Minutes of the meeting held on Wednesday 19 September 2012.

Present: The Vice-Chancellor in the Chair, Mr Chote, Dr Clark, Ms Coutu, Mr Downer, Dr Foster, Professor Gilligan, Mr Johnston, Professor Lizieri, Mr Summers and Professor Young with the Registrary, the Director of Finance, the Director of Estate Management, the Head of the Registrary’s Office and Dr Knapton.

Apologies: Mr Du Quesnay and Professor Hopper.

Mr Francis Burkitt and Ms Lucy Symondson (from Rothschild); Ms Sarah Seed and Mr Stephen Hamilton (from Mills & Reeve) and Mrs Cheffins (from the Legal Services Office) attended for the matters recorded as minute 70.

PART A: INTRODUCTORY

65. Procedure of the Committee – Declaration of Interest

Dr Clark, as a resident of the city’s Castle ward adjacent to the North West Cambridge development area, and as an inventor with IP managed by Cambridge Enterprise, declared interests in respect of the matters recorded as Minute 69 (North West Cambridge) and Minute 74 (Cambridge Enterprise). Mr Summers, as the Bursar of a College with involvement in the NIAB project, declared an interest in respect of the matter recorded as Minute 69 (North West Cambridge). Otherwise, no personal or prejudicial interests were declared.

66. Minutes

The Minutes of the meeting held on 11 July 2012 were approved.

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

A paper listing straightforward and reported business was received.

The Committee approved the 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 2012-13 was received as Paper FC(12)82.

**PART B: SUBSTANTIVE BUSINESS**

69. **North West Cambridge**

The Committee received (as Paper FC(12)83) an update report on the current status of the North West Cambridge project and a financial summary, following their review by the Syndicate for the West and North West Cambridge Estates.

Mr Johnston, as Chair of the Syndicate, introduced the report. This most recent financial appraisal demonstrated that the development could be delivered within the required financial performance indicators though the overall position had weakened slightly since its last iteration. Architects had been appointed and a 20% contingency fund remained in place.

The report also outlined a number of preparatory works that it would be necessary to commence in advance of Regent House approval of the project in order to adhere to the overall timetable to allow completion and occupancy of key worker housing for the start of the 2015-16 academic year. The budget for these works was £4m. The Committee approved the requested warrant to progress the preparatory works and agreed that a Notice should be published in the *Reporter* to explain the operational and strategic importance of these works.

In conclusion, the Committee agreed that the update report and the latest financial appraisal and assumptions continued to provide the appropriate basis on which to progress the project. It was noted that a fuller report outlining decisions to be taken regarding the commencement of Phase 1 of the project would be presented to the next meeting of the Committee.

**Action:** Director of Finance, North West Cambridge project team, Registrary

70. **External Finance**

The Committee received the following Papers:-

- **Paper FC(12)84**  A summary paper setting out the proposal and the matters for the Committee to note, agree, and for decision.

- **Paper FC(12)85**  An update paper prepared by Rothschild.
Paper FC(12)86  Bond issue documents.

The following further papers were tabled:

Investor Presentation

University group management accounts 2011-12 (flash)

Due diligence call – questions and responses

The Vice-Chancellor reminded the Committee that the papers and the discussion on this item were highly confidential and/or legally privileged and should remain so until any bond issue, if approved, has closed.

The Director of Finance summarised developments since the previous meeting. The North West Cambridge development was expected to proceed and the University had the opportunity to finance this development and its other capital plans by borrowing at historically low interest rates. Since the last meeting, at which the Committee had agreed to recommend a public bond issue of £300m, work had progressed and it was now recommended that the Committee considered increasing the principal amount of borrowing to £350m.

