PART A: INTRODUCTORY

26. Minutes

The minutes of the meeting held on 8 March 2006 were approved subject to the amendments listed below.

(i) under Minute 22 (b), Deposit Account, add

“The Committee noted that Dr Nicholls believed that the current arrangement was unfair to some depositors but the Committee was not minded to review the policy”;

(ii) under Minute 23 (iv), North West Cambridge, add

“and the large scale and complexity of the project would mean that it had to be properly resourced, particularly in the early stages.”

(iii)Minute 25 (a) Investments - Venture Capital – paragraphs (i), (ii) and (iii) to read:

“(i) to note that the Ventures Board had recommended the sale of share holdings owned directly by the University in Cambridge Display Technology, Solexa and Galapagus;

(ii) that the Director of Finance be formally authorised to sell, assign or transfer the shares in the aforementioned companies;

(iii) that a corporate resolution form to execute the sale of shares be completed.”

27. Straightforward and reported business; agenda items starred as straightforward

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

28. Future business and workplan

An updated statement was received (Paper FC(06)44).

PART B: SUBSTANTIVE BUSINESS

29. Finance and Resources

(a) University Budget 2006-07

The first draft Budget for 2006-07 was received in the form of a draft Allocations Report (Paper FC(06)62). The Pro-Vice-Chancellor for Planning and Resources introduced it.

The Committee noted that:

(i) the budget as presented was a first draft and subject to amendment. It would be considered by the Council on 24 April 2006. Further versions would be considered by the Planning and Resources and Finance Committees before being submitted to the Council for signature at its meeting on 29 May 2006;

(ii) last year’s Allocation Report had projected a deficit of £9.8m for 2005-6 and £1.2m for 2006-7. This year’s draft report at present estimated that deficits would be £8.1m for 2005-6 and £0.8m for 2006-7, and surpluses thereafter up to 2009-10;

(iii) it had previously been thought that in view of the recent HEFCE grant announcement, additional undergraduate fee income, and an increase in funding as a consequence of Full Economic Costing (fEC), that the budget for 2006-7 would be close to balance, enabling the University to put money into the strategic planning reserve, the new buildings enabling fund, and some new sinking funds. However, unpredicted increases beyond planned expenditure had arisen in respect of utilities (£1.9m), the revised basis for calculating the College Fee Transfer (£2.2m), and implementation of the single salary spine (£2.5m). The combined effect was to make it more difficult to reach a balanced budget. Balance would be achieved by not making allocations to various funds referred to above, and by making slightly reduced allocations to the Schools;

(iv) future surpluses were sensitive to continued research income growth, fEC performance, and the outcome of the HEFCE review of teaching funding;

(v) for present planning purposes the pay settlement was estimated at 3%; however this was still in negotiation and the outcome was difficult to predict. Each 1% increase above 3% would add £2m in costs;

(vi) projected Allocations in future years included contributions to the Strategic Reserve, the NBEF, and the Equipment Fund, totalling
approximately £12m per annum by 2008/9. These discretionary allocations provided some protection against other cost increases; since the paper had been drafted HEFCE had indicated that SRIF funding would almost certainly continue until 2009-10, for capital and equipment funding. However, this funding stream would probably reduce beyond that and the University would need make its own planned provision of funds; the number of University Teaching Officers (UTOs) had decreased slightly in recent years but were predicted to increase in relation to the September 2007 census date for the 2008 Research Assessment Exercise; more detail on sensitivities would be useful, covering the possible pay outcomes, failure to recover direct research costs, different allocations to the sinking, strategic and building funds, and increasing energy costs. This work would be brought to the May Finance Committee for discussion in relation to overall financial strategy. It should probably not be reported in detail in the Allocations Report, which at present had a more limited purpose; income from the Campaign was built into the plans of some Schools but only the financial impact of substitution funding could be predicted with any reasonable accuracy at this stage; the draft Report contained only limited information on the future capital programme. Further detail would be included in the next draft; and recommendation 2 (formal allocations to the Council and to the General Board) of the draft Report was not fully explained in the text. A simple reference to the fact that these allocations from the Chest were in respect of the institutions under the respective supervision of the Council and the Board should be given.

**Action:** Pro Vice-Chancellor for Planning and Resources, Director of Finance

### 30. Cambridge Enterprise

Professor Leslie (Pro-Vice-Chancellor for Research), Ms Teri Willey (Director Elect of Cambridge Enterprise) and Ms Helen Jackson (Legal Services Office) attended for this item. A paper about the proposed incorporation of Cambridge Enterprise as a wholly owned company was received (Paper FC(06)63).

Dr Nicholls and Dr Clark declared interests respectively as a member of the Cambridge Enterprise Advisory Board and as an inventor in a number of patents.

The Committee noted that:

(i) the purpose of the paper was to seek authorisation from the University of the incorporation of Cambridge Enterprise as a wholly owned company; the proposal arose from the Research Services Division Review;
technology transfer activity was an important function at Cambridge; it was approximately 1% of the research budget but comparable in scale to technology transfer activity in peer institutions. Seed funding and the East Forum would be dealt with separately;

the matter before the meeting was not a decision about whether the University should have technology transfer, but rather how it would be organised;

the proposed company would have a more commercial focus and it was planned that the operation would be self sufficient within ten years. There would be no additional Chest expenditure but there would additional HEIF funds;

the relationship between the University and Cambridge Enterprise would be governed by a Memorandum of Understanding and an Administrative Services agreement; and

the proposal had been considered and approved for its part by the Planning and Resources Committee (PRC), which had confirmed continued University funding, however, the PRC had not seen the full paper as presented to the Finance Committee.

