhered to.

The Committee considered nominations for the Investment Board. The people listed were leading figures in the investment world and had expressed an interest in helping the University in this area. The Vice-Chancellor and Director of Finance had met most of the individuals now being considered.

It was important to get the balance of expertise right between the Board members and the Chief Investment Officer, and to reflect the markets the funds may be investing in. A further consideration was the age profile of the Board.
The Committee was asked to keep the names confidential and to make comments on the nominations, which would be forwarded to the Nominations Committee on 17 October and the Council on 24 October 2005. Not all of the nominated individuals would serve on the Board initially but may at a later date.

(b) **Amalgamated Fund.**

The Committee received Note FC(05)107 and Annexes and noted that Council, on the recommendation of the Finance Committee, had proposed that the policy under which distributions from the Amalgamated Fund were made should be changed from an income-only distribution policy to a total return distribution policy. This change required amendment of Statute F, III, 6. The proposal had been approved by the University. The proposed Statute changes had been before the Privy Council for some months.

The Privy Council and its advisers (the Charity Commissioners in this case) had requested certain undertakings, as set out in Annex 1 (a letter dated 8 September 2005 from the Senior Clerk of the Privy Council to the University Draftsman).

A draft response to the Privy Council was received as Annex 2.

The Committee approved the response to the Privy Council.

**11. VENTURE FUND**

(a) **Seed Funding.**

The Committee received Note FC(05)101 and Paper FC(05)123, a report reviewing the progress of the seed funds since inception.

The Committee noted that the paper was for information purposes only. Two members commented that the paper was of limited value; it included inaccuracies and had aspects of poor presentation. The potential of the activity was not addressed in the papers on Cambridge Enterprise. It was reported that the Advisory Board of Cambridge Enterprise had concerns with the current approach and organisation of seed funding and was of the view that a new Director should address the issue.

(b) **Cambridge Enterprise.**

The Pro-Vice-Chancellor (Research) attended for this item. The Committee received Note FC(05)106 and Paper FC(05)133 and Paper FC(05)134.

Paper FC(05)133 The Reorganisation of Cambridge Enterprise.

The Pro-Vice-Chancellor highlighted the following:

- Cambridge Enterprise was separated from the rest of the Research Services Division last year;
- the recommendation that Cambridge Enterprise should carry out its activities within a wholly owned company of the University had some support at that time;
- there was an advisory board which was examining future prospects;
- the business plan was a dynamic document that does not tie Cambridge Enterprise down, it simply demonstrated that there was a viable future; and
- there were many issues that required examination going forward, however the issue today was whether to endorse the proposal that Cambridge Enterprise be operated through a wholly owned company prior to Council making the decision.

The Committee made the following observations:

(i) in setting up a single company the high and low risk assets would be in the same vehicle. Separating high and low risk assets into two separate companies should be considered;

(ii) the finances and income figures in the paper appeared to give a very positive view of Cambridge Enterprise, but greater clarity was required and in any case much of the income pre-dates the formation of Cambridge Enterprise or Cambridge University Technical Services (CUTS);

(iii) CUTS was originally created to channel inventors’ money to the University. One third of the income received would be channelled to the Chest. A major issue was whether it was legal for that money now to be directed to Cambridge Enterprise direct;

(iv) greater clarity on the relationship, financial and otherwise, between Cambridge Enterprise and the University was required in the memorandum of understanding that would be produced when the company was set up;

(v) Cambridge Enterprise currently received £1.2m from the Chest share of the royalties the University receives. The University needed a sound reason to give its support in this way;

(vi) it was intended that the subsidy (non royalty support) be phased out over the next 5 – 10 years;
although there would be additional costs associated with a separate company, this was the way the University needed to structure itself in order to carry out non-charitable trading; and

there were many other issues that still required consideration (human resources, transfer of assets etc). A considerable amount of time had not been invested or legal opinion sought up to this point until the direction of travel had been confirmed. This work was a project in itself.

The Committee endorsed the principle of setting up a separate company to carry out the activities of Cambridge Enterprise, and agreed that further work should be undertaken by way of a formal project in order to produce a complete proposal, including a memorandum of understanding between the University and Cambridge Enterprise. The Committee wished to see this complete proposal before giving a final endorsement.

12. ACCOUNTS

(a) Loan Fund II.