Mr Burkitt reported that Moody’s had confirmed its credit rating of the University, reported at the previous meeting. The University had selected its bookrunners (The Royal Bank of Scotland PLC, HSBC Bank PLC and Morgan Stanley & Co. International PLC) and external solicitors (Clifford Chance LLP to advise on the capital markets aspects and Mills & Reeve LLP to advise on University matters) and had recommended Linklaters LLP to advise the bookrunners. The University had appointed HSBC as the trustee for the bondholders and also as its paying agent to make payments to the bondholders.

There had been good progress on the preparation of the documentation and the proposed transaction was on schedule. Pricing indications were good. The bookrunners had requested that the Committee refrain from setting precise terms for interest rates or maturity so as to allow them to take a flexible approach to potential investors. They hoped to achieve an interest rate of around 4.0%, but obviously could make no commitment in that regard.

Mr Burkitt outlined the schedule for the bond issue, should the Committee recommend it and the Council approve the Committee’s recommendation. On or around 2 October 2012, the bookrunners would contact potential investors and invite them to the roadshow presentation. On the same day, Moody’s would publish its rating for both the University and the bonds. The transaction should be kept confidential by investors; nonetheless it was possible that information on the bond issue and/or Moody’s rating might become public at this point. The University had appointed a financial PR agency to manage any communications. The roadshow would take place in Edinburgh and London
from 5 to 9 October 2012. Thereafter the bookrunners would communicate with the University, through a proposed Bond Sub-Committee, to set the interest rate and maturity date of the bond. The proceeds of the issue would be expected to follow 7 days after that process has been completed.

The following points were amongst those raised in the course of discussion:

- The Committee was willing to agree flexibility on terms to the bookrunners in particular on tenor.
- While it was prudent to have a reactive press statement prepared should news of the proposed issue leak out, the Committee recognised the need to respond only reactively and with circumspection. Any statements about the bond would need to be consistent with the disclosure in the prospectus and legal advice should be obtained before making them.

The Joint Head of Legal Services reported that one of the conditions of the bookrunners was that the University give assurance as to its power to enter into the transaction and that all internal procedures were appropriately followed. Mills & Reeve would give an opinion on those matters, having reviewed the University’s Statutes and Ordinances, and would be required to provide minutes of the Committee’s meeting in a form acceptable to the bookrunners. The Committee confirmed the Director of Finance’s authority to provide answers to the bookrunners’ due diligence questions; copies of those answers had been tabled at the meeting. The prospectus which had been circulated to the Committee was in draft form. After discussion, it was agreed that one amendment should be made to the wording of the prospectus relating to the North West Cambridge development project.

Mr Hamilton explained the legal requirements surrounding the completion of the proposed bond issue and, in particular, outlined to the Committee the items on which a specific minute would be required as follows:

1. By a Grace submitted to the Regent House on 9 February 2011 the Council was given authority in advance to arrange, on the advice of the Finance Committee, external finance up to a total amount of £350m, earmarked for the Capital Plan and the North West Cambridge development.
2. The Director of Finance had been taking preparatory steps with a view to raising funds through a public bond issuance, as agreed by the Committee at its meeting of July 2012.
3. The purpose of this meeting was to consider the proposal that the University issues public bonds and matters to note, agree and for decision. If the proposal was approved, all information relating to the issue of the bonds must be kept confidential until the launch had taken place.

The proposal

4. The proposal was that the University issue public bonds (the “Bonds”) on the terms set out in summary below:
Principal amount: up to £350 million.
Maturity: not shorter than 25 years and not longer than 50 years.
Denomination: a minimum of £100,000 and higher integral multiples of £1,000 up to £199,000.
Interest: not more than 4.5%, unless agreed in advance by the Vice-Chancellor as the Chair of the Finance Committee, payable semi-annually in arrears.
Rating: expected to be rated AAA stable by Moody’s Investors Services Limited.
Joint Lead Managers: HSBC Bank plc
Morgan Stanley & Co. International plc
The Royal Bank of Scotland plc
Trustee: HSBC Corporate Trustee Company (UK) Limited
Paying agent: HSBC Bank plc

The following documents were produced to the meeting and considered:

5 A report in relation to the proposal, including on anticipated interest rate, for the Bonds from Rothschild, in its capacity as financial adviser to the University in relation to the proposed issue of the Bonds (the “Bond Issue”).

