PART A: INTRODUCTORY

9. Procedure of the Committee – Declaration of Interest

Dr Clark, as an inventor with IP managed by Cambridge Enterprise, declared an interest in respect of the matter recorded as Minute 16 (Cambridge Enterprise). Otherwise, no personal or prejudicial interests were declared.

10. Minutes

The Minutes of the meeting held on 5 October 2011 were approved subject to minor amendments to minute 5 (North West Cambridge).

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

A paper listing straightforward and reported business was received.

Otherwise, the Committee approved matters for decision contained in the confirmed list of straightforward or reported business, and received the other material.
12. Future business and work plan

An updated workplan for 2011-12 was received as Paper FC(11)107.

PART B: SUBSTANTIVE BUSINESS

13. Clubs and Societies

Linked Charities

A proposal that University clubs and societies registered with the Junior Proctor be regarded as charities linked with the University was received as Paper FC(11)108. The Director of Finance reported that there was, for the first time in the 2010-11 financial statements, a requirement for HEIs to disclose information about linked charities. Certain charities were themselves exempt charities by virtue of their connection with the University. Such linked charities must be of ‘direct concern’ to the exempt charity’s own trustees (i.e. the Council). A Notice in the Reporter on 27 July 2011 had listed the charities which the Council considered to be linked with the University for this purpose and had invited Trustees of charities which were not listed but who considered that their charity fell into the category of linked charities to advise the Registrary in writing. A number of such notifications had been received, primarily from University clubs and societies. The Finance Committee Business Sub-Committee, at its meeting on 2 November 2011, had taken the view that such entities should be considered linked and therefore disclosed in the financial statements on the required basis, while noting that primary responsibility for the linked charities remained with their trustees.

It was agreed that there was no greater reputational risk than currently existed in regarding such clubs and societies as linked charities. Indeed, there was the potential for closer financial regulation and oversight. The Committee therefore agreed that University clubs and societies should be considered as linked charities, provided that they were registered with the Junior Proctor.

Action: The Director of Finance

14. Financial Statements

The following Papers were received:

Paper FC(11)109 Draft financial statements for 2010-11 for the University group (“Big U”) together with the following supporting information: Summary of consolidation and segmental analysis and updated version of slides presented to the Business Sub-Committee. Management
Representation letter marked up for source of Council’s Assurance.

Paper FC(11)110 PricewaterhouseCoopers (PwC) Report to the Audit Committee which included the Management Representation Letter on the 2010-11 external audit.

The report and financial statements had been reviewed in detail by the Business Sub-Committee at its meeting on 2 November 2011. The circulated documentation would be considered by the Audit Committee at its meeting on 17 November 2011. The Council would be invited to consider the opinion of the Finance and Audit Committees and to approve the Financial Statements and the Management Letter at its meeting on 21 November 2011.

The Director of Finance noted that the financial information was largely unchanged from the iteration which had previously been circulated to the Committee. The complete financial review was provided to the Committee for the first time and there had been minor changes to the notes. For the first time in 2010-11, the financial statements analysed out the income from University companies and, as set out in minute 13 above, included a linked charities disclosure.

The financial statements indicated that there had been a modest increase of 5% in income across the University, CA and CUP. Total income over the period was £1.25bn and net assets were £2.6bn. There was a small deficit (£10m) on continuing operations as reported in the Income and Expenditure statement. However, an accounting surplus of £3m would be retained within general reserves following transfers from endowments. Cambridge Assessment showed an operating surplus of over £45m and £15m had been transferred to the University. CUP had been close to its budget at the end of its financial year in April 2011. There had been capital inflows of £49m as gifts to endowments and £43m as capital grants. There had been an increase in the market value of investments. However, the combined deficits (FRS17) of the CPS and CUP schemes now exceeded £300m (12% of the Group balance sheet). Proposed changes to the CPS scheme had recently been the subject of formal consultation with its members and final proposals would be brought forward for approval by the Regent House in the course of 2012.

Mr Minards indicated that he expected that, subject to approval by Council, the external auditors would be able to sign an unqualified audit opinion. It had, for the most part, been a smooth and satisfactory audit process. However, as last year, the audit of CUP had been challenging and had identified a number of significant and systemic concerns around overall financial control of the CUP group. Further, there had been disappointingly limited progress on various major control issues which had been raised in 2010. The Audit Committee, at its meeting on 17 November 2011, would consider how best to address these issues.
Mr Minards confirmed that internal controls and management override and financial reporting were routinely tested as part of both the internal and external audit processes. It was noted, in response to a point about the effectiveness of the University’s business IT systems for providing easily accessible information for the use of local managers and grant holders, that ‘administrative systems’ had been identified as a key risk on the central risk register and that these concerns were in part the subject of the current review of CUFS which would require a major upgrade in the near future.

