PART A: INTRODUCTORY

11. Procedure of the Committee – Declaration of Interest

Dr Clark made a declaration as a Graduate and Fellow of Darwin College in relation to Minute 20. Professor Barker and Mr Summers made declarations with regard to their Department and College respectively in relation to Minute 16.

12. Minutes

The minutes of the meeting held on 8 October 2008 were approved.

13. 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 matters for decision contained in the confirmed list of straightforward or reported business, and received the other material.

One item was unstarred.

Item 3 - The University’s Cash Balances and Authorised Investments Limits

The Committee noted:

(i) a paper was received showing the current status of the University’s cash balances and the counterparties with whom the cash was placed;
(ii) that it had agreed at its last meeting that diversified deposits should be maintained, so far as practicable, but should be migrated to a selection of seventeen banks approved by the Committee and that deposits might be concentrated in a smaller number of banks, should circumstances so dictate;
(iii) that the above policy had not been implemented fully and there was still a number of smaller deposits with smaller institutions. However, diversification was the aim and concentration was the subsequent option if this was not possible; and
(iv) it was important to keep the management of the University’s cash balances separate from the Endowment Fund. £100m of liquidity was optimal.
14. **Future business and work plan**

An updated work plan for 2008-09 was received as Paper FC(08)145.

**PART B: SUBSTANTIVE BUSINESS**

15. **Accounts**

**Financial Statements 2007-08**

Mr Brown, Chairman of the Audit Committee, Mr Stuart Henderson, Mr Matthew Hall and Mr Paul Adkins from Deloitte & Touche, the University’s External Auditors, Mr Steve Hutson, Assistant Director of Finance and Mr Paul Light, Head of Reporting (Finance Division) attended for the first part of this item. The draft financial statements for 2007-08 for the University group (“Grand U”) were received as Paper FC(08)146 together with the following supporting information: Summary of consolidation and segmental analysis and updated version of slides presented to the Business Committee and Deloitte’s Final Report to the Finance Committee on the 2008 Audit.

The Committee noted that:

(i) the Financial Statements and figures had already been reviewed in detail by the Business Committee, since then there had been only a small number of minor presentational changes;

(ii) the full year accounts for Grand ‘U’ would be submitted for approval by the Council on 24 November 2008;

(iii) the new Statement of Recommended Practice (SORP) for further and higher education was issued in July 2007 and came into effect for 2007-08. One of the changes explicitly made by the SORP was that grants and donations for the acquisition of freehold land would be brought into income on acquisition, rather than being credited to deferred capital grants as had been the case previously. This change would not directly affect the University in relation to land acquisitions. The SORP however was silent on whether this change should be applied to donations of, and for the purchase of, heritage assets. However, Financial Reporting Exposure Draft (FRED) 42 would, if and when it were to become a standard in its present form, require this change in future years;

(iv) in previous financial statements donations of heritage assets had been added to deferred capital grants on the balance sheet, they would now be brought in as income, increasing the surplus reported on the face of the income and expenditure account. An argument for changing for 2007-08 would be that the incoming resources represented by such donations need ultimately to be credited to reserves and that deferring this permanently by crediting to deferred capital grants would never achieve this;

(v) the external auditors, Deloitte, had that they would qualify their audit opinion should the financial statements be prepared without this change in the treatment of heritage assets. The qualification would refer to the extension of the SORP’s requirement in respect of land, being not depreciated, and Deloitte’s view that the same approach should be followed in respect of heritage assets;

(vi) the result of this change in treatment being implemented would be to increase the surplus for 2007-08 by £9m, giving the impression the University had made a much greater surplus on normal operations than was actually the case;
a compromise had been reached where income and expenditure were presented at the top of the consolidated Income and Expenditure Account and donated heritage assets were credited lower down the table resulting in a £19m surplus on ongoing operations, rising to £28m when heritage assets were included. Following other adjustments £42m was retained within general reserves;

the auditors were now content, as a result of the compromise, to give an unqualified opinion on the Financial Statements subject to small number of administrative adjustments;

the Chairman of the Audit Committee and some members of the Committee questioned Deloitte’s approach in this matter as they were recommending that donations of heritage assets should be treated in a way that was only indicated in an exposure draft and if a substantial donation were to be made in future years it would seriously distort the accounts. A number of questions were posed to Deloitte’s which would be dealt with outside the meeting.

The Auditors, Mr. Brown and the Officers of the Finance Division, other than the Director of Finance, left the meeting.

The Committee agreed to recommend to the Council that the University Group Financial Statements for 2007-08 be approved and submitted to the Higher Education Funding Council.

Action: Director of Finance

16. North West Cambridge

Mr. R. Taylor, North West Cambridge Project Director, attended for this item.

A paper prepared by the Project Director, updating the report circulated at the October meeting, was received as Paper FC(08)147. Paper FC(08)142 (Executive Group Report) was tabled.