The Committee received Private and Confidential Note FC(05)95 and noted that no new loans had been granted during the period 1 August 2004 to 31 July 2005. There were at present 22 loans with outstanding balances amount to £41,547 (compared with 30 loans amounting to £66,226 at 31 July 2004). Repayment of all but two of these was being recovered by payroll deductions.

(b) Loan Fund II – the future.

The Committee received Private and Confidential Note FC(05)96 and:

Paper FC(05)112 A letter dated 23 August 2005 from Mr. Andrew Wood of Mills & Reeve to the Head of Pensions.

Paper FC(05)113 Summary of Conditions of Loan Fund II.

The Committee agreed:

- to establish a working group to consider the future of Loan Fund II;
- that until the outcome of any such review was known, in order to comply with legal and regulatory considerations the following conditions would be applied where an application for an advance from Loan Fund II met the terms and conditions:
1. interest on the advance would be payable at a rate equivalent to the Bank of England Base Rate plus one percent; and

2. that the borrower should not be required to take out a mortgage protection policy in connection with the advance.

13. PURCHASING

*Public supply, Works and Services Contracts Awarded in 2004.*

The Committee received Note FC(05)93 and Paper FC(05)110 the annual report to HEFCE on public supply, works and services contracts awarded in 2004.

The paper listed all contracts over £155k. Some departments had not followed the University’s Financial Regulations in this area. The Committee requested that the Director of Finance write to the relevant departments noting its concern.

14. PENSIONS

(a) *Second & Third Supplemental Amending Deeds of the current rules of USS.*

The Committee received *Private and Confidential* Note FC(05)97 and:-

- Paper FC(05)114 Second Supplemental Amending Deed of the current rules of USS, executed on 23 June 2005, together with a letter dated 3 August 2005 from the Pensions Policy Manager of USS Ltd.

- Paper FC(05)115 Explanatory Note to the second supplemental amending deed.

- Paper FC(05)116 Third Supplemental Amending Deed of the current rules of USS, executed on 4 August 2005, together with a letter dated 31 August 2005 from the Pensions Policy Manager of USS Ltd.

- Paper FC(05)117 Explanatory note to describe the proposed changes to the eligibility rules of USS, and the transitional arrangements which apply.
(b) USS Report and Accounts for the year ended 31 March 2005.

The Committee received Private and Confidential Note FC(05)98 and Paper FC(05)118, a draft Notice.

(c) Federated Superannuation System for Universities (FSSU).

The Committee received Note FC(05)99 and:

Paper FC(05)119 A letter dated 12 May 2005 from FPS outlining the potential changes which could be made to the rules of FSSU as a result of new legislation in the form of the Finance Act 2004 which will be implemented with effect from 6 April 2006.

Paper FC(05)120 Email from the University’s Head of Pensions to Ms Tilbrook at FSSU requesting clarification about the proposed changes.

Paper FC(05)121 Miss Tilbrook’s response of 29 July 2005 together with a copy of the draft deed to make these changes.

The effect of the changes would be that the surplus policy proceeds would be paid to the members rather than being returned to the University.

The Committee approved the changes to the FSSU rules.

15. UNIVERSITY FINANCIAL SYSTEM

Financial System Management Committee (FSMC).

The Committee received Note FC(05)102 and:


Paper FC(05)125 Unconfirmed Minutes of the meeting of the FSMC held on 21 September 2005.

(a) Dr Clark reported on the first meeting of the FSMC he had attended and made the following points:

(i) there was an ongoing problem with Oracle support. This was a problem for all Oracle users;

(ii) there was a project to introduce grants billing from the Oracle Grants module, to replace the current arrangements. This would put pressure on RSD;
(iii) in terms of reporting, although there were many standard reports, a common method was to extract data from the main financial system, place it in an Excel spreadsheet and manage separately. There was a layer of standard reports at the upper level but in many cases it was easier to do non-standard data manipulation or reporting in Excel (lower level work). It was not economic to customise reports down to grass roots level. Where the system required the most attention was in between the two areas and it was hoped improvements would be delivered in Spring 2006 as part of a datamart reporting system; and

(iv) the replacement for the RSD1A form for research grant application, pFact, required users to receive training from RSD.

The Committee thanked Dr Clark.

Vice-Chancellor
9 November 2005