The Committee agreed:

(i) to recommend to the Council that the University group Reports and Financial Statements for 2010-11 be approved and submitted to the Higher Education Funding Council;
(ii) to recommend to the Council that the Management Representation letter be approved.

Action: Director of Finance

15. HEFCE

HEFCE Financial forecasts

The financial forecast for 2011-12 only (forecasts for future years would be required in the spring of 2012) with historical comparisons, for the University group (‘Big U’) were received as Paper FC(11)111. It was noted that taxation in respect of CUP’s activities featured as a material issue for the first time in this year’s return. There was no line in the HEFCE template against which to record revaluation of fixed asset investment; this information was therefore recorded as ‘realisation of property revaluation gains’. The paper was approved for submission to HEFCE.

The ‘Little U’ income and expenditure budget for 2011-12 (a component of the ‘Big U’ forecast) was received as Paper FC(11)118. It was suggested that it was inappropriate, in-year, to downgrade expectations concerning the recovering of indirect costs on research grants and contracts. Subject to that consideration, the Committee approved the budget for ‘Little U’ for 2011-12.

Action: Director of Finance

16. Cambridge Enterprise

The following papers were received:-


Paper FC(11)113 Revisions to Memorandum of Understanding.
The Senior Pro-Vice-Chancellor reported. The Finance Committee, at its meeting on 6 July 2011, had agreed to establish a working group to review and make recommendations on the following matters: the reporting structure for Cambridge Enterprise; the Memorandum of Understanding between the University and Cambridge Enterprise; and CE’s distribution policy, the percentage proceeds to inventors and the Chest/Departmental share of income. The working group considered that it was important that the lines of governance between the University and CE should be such that approval of CE’s budget by the Finance Committee would be absolute and informed by a commitment by the Resource Management Committee that the University funding which the budget necessitated would be available and by confirmation from the Research Policy Committee that the activities of CE remained fully aligned with the University’s academic purpose. The working group considered that investment in IP should not be top-sliced from the University’s general income but should be funded from the Chest’s share of CE’s income and that those parts of the Cambridge Enterprise budget which related to services provided to the University by Cambridge Enterprise should form part of the budget of the Unified Administrative Service.

The working group had set out its recommendations under two headings: recommended changes to the Memorandum of Understanding; and recommended changes to funding. The first related primarily to process and governance. On the second matter, the working group had, on the advice of the Review Committee, undertaken modelling to establish the financial consequences of lowering the threshold in the current distribution policy by which inventors received 90% of the proceeds. The financial impact, in practice, was limited. Further, there was some reluctance to adopt a policy which affected inventors’ existing or future rights. It was therefore proposed that there should be a change in the balance between the Chest and Departmental shares of the University’s income from 50:50 to 65:35. The change would be phased incrementally over a five year period.

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

- Cambridge Enterprise had been established as a wholly owned subsidiary company rather than a University institution both for reasons of taxation and in order that it could compete for staff in a competitive world technology transfer market. There were also conflict of interest issues which made it inappropriate for technology transfer and research commercialisation activities to be undertaken within the University.

- It was important, as set out in paragraph 15 of the working group’s report, that CE was able clearly to demonstrate the value which it added to the University’s activities. In particular, information should be made available about costs and returns from the individual strands of Cambridge Enterprise’s activities.

- The financial modelling undertaken by the working group had been based on current assumptions around income and expenditure. It was possible, given recent developments, that income would be greater than had been projected. The Committee was asked, at this stage, to
consider the issues of principle set out in the report; the precise budget and allocations would be considered separately as part of the revised timetable for approving the business plan. That was also the Committee’s opportunity to review CE’s operating expenditure, including staff costs.

− It would be important, in considering the proposed change in the balance between the Chest and Departmental shares of the University’s income, to review the provisions as currently set out in Ordinances and the contractual standing of pre-existing contracts. Consideration should also be given to a more flexible mechanism for setting the balance between Chest and Department share of the University’s income which took account of the projections in CE’s approved business plan.

