The Vice-Chancellor congratulated the Director of Estate Management on his secondment to the Office of Government Commerce at the Treasury to take part in a review of building procurement in the public sector.

1. MINUTES

The Minutes of the meeting held on 13 July 2005 were approved.

2. MATTERS ARISING AND REPORT ON ACTIONS

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

3. INVESTMENTS

(a) Investment Management.

The Committee received Note FC(05)90 and Paper FC(05)106, an updated status report on progress along with the most recent drafts of the Terms of Reference for the Investment Board, and of the letter of appointment for Board members.

(b) The Director of Finance reported:

(i) good progress had been made on the search for the Investment Board chair and pool of potential members. It was anticipated that the Nominations Committee would make the appointments at its October meeting taking into account the views of the Finance Committee. In the case of the Investment Board members the chair of the Board would also have an input. There would be advantages in staggering the terms of appointment on Board members;

(ii) the accommodation for the Investment Office had been secured;
(iii) the Committee commented on the draft Terms of Reference and draft letter of appointment prior to a final draft being presented to the October meeting for approval. Detailed comments were made on conflict of interest and on the reporting lines of the Board;

(iv) the proposed arrangements for conflict of interest did not deal fully with the possible position of a member of the Board who had access to trading information e.g. one in an executive position in a trading operation. Examples of how other organisations dealt with this should be sought and the chair of the Board should be consulted once appointed; and

(v) the Committee considered that the appropriate model for reporting lines, and particularly setting asset allocation limits, was for the Chief Investment Officer to attend the Finance Committee to discuss and review guidance about proposed allocation limits as recommended by the Board; the Finance Committee would then advise the Council which would approve the limits; in future this might be delegated to the Finance Committee.

4. UNIVERSITY FINANCE

Financial Overview.

Professor Minson gave a presentation on the current finance landscape of the University and issues going forward for the 800th Campaign. The main points were:

(a) Key issues:
   • undergraduate education was under-funded and there was limited financial benefit in increasing overseas student numbers;
   • the University’s financial health was critically dependent on research quality and volume;
   • as the University’s core teaching activity accounted for a small proportion of its income there was potential for mission drift;
   • the current estate growth was unsustainable. There may be a case for reducing capital expenditure; and
   • as a result there was very limited capacity for investment in staff, students and facilities.

(b) Uncertainties going forward were:
   • pensions;
   • HEFCE policy on teaching funding;
   • the Government’s commitment to research funding and policy on undergraduate fees;
   • College fees; and
   • the state of the UK economy.
(c) Further work was needed on:

- the financial dynamics of post-graduate education (proportion of taught and research post-graduates, student support, nature of the changing market and which areas were loss making);
- further financial analysis of ‘other’ income and expenditure;
- further Capital Expenditure requirements; and
- full analysis of staff/payroll trends.

(d) Challenges and Opportunities (particularly in relation to the 800th Campaign):

- recruiting and retaining the best staff;
- providing improved student support;
- investing in libraries and collections; and
- renewing infrastructure and driving innovation.

(e) Meeting the Challenges - work in progress:

- developing budgets and financial accountability (local planning in a financial framework and analysis of support facilities);
- accurate costing and realistic pricing for teaching and research;
- using the University’s land bank to invest in affordable staff/student accommodation;
- enhancing the University’s investment performance; and
- investing in the 800th Campaign.

The Finance Committee agreed to consider the following during the year:

(i) investments and the Investment Board;

(ii) pensions;

(iii) the development of the North-West Cambridge asset, including development of affordable housing and consideration of transport issues;

(iv) better understanding of the capital budget and its intersection with the operating budget;

(v) the financial model;

(vi) CUP and UCLES;

(vii) with regard to the development of North West Cambridge it was proposed that a working group or project board, perhaps chaired by the Vice-Chancellor and with some members of the Finance Committee included, needed to be set up; and

(viii) members also agreed it would be useful to have a summary of major activities being undertaken by the other senior committees. The workplans of the Council and General Board would be a good starting point.
5. HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND

(Minute 1,796). The Committee received the following (re-circulated):

Paper FC(05)97 Proposed Financial Forecasts (Consolidated-Big U) to be included in the submission to HEFCE.

Paper FC(05)98 The underlying Little U forecasts.

6. FINANCE COMMITTEE

Role of the Finance Committee.

The Committee received Note FC(05)91 and:


Paper FC(05)108 The proposed flow of business for 2005-06.

The Committee had discussion on some of the aspects of this matter as recorded in Minute 4. Further discussion of the paper would take place at the next meeting. The Registrary would circulate a note that went with the presentation.

Vice-Chancellor
12 October 2005

Registrary