The Committee noted that:

(i) useful progress was being made with the Area Action Plan and preparation for the planning hearing;

(ii) the Planning Inspectors had asked additional questions about travel arrangements, which would be dealt with at a much later separate hearing, which might delay the outcome by up to two months;

(iii) Natural England’s objection appeared to have been resolved;

(iv) OJEU appointment processes were underway to appoint Solicitors and PR consultants for the project and it was anticipated that the appointment process for the overall project managers would commence later this month. EDAW, who had been involved in the project for over six years, were also likely to be asked to re-tender under the OJEU process; and

(v) Key Worker Housing was a key driver for the scheme, however universities did not fall within the current Government definition for such use, therefore grant aid was not obtainable through the Housing Corporation. From 1 December the Housing Corporation and English Partnerships would be combined to form the Homes and Communities Agency with a new remit to bring forward housing supply in accordance with Government policy. Preliminary contact had been made with the...
new senior management with a view to exploring whether there was now greater flexibility in the availability of grant aid or even undertaking joint development.

17. Financial Systems

The following Papers were received:

Paper FC(08)148 Minutes of the meeting of the FSMC held on 31 October 2008

Paper FC(08)149 Annual Report of the FSMC 2007-08

This item was deferred to the next meeting.

18. Financial Strategy

A preliminary report prepared by Cambridge Associates on financial trends among major research universities was received as Paper FC(08)150. Ms Coutu presented the paper.

The Committee noted that:

(i) a number of US universities had made public and alumni statements on the condition of their endowment funds. Cambridge, not being so dependent on its endowment income, had not done so;

(ii) there had been very limited softening or deferral of received pledges for the 800th Campaign;

(iii) the Financial Strategy paper followed on from the paper received at the October meeting. A further Cambridge Associates paper would be considered in March 2009 and the first draft of the strategy would be prepared for July 2009;

(iv) Cambridge had more diversified sources of income that the US competitors listed in the paper, although not sufficient income overall;

(v) the financial figures referred to the University only. Although College income and endowment was not controlled by the University both could be included. Additionally the figures for staff; student ratio and cost per student should include College data otherwise both would appear too low. The Colleges should be asked to supply the data through the next joint meeting of the University and the Colleges. The presentation of the data should be a) University only and b) University and the Colleges; and

(vi) the list of potential competitors, as discussed by the strategy group should be circulated to the Committee. Only US institutions were included at present on this occasion as data was readily available and difficult to source for institutions in countries like China or India but academic competition would not come just from the US and could be affected by political and ethical considerations.

Action: Director of Finance

19. Pensions

The annual CPS actuarial report, covering paper and an extract from the Minutes of the CPS Managing Committee meeting held on 31 October 2008 were received as Paper FC(08)151.

The Committee noted that:
(i) the results of the annual actuarial report (carried out between the full triennial actuarial valuation) using the same funding basis as that used in the last actuarial valuation, showed the deficit in the Scheme had risen from £8.2 million at 31 July 2006 to £41.1 million as at 31 July 2008;

(ii) much of the increased deficit could be attributed to negative investment returns due to turbulence in the financial markets. If the current recovery plan continued without amendment, the increased deficit would not be paid off until April 2029; in order for the increased deficit to be cleared within 10 years, it would be necessary for the contribution rates to be increased by at least 4.4% from 1 August 2009;

(iii) the Managing Committee was of the view that the financial markets would not improve in the next twelve months. The next full triennial valuation was due in July 2009;

(iv) a different mortality specimen rate resulted in a predicted deficit of £96.2m, that being the case further work and greater detail was required. An increase of 4.4% in the contribution rates would be inadequate in such circumstances;

(v) other ways of dealing with the deficit should be investigated along with considering whether the scheme was viable in the longer term; and

(vi) similar discussions were taking place about comparable circumstances in connection with the Universities Superannuation Scheme (USS).

The Committee agreed that further work should be undertaken but in the meantime Schools and Institutions should be informed that for planning purposes they should factor in a minimum increase of 4% for CPS pension costs from 1 August 2009.

**Action:** Professor Barker, Director of Finance

20. **Colleges**

A paper and letter from the Bursar of Darwin College requesting a loan of £1.25m to purchase a property was received as Paper FC(08)153. The Business Committee had been unable to reach a recommendation about the matter.

The Committee noted that:

(i) some of the College’s deposits in a subsidiary of an Icelandic bank had been frozen;
(ii) commercial loans were available;
(iii) the circumstances were exceptional;
(iv) such a loan would set a precedent;
(v) exceptional and unusual circumstances were needed to justify a University loan to a College; and
(vi) short term bank finance at sensible rates of interest was difficult to arrange.

After discussion the Committee, Dr Reid dissenting, approved a loan of £1.25m over a six-month period to give Darwin flexibility and time to arrange permanent financing at the average yield on the University’s money market investments calculated monthly plus 1%.

**Action:** Director of Finance
At the end of the meeting the Vice-Chancellor expressed the Committee's thanks to Dr Reid for his long and distinguished service

Vice-Chancellor
7 January 2009
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. **Committees**

Received the Minutes from the following Committees:

- **Finance Committee** – 5 November 2008
- **Business Committee** – 5 November 2008
- **Value for Money Committee** – 29 October 2008

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

Status noted.

4. **Committees**

(i) Loan Fund I Committee – to appoint Professor Mr MG Worster (T) *vice* Dr Wells
(ii) FSMC – to appoint Professor Steve Young as Chairman (Professor Hopper would be on leave 2009).

Appointments approved.

5. **Sealings**

Noted.