The Committee expressed support for the incorporation of Cambridge Enterprise but had several concerns, which did not arise from the incorporation, including: was the present business plan ambitious enough and sufficiently commercial; was the risk assessment sufficient, especially if particular income streams failed? The Committee noted that the plan before them was a preliminary base business plan, which would, at an early stage, be energetically developed by the Director and by the new Board.

The Committee agreed to recommend to the Council the incorporation of Cambridge Enterprise as a wholly company along the lines set out in the paper. It was noted that it was planned that the Council would report to the University about the proposal (probably in May 2006) and that there would be a Discussion and a Grace to confirm the proposed arrangements.

Action: Pro Vice Chancellor for Research, Director Elect Cambridge Enterprise, University Draftsman

31. Estates

North West Cambridge Site: Governance

The Registrary reported that:

a further meeting with advisors would take place on 20 April 2006;

progress had been reported to the Council at its last meeting and had received a positive response;

the Planning Inspector’s draft report on the City area had been released; 1150 housing units on a 50:50 affordable and private housing basis had been approved;
(iv) the Estate Management and Building Service was preparing an analysis of the Inspector’s recommendations, which would be referred to the Committee;
(v) the outcome for NW Cambridge land in South Cambridgeshire District would not be known for another eighteen months; and
(vi) University resources were not allocated at this point; however, as already agreed, progress should not be constrained by University budgets and capitalisation should be considered. Positive talks had been held with advisors about the possibility of setting up a separate company to take the project forward.

Action: Registrar

32. Investments

(a) Investment Performance

A paper summarising the performance of the Cambridge University Endowment Fund (CUEF) (the Amalgamated Fund) as reviewed by the Investments Sub-Committee at its meeting on 6 March 2006 and by the Investments Board on 22 March 2006 was received (Paper FC(06)45).

The Director of Finance reported that the CUEF had performed well when benchmarked against the WM Charities Universe index. For securities, on a one year basis, CUEF had matched the benchmark; was slightly below the benchmark at three years; but had outperformed over ten years. For property CUEF had outperformed the benchmark over one, three and ten years. The fund as a whole had performed well in advance of its target of 1% above the retail price index.

(b) Investments Sub-Committee

The Minutes of the meeting of the Investments Sub-Committee held on 7 March 2006 were received (Paper FC(06)46).

(c) Investments Board Minutes

The Minutes of the meeting of the Investments Board held on 22 March 2006 were received (Paper FC(06)47).

33. Pensions

(a) CPS – Pensions Protection Fund Levy

A paper about the Contributory Pension Scheme and the Pensions Protection Fund Levy, and possible means of reducing the premium by pledging of assets to the CPS, was received (Paper FC(06)34).

The Committee noted that around £135k would be paid each year as a Pensions Protection Fund Levy, of which £57k would be scheme based and £78k risk based. Around £200m of University assets would need to be pledged to the CPS in order to avoid paying the £78k risk based
premium. Although the University could, if necessary, find £200m, such an arrangement would reduce flexibility. However the possibility of using North West Cambridge in due course should be considered. The premium should, in the meantime, continue to be paid.

**Action:** Director of Finance

(b) **USS – Valuation as at 31 March 2005**

The full actuarial valuation report for the USS at 31 March 2005 was received (Paper FC (06)48) together with a draft Notice (Paper FC(06)49). The Committee noted that the valuation and funding basis were conservative and that no increase in contribution rates was proposed unless any of the factors became more serious. The Committee agreed to commend the Notice, with minor amendments, to the Council for publication.

**Action:** Director of Finance, University Draftsman

34. **College Accounts**

The Inter-Collegiate Committee on College Accounts had proposed certain minor amendments plus changes necessary to address FRS17 accounting and disclosure requirements be made to the Recommended Cambridge College Accounts (RCCA). A paper giving the proposed changes was received (Paper FC(06)50). The Committee agreed to recommend to the Council that the proposed changes be implemented.

**Action:** Director of Finance, University Draftsman

Vice-Chancellor
10 May 2006
Finance Committee 19 April 2006: Straightforward and reported business submitted for decision or report.

1. **Sealings**
   - List attached. **For decision:** to note
   
2. **Catering**
   - University Combination Room
   - Two papers prepared by the Registrary attached.
   - **For decision:** to note

3. **College Contribution**
   - (i) Draft Annual Report of the Council
   - (ii) Assessment Sub-Committee Minutes
   - The Minutes of the meetings held on 10 February and 3 March 2006 attached, together with a letter to Bursars and attachments (Minute 8 of the 3 March meeting refers).
   - **For decision:** to submit the Draft Annual Report to the Council.

4. **Student Matters:** Graduate Union
   - The sub-committee is not yet able to report.
   - **For decision:** to note

5. **Minor Works Review Group Minutes – 13 March 2006**
   - **For decision:** to receive the Minutes

6. **PRC Minutes* – 22 March 2006**
   - Attached. **For decision:** to receive the Minutes

7. **Audit Committee Minutes* – 10 March 2006**
   - **For decision:** to receive the Minutes

8. **Cambridge Enterprise Seed Funds Minutes – 10 February 2006**
   - **For decision:** to receive the Minutes

* Private and confidential