The Committee approved the proposed revisions to the Memorandum of Understanding (paragraphs 8-11) and the proposed changes to funding as set out in paragraphs 13-15. The Committee approved, in principle, the proposed change in the balance between the Chest and Departmental shares of the University’s income (as set out in paragraph 12) subject to clarification of whether this was possible within the meaning of the current Ordinance or whether changes would need to be sought by Grace of the Regent House, and the status of pre-existing contracts with inventors and how they governed the share of proceeds in individual cases.

The Committee further agreed to recommend to Council the appointment of Dr Tony Raven, Chief Executive of Cambridge Enterprise, as a director of the company.

**Action:** Senior Pro-Vice-Chancellor, Registrary, Director of Finance

17. **Deposit Account**

*University’s Cash Balances and Authorised Investments Limits.*

The following papers were received:

Paper FC(11)114  **Current position and proposal to vary counterparty policy.**

It was noted that the ratings of significant numbers of financial institutions had recently been downgraded. The Committee therefore approved a proposal that the current Authorised Investment Limits policy criteria requiring a minimum of 50% of total deposits to be with AA rated institutions be suspended for an interim period, and reviewed by the Finance Committee every three months. It was suggested that consideration be given to expanding the group of sterling deposit institutions in which the University held funds.
Paper FC(11)115 Policy for level of cash holdings (‘liquidity’ policy).
Paper FC(11)116 Proposal to invest surplus cash in CUEF.

The Director of Finance reported. Paper FC(11)115 set out a proposed policy for the base-level of short-term cash managed by the Central Treasury both on behalf of 'Little U' and on behalf of a number of other ‘depositors’. It was noted that the policy had been formulated in the absence of considerations relating to the financing of the North West Cambridge project. Paper FC(11)116 proposed the investment of £50m from cash reserves in the CUEF in two tranches.

Some concern was expressed about the extent and timing of the proposed £50m investment in the CUEF given the current volatility of the market. It was agreed, by a majority vote, that £25m should be invested at this stage; the Committee would be invited to revisit the matter at its meeting on 7 March 2012.

The Committee approved:

(i) the proposals for determining a policy level of short-term cash; and
(ii) in principle, an investment of £25m of the University's cash balances in the CUEF on 31 December 2011 (with the decision to be confirmed after review by the Director of Finance in consultation with the Chief Investment Officer).

Action: Director of Finance

18. Investment Board

The Committee noted that Mr Michael Dobson would be retiring as a member and Chairman of the Investment Board on 31 December 2011 and agreed to:

(i) appoint Mr Peter Readman (existing Board member) as Chair of the Board; and
(ii) recommend Dr Richard Foster as a member of the Investment Board for four years from 1 January 2012.

19. Statutes and Ordinances

The Committee received, as Paper FC(11)117, Consultation Paper 5 (Statute F) which had been issued by the Technical Advisory Group, chaired by Professor David Yates, as part of the process of technical review of the Statutes and Ordinances.

The Administrative Secretary reported. No substantive changes to the statutory arrangements for financial management were proposed; the draft revisions related primarily to the presentation and arrangement of the material. There was a proposed new provision requiring the Council formally to establish a framework for planning and resource allocation and for buildings. In terms of process, he noted that the Technical Advisory Group
was currently considering comments received as part of the consultation process and preparing proposals for submission to the Council which, if approved, would be put to the Regent House for approval in principle.

In response to questions about the three proposed categories of legislative status, he confirmed that it was intended that ‘Special Ordinances’ would be made under statute by the Regent House on the basis of a Report to the University; other Ordinances would be made by means of a Notice and Grace as at present. Other Ordinances could, however, be made the subject of a Report and a Discussion if the body proposing them considered them to be of sufficient significance. All of the provisions in the circulated paper would be Ordinances rather than ‘Special Ordinances’.

In the course of discussion, it was agreed that it was important that the material was presented in such a way as to allow comparisons between the existing and the proposed new provisions; to facilitate close scrutiny; and, in particular, to ensure that none of the technical drafting changes and taxonomy work inadvertently introduced substantive changes.

It was agreed that detailed comments on the consultation paper should be submitted to the Administrative Secretary as soon as possible.

Vice-Chancellor
11 January 2012
Finance Committee 16 November 2011: Straightforward and reported business submitted for decision or report

1. **Finance Committee Business Sub-Committee**

   Minutes of the meeting held on 2 November 2011.

   Noted.

2. **Purchasing**

   **EU Public Procurement**

   Confirmed that the University remained less than 50% publicly funded and could continue to declare itself outside the scope of the EU Regulations.

3. **Cambridge University Press**