PART A: INTRODUCTORY

13. Membership

The Committee recorded its gratitude to Mr Pratt for his contribution to its work over many years.

14. Procedure of the Committee – Declaration of Interest

Mr Downer, Ms Lowther and Mr Summers declared interests in respect of the matter recorded as Minute 20 (Cambridge University Endowment Fund – Extension to Colleges and Trusts).

15. Minutes

The Minutes of the meeting held on 7 October 2009 were approved.

16. 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.

17. Future business and work plan

An updated workplan for 2009-10 was received as Paper FC(09)112.
18. **Financial Statements**

Mr Brown (Chairman of the Council’s Audit Committee); Mr Steve Tapping (Group Audit Partner), Mr Clive Everest (Little U (excluding subsidiaries) Audit Partner), Mr Simon Ormiston (Little U and subsidiaries Audit Partner) and Mr. Stephen Wyborn (Senior Manager) from PricewaterhouseCoopers, the University’s external auditors; and Mr. Paul Light (Head of Reporting, Finance Division) attended for this item.

The following papers were received:

**Paper FC(09)113** Final draft financial statements for 2008-09 for the University group (“Big U”) together with the following supporting information: a summary of consolidation and segmental analysis; an updated version of slides presented to the Business Sub-Committee; and the draft Management Representation letter.

**Paper FC(09)122** PricewaterhouseCooper’s (PwC) Management Letter on the 2008-09 external audit.

It was noted that the first draft financial statements had been reviewed in detail by the Business Sub-Committee. The final draft would also be considered by the Audit Committee at its meeting on 19 November 2009. 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 23 November 2009.

The Director of Finance reported in detail.

Amendments (including minor adjustments arising in the course of audit and discussion by the Business Sub-Committee) had been made to the first draft, principally:

- Research Council funded training grants had been reclassified as Research Training Support Grants and included in fees; funding passed directly to students had been excluded from both income and costs.
- Actual rather than estimated figures were now provided for the University subsidiaries.

There had, in addition, been a significant amendment to the draft circulated to the Committee and considered by the Business Sub-Committee on 4 November 2009. This related to the accounting treatment of investment income from the CUEF and was on the basis of a strong recommendation from PricewaterhouseCoopers (PwC). Distribution from CUEF had previously been brought into the accounts as endowment income. With the changes in the CUEF’s investment strategy to include pooled funds and other non-yielding assets with a corresponding reduction in direct investments, the
dividends, rents and interest received by the CUEF were much reduced (the investment total return being targeted more as capital gains). Following detailed discussion and consideration, PwC had concluded that the gap between income from the underlying investment of the CUEF and its distribution was now too large for this to be satisfactory and had recommended that CUEF income be brought in as the income (dividends/interest/rents) from underlying investments. This accounting change would move £26m from the income and expenditure (I&E) account to the statement of total recognised gains and losses account. There would be no impact on net assets. The Committee and PwC regretted the loss of consistency with previous years’ statements and the loss of clarity of the University’s financial position that might result but accepted that the change was necessary given current accounting practice. A new note would be included on the I&E summary page explaining the change and giving corresponding figures based on the previous treatment. A proposal for total return accounting would be progressed. It was important that any revised arrangement eventually adopted should be sustainable and allow for comparisons over a period.

There had, on the new accounting basis, been steady growth in all areas of the University’s activities (£1.14 billion; +7%). There was a small accounting surplus; a sum which represented only 1% of turnover. There had been capital inflows of £46m from new endowments and £47m from capital grants. However, there had been a fall of £97m in investment market values and an increase of £100m in the FRS17 pensions deficit on the CPS and CUP schemes. Overall, net assets were down by £139m (-6%).

Mr Tapping, the group audit partner, indicated that he confidently expected that, subject to approval by Council, the external auditors would be able to sign an unqualified audit opinion. PwC would be pleased to discuss with University officers observations which they had drawn from their first, and satisfactory, University of Cambridge audit.

Mr Brown made a suggestion with regard to how the Management Representation letter might be revised explicitly to state compliance with the University’s Statutes and Ordinances. The Committed confirmed that it would be appropriate for Mr Brown to report to the Audit Committee on 19 November 2009 that the Finance Committee recommended adoption of the Financial Statements.

The auditors, Mr. Brown and Mr Light left the meeting.

The Committee agreed:
(i) to recommend to the Council that the University group Reports and Financial Statements for 2008-09 be approved and submitted to the Higher Education Funding Council;
(ii) to recommend to Council that the Management Representation letter be approved.

Action: Director of Finance
19. **Financial Strategy**

The Minutes of the meeting of the Financial Strategy Task Force held on 29 October 2009 were received as Paper FC(09)114. The Task Force had been established with a particular remit and programme of work. It had now completed that work and it invited the Finance Committee to establish, in its place, a Steering Committee which would take forward work on financial strategy. The Committee approved the proposal and invited the Pro-Vice-Chancellor (Planning and Resources) to bring forward proposed terms of reference and membership for approval.

It was agreed that the pre-meeting discussion had been useful and would inform future direction and discussion.

The Committee expressed its gratitude to Ms Coutu for her work as Chair of the Financial Strategy Task Force.

*Action: Pro-Vice-Chancellor (Planning and Resources)*

20. **Investments**

**Cambridge University Endowment Fund – Extension to Colleges and Trusts**

The Committee received Paper FC(09)115 and Annexes 1 – 4 (which developed the note considered by the Business Sub-Committee on 4 November 2009) proposing a structure to achieve FSA authorisation as a necessary step in opening the CUEF to a wider body of investors in collegiate Cambridge. The Committee was reminded that it had, at its meeting on 7 October 2009, agreed that the CUEF should be opened up to such investors and, having discussed various options for the regulation of that arrangement, had agreed to pursue a proposal for the establishment of a wholly-owned investment management subsidiary company to which the University, as Trustee of the CUEF, would contract services. Council, at its meeting on 19 October 2009, had approved both the opening up of the scheme and that suitable structures should be determined.