6 A copy of the following documents, in near final form:
   (a) the prospectus in preliminary form to be dated on or around 1 October 2012, the final version of which would be filed with the UK Listing Authority of the Financial Services Authority and the London Stock Exchange and which would be issued by the University for the purpose of the Bond Issue (the “Prospectus”);
   (b) the presentation which would be used for the purposes of the roadshow meetings with potential investors (the “Investor Presentation”);
   (c) the subscription agreement relating to the Bonds which would be dated on or around the signing date and entered into between the University and HSBC Bank plc, Morgan Stanley & Co. International plc and The Royal Bank of Scotland plc in their capacity as joint lead managers of the Bond Issue (the “Joint Lead Managers”) and pursuant to which the Joint Lead Managers would undertake to the University that they would subscribe for the Bonds (the “Subscription Agreement”);
   (d) the trust deed relating to the Bonds which would be dated on or around the closing date and entered into between the University and HSBC Corporate Trustee Company (UK) Limited (the “Trustee”) pursuant to which the Trustee would act as trustee of the interests of those persons who would own the Bonds from time to time (the “Trust Deed”);
   (e) the paying agency agreement relating to the Bonds which would be dated on or around the closing date and entered into between the University, the Trustee and HSBC Bank plc (the “Paying Agent”) pursuant to which the Paying Agent would act as principal paying agent relating to the Bonds (the “Paying Agency Agreement”);
   (f) the International Central Securities Depository agreement which was to be dated on or around the closing date and entered into between the
University, Euroclear Bank SA/NV and Clearstream Banking société anonyme pursuant to which the Bond would be made eligible for settlement with the International Central Securities Depositories (the “ICSD Agreement”);

(g) the Signing and Closing Memorandum which contained the form of closing certificate and payment instruction letter to be given by the University (the “Signing and Closing Memorandum”); and

(h) a draft representation letter addressed to PricewaterhouseCoopers LLP (the “Representation Letter”)

all the documents in this paragraph 6 being referred to as the “Bond Issue Documents”.

The Committee noted:

7 That the meeting had been properly convened and a quorum was present.

8 That no member of the Finance Committee at the meeting had, directly or indirectly, any interest in the transactions contemplated by the documents referred to above which she or he was required by the Statutes or Ordinances of the University or by statute or otherwise to disclose or was for any reason disqualified from voting at the meeting or forming part of the quorum.

9 That, if the launch of the Bond Issue were approved:

(a) the University would be committing itself to a long term obligation to pay a fixed rate of interest to the holders of the Bonds;

(b) the Bonds would fall due for repayment on the stated maturity date and therefore the University would need to make arrangements for the repayment of the Bonds on such date;

(c) the ability to repay or refinance the Bonds prior to their stated maturity might be restricted in the future; and

(d) the Prospectus states that the net proceeds of the Bond Issue would be used by the University for general corporate purposes, including investment in research facilities, accommodation and other assets of the University.

10 That while the Bond Issue Documents were in near final form, further amendments to the documents and related administrative arrangements might need to be made, and a decision made on the final pricing, interest coupon, interest payment dates and maturity date of the Bond on the pricing date of the Bond Issue. The ongoing administration of the Bond would require notices and certificates to be provided and/or decisions made, sometimes at short notice.

The Committee agreed:

11 That after full and careful consideration of the nature and scale of the liability to be undertaken pursuant to the Bond Issue and the commercial and financial consequences, direct and indirect, of the launch of the Bond Issue, the Finance Committee would approve (and would make a recommendation to Council that Council approve):

(a) the launch of the Bond Issue;
(b) the publication of the Prospectus, in both its preliminary form and, subsequently, in