Minutes of the meeting held on Wednesday 14 September 2011.

Present: Professor Young in the Chair, Mr Chote, Dr Clark, Ms Coutu, Mr Du Quesnay, Dr Foster, Professor Hopper, Mr Johnston, Professor Lizieri, and Mr Summers with the Registrary, the Director of Finance, the Director of Estate Management and the Head of the Registrary’s Office.

Apologies: The Vice-Chancellor and Mr Downer.

Professor White, Mr Roger Taylor and Mr Paul Duffy, Mr Francis Burkitt and Ms Lucy Symondson, representatives from Rothschild, attended for the matters recorded as Minutes 68 and 69 respectively. Dr Foster, who would take up formal membership of the Committee on 1 October was welcomed to his first meeting.

The Vice-Chancellor, who was away on University business, had recommended that the Senior Pro-Vice-Chancellor be appointed to Chair the meeting under the provisions of Statute K,9(d). The Committee accepted that recommendation.

PART A: INTRODUCTORY

65. Procedure of the Committee – Declaration of Interest

Dr Clark, as a resident of North West Cambridge, and Mr Summers, as Bursar of a College with involvement in the NIAB project, declared interests in respect of the matter recorded as Minute 69 (North West Cambridge Project). Otherwise, no personal or prejudicial interests were declared.

66. Minutes

The Minutes of the meeting held on 6 July 2011 were approved subject to a minor amendment.

67. Straightforward and reported business: agenda items starred as straightforward

A paper listing straightforward and reported business was received.
The Committee approved matters for decision contained in the confirmed list of straightforward or reported business, and received the other material.

68. Future business and work plan

An updated workplan for 2011-12 was received as Paper FC(11)88.

PART B: SUBSTANTIVE BUSINESS

69. North West Cambridge

The Committee received an addendum report on Phase 1 of the North West Cambridge Project setting out a strategy and indicative proposals for Collegiate developments and market housing for rent. (Paper FC(11)89).

The Council, at its strategic meeting on 26 September 2011, would consider the academic and strategic case for the North West Cambridge Project and the commitment of resources in respect of the pre-development activities for the first phase of development. The Finance Committee’s views on the financial elements of the project would inform that discussion.

The Pro-Vice-Chancellor (Institutional Affairs) and the Director of the North West Cambridge Project reported.

The addendum report set out two major changes to the Phase 1 proposals in respect of University residential accommodation.

The first was for 280 graduate student accommodation units which, in combination with a proportion of the 530 University units proposed within the first phase of the development, would form the basis of a new college at the centre of the community. This college (with a working title of ‘Chancellor’s Hall’) would be based around a series of courts and would have communal spaces, shared amenities and other facilities. There was provision to expand the college in later phases or to establish adjacent college clusters which would share facilities and infrastructure and contribute to collegiate life. The proposal in respect of Phase 1 could be accommodated with the zones of flexibility in the parameter plans which had been submitted for planning approval. However, the proposed options for a later phase (Chancellor’s Hall North) would require an amendment to the masterplan. Such changes were an inevitable consequence of an evolving masterplan and were likely to be approved albeit potentially with additional conditions or changed obligations. It would be important, at an early stage, to establish a clear strategic brief for the college and, in particular, to confirm that the graduate student accommodation units would form a constituent part. Design and layout would be predicated accordingly.
Secondly, it was proposed that there should be a limited development (56 units) of mixed accommodation for rent, at market rates, to University staff. This proposal had the significant benefit of allowing the University to retain control of a complete block of land. It would be important to ascertain whether there were ‘benefit in kind’ tax implications for University staff renting University market housing.

The total additional Phase 1 construction costs were estimated at c.£26m (c.£19m for the graduate accommodation; c.£7m for University market housing) increasing the overall cost for that phase to £164m. The total additional costs for the Phase 1 pre-development activities were £1,216k (£860k for the graduate accommodation; £356k for University market housing).

In the course of discussion, the following points were made:

- The proposals for a college at the heart of the development were welcomed as an embodiment of the academic and strategic impetus for the project as a whole. It was an exciting opportunity to create a college based on a new model which might engage academic departments and funders of postgraduate research - including industry - more closely. Steps were being taken to identify a principal-designate to work with the project team and the Colleges’ Working Group to establish a strategic brief and financing for the project.
- The current financial modelling and base case for the college assumed no income from philanthropy. It was anticipated that the project would be attractive to donors. It was important that CUDO, in considering the focus for the new campaign, was fully engaged with the discussions around funding for this project.
- The Committee welcomed the proposals concerning graduate student accommodation. It was important that due consideration was given to the provision of accommodation for graduate students with families.
- It was recognised that the nature and the extent of the engagement of existing Colleges would vary considerably according to finance and strategic need. It would be important to establish the terms and opportunities for involvement in financing graduate accommodation as quickly as possible.
- It was important that the discussions around the provision of graduate accommodation on the North West Cambridge site were aligned with the current work on establishing planning numbers for the student population as a whole.
- Some further consideration might be given to the proportion of land to be sold for market housing and land to be retained by the University for rental housing. It was suggested that retention of the land might allow for expansion and flexibility in accommodating the University’s activities into the future and should therefore be viewed as an investment. It was recognised, however, that any rebalancing of the housing mix would necessitate significant changes to the financial model. Consideration would need to be given to the extent of the appetite for market housing and to outright sales versus long lease.
It was important to consider financing for the project in the context of the University’s overall financial position. Likewise, risk analysis and mitigation should take account of the wider and longer-term University picture. The proposed expansion of the project team for the Phase 1 pre-development activities would allow for more detailed risk assessment work.

In conclusion, the Committee confirmed its view, as stated at its meeting on 6 July 2011, that the financial appraisal was robust and indicated that the project was viable. On that basis, the Committee agreed to commend the proposals for Phase 1 of the project as amended by the addendum to the Council.

70 **External Finance**

The Committee received a paper prepared by Rothschild on financing considerations for the NW Cambridge development and the Capital Plan (Paper FC(11)90).

Mr Duffy reported that Rothschild’s Debt Advisory Department had been commissioned to advise on the financing of the University’s capital programme including the capital plan and the North West Cambridge Project. The introductory paper now before the Committee would be followed by a further and more detailed financing plan (informed by discussion at this meeting and at the Council’s strategic meeting on 26 September 2011) which would be brought to the Committee at its meeting on 7 March 2012. Rothschild’s conclusion, at this stage and on the basis of the information supplied to it, was that the University would be able to raise funds sufficient to finance the full capital programme. There were, however, important considerations relating to the timing of the borrowing in order to optimise the financial terms on which the external funds could be raised. This presented particular challenges in a volatile market. Even though there would be a compensating increase in the University’s net assets, borrowing on the scale required in order to complete both the North West Cambridge Project and the Capital Plan would result in significant indebtedness for the foreseeable future. It was recognised that the decision to move from a position of cash surplus to one of debt would involve the University making a significant change to its financial philosophy. Consideration would also need to be given to the extent to which existing internal resources might be used to reduce the debt requirement. The paper set out, in outline form, various options for external funding.

In the course of discussion, the following points were made:

- Borrowing should be considered as part of the overall financing strategy for the capital plan as a whole and not for individual projects.
- It was important to provide reassurance that the University could manage the debt without imperilling any academic activities.
The level of debt on the balance sheet would be eroded in real terms within a relatively short period of time, while the asset value would rise. It was important to gain a better understanding of the net effect on the University’s future balance sheet.

The question of external financing should be considered separately from how and on what conditions the University would make funding available to the Syndicate for approved phases.

The retail bond market was evolving and developing. Issue size had, to date, been limited and it was currently considered to be a five year market. However, it was likely to be attractive to alumni.

The European Investment Bank had an established set of criteria against which it approved loans. The capital plan might meet those criteria; it was unlikely that the North West Cambridge Project would.

The Committee endorsed the paper for submission to the Council.

71. Financial Strategy

The Committee received the following papers:

(i) Financial Strategy Committee (FSSC) – progress report (June 2011) (Paper FC(11)91)
(ii) Minutes of the meeting of the Financial Strategy Steering Committee (FSSC) (Paper FC(11)92).

The remit of the Financial Strategy Steering Committee (FSSC) and its predecessor (the Financial Strategy Task Force) had been to identify short and medium term workstreams and to develop a longer term financial strategy. The Senior Pro-Vice-Chancellor reported on progress in respect of the various workstreams as set out in the circulated documentation. The short and medium term workstreams were now being taken forward through other bodies/agencies. The Finance Committee was responsible for the determination and direction of financial strategy. On that basis, the Committee agreed with the FSSC’s recommendation that it be disbanded. The Committee would, however, continue to receive progress reports on the workstreams.

The Committee recorded its gratitude to members of the Committee and the Task Force, and to Ms Coutu in particular, for undertaking this strategically important project.

72. University Companies

Subsidiary Company Governance Review

The Committee received a Report on the governance structure of the University’s wholly-owned subsidiary companies which had been considered
and approved by the Audit Committee at its meeting on 7 July 2011 (Paper FC(11)93). The review had been prompted by certain contractual matters coming to light in one company which indicated a potentially ineffective approach to risk management in that company. The particular matters had been resolved, following legal advice, to the satisfaction of the Audit Committee which had considered them under reserved business with the University’s internal and external auditors present. The purpose of the current review had been to consider more widely the governance, accountability and risk management arrangements in the University’s nine principal subsidiary companies and the relationship between the subsidiaries and the University.

It was noted, in respect of recommendation 2, that the Senior Pro-Vice-Chancellor would be the senior officer of the University appointed to 'keep a watching brief over the University’s subsidiaries to ensure that they continue to fulfil the University’s purposes, to approve any amendments to the MOU and to receive annual assurance that the subsidiary has complied with the terms of its MOU.’

Cambridge Assessment and Cambridge University Press did not fall within the scope of the review. Their governance and reporting arrangements would be considered as part of the Review of Council Business currently being conducted under the Chairmanship of Mr Shakeshaft.

The Committee welcomed the report and approved its recommendations.

73. Board of Scrutiny

The Annual Report of the Board of Scrutiny was received as Paper FC(11)94. The Committee noted that the Report would be the subject of a Discussion on 11 October 2011 and that the University’s response to the Report would be approved by the Council and subsequently published.
1. **Committees**

Received the Minutes from the following Committees:

- Planning and Resources Committee – 13 July 2011  
- Audit Committee – 7 July 2011  
- Board of Directors of Cambridge Enterprise Limited Minutes – 20 June 2011

Noted.

2. **Committees - Membership**

(i) Lynxvale Limited – to appoint
   - Mr Ravinder Dhillon 1 December 2011

(ii) Judge Business School Executive Education Limited – to recommend to Council to appoint:
   - Christoph Loch  Prospective Chair 1 September 2011
   - Ms Jan Stiles  CEO JBSEEL 1 November 2011

Approved the appointment and nominations

3. **Annual Report of the University Theatre Syndicate 2009-10 and of the Executive Committee for the Theatre for the year 2009-10.**

For decision: received under Statutes and Ordinances page 139 Regulation 4(f), and noted.

4. **Sealings**

Noted