The Committee welcomed the proposed structure and particularly noted that the proposals to appoint the Vice-Chancellor, the Chief Investment Officer, the Director of Finance and the Chair of the Investment Board as Directors of the company (para.4) and the fact that the members of the Investment Office would remain University employees (para 6 (ii)) would address earlier concerns about the potential for the cultural ‘drift’ of a separate company. The costing assumptions were predicated on bringing in additional investment; it was confirmed that these assumptions were realistic.

The Finance Committee approved the proposed structure and agreed that an application should be made to the Financial Services Authority for implementation by 1 April 2010.

*Action: Director of Finance*
21. **North West Cambridge**

The following Papers were received:

- **Papers FC(09)116 and 117** Minutes of the meetings of the NW Cambridge Strategy Committee held on 7 October and 4 November 2009.
- **Paper FC(09)118** The North West Cambridge Project: Increase in Financial Warrant and Governance Proposals.

(i) **Application for an increased Warrant for the North West Cambridge Project**

Mr. Johnston, as Chair of the Strategy Committee, reported that detailed design and planning work on the site masterplan was underway and that a planning application would be submitted in 2010. The Committee was asked to approve an increase to the financial warrant to carry forward the town planning/ approval/ planning application process. This phase of the work would be undertaken in a substantially changed financial climate and would have to take account of the various requirements which had emerged out of the Area Action Plan approval process. The project team had begun this next stage of the work and there was considerable momentum on both sides of the planning process. Procurement exercises had confirmed that the project was achieving excellent value for money and that the previously approved funds had been well-used.

The Committee agreed that the loan from the Chest to fund the overall outline planning application be increased to £7.403 million.

(ii) **Governance of the North West Cambridge and West Cambridge Projects**

The Committee received a proposal for the future governance arrangements for the North West Cambridge and West Cambridge projects. It was anticipated that a proposal for the establishment of a Syndicate would form part of the Green Paper which would be brought forward in due course. The current proposal was for the establishment of a predecessor body, in the form of a new Committee which would replace the existing West Cambridge Strategy Committee and Executive Group and would take on the work of the West Cambridge Development Group, which would be abolished.

The Committee approved these revised arrangements together with the membership and terms of reference of the Committee.
22. **Pensions**

(i) **Cambridge University Assistants’ Contributory Pension Scheme (CPS)**  
**Actuarial Valuation as at 31 July 2009.**

A letter dated 11 November 2009 from the Trustee and the 2009 actuarial valuation were received as Paper FC(09)119. The results of the actuarial valuation showed that the deficit in the Scheme had risen from £8.2 million at 31 July 2006 (97% funded) to £117.1 million (70% funded) as at 31 July 2009. This valuation took into account revised and less prudent assumptions about inflation, salary increases and interest agreed by the CPS Managing Committee at its meeting on 9 November 2009; the valuation, prior to these revisions had showed a deficit of £170.8 million (62% funded). The Finance Committee was now invited to accept the proposed valuation assumptions and to establish a recovery plan. This recovery plan would address the past service deficit; it was, however, important that the future service accrual of benefits did not exacerbate the position.

It was noted that, in the current economic climate, a longer recovery plan might be acceptable to the Managing Committee.

The Committee agreed to refer the matter to the Pensions Working Group for detailed consideration at the meeting on 9 December 2009.

(ii) **CPS: increase in pensions**

The Committee received a letter from the Chairman of the CPS Trustee (Paper FC(09)108 (re-circulated)) proposing an above-inflation increase in pensions of 0.5%; the item had been brought forward from the October meeting. The Committee was invited to consider the matter in the context of the forthcoming difficult discussions about the future shape of the scheme and the recent changes to the arrangements for new joiners. It was, for this reason, suggested that a 0.5% above-RPI increase might demonstrate the University’s commitment to CPS members.

In the course of a long and closely argued discussion, the Committee noted the following points:

a) Recession conditions meant that other pension schemes were not awarding above-inflation increases; CPS members would not necessarily therefore expect an increase.

b) The proposed increase would cause significant additional stress to the University’s finances in already straitened times.

c) A compromise proposal for a one-off 0.5% payment would, given the income levels of the CPS members, not send an appropriate message about the University’s ongoing commitment to existing members.
Following a vote, the Committee, by a majority, rejected the proposal for an above-inflation increase in pensions of 0.5%.

23. **Strangeways Research Laboratories**

The Committee received Paper FC(09)123 proposing that the University be appointed as the sole trustee of Strangeways Trust. The proposed arrangement would safeguard the long-term future and the work of the Strangeways Research Laboratories while bringing considerable assets into the University. Significant due diligence had been undertaken both by the University and by the Trustees.

The Committee approved the appointment of the University as sole trustee of the Strangeways Research Laboratories Trust.

Vice-Chancellor
6 January 2010
Finance Committee 18 November 2009: Straightforward and reported business submitted for decision or report

1. **Purchasing**

   EU Public Procurement

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

2. **Finance Committee Business Sub-Committee**

   Received Minutes of the meeting held on 4 November 2009 and of the Special Meeting dated 5 November 2009.

   Noted.

3. **Committees**

   Received the Minutes from the following Committees:

   Board of Cambridge Enterprise Limited – 21 September 2009
   Value for Money Committee – 16 October 2009

   Noted.

4. **Cambridge University Press**

   Received Annual Report and Accounts for the year ended 30 April 2009. The Finance Committee Working Group would meet with representatives from the Press in early 2010. Noted

5. **Sealings**

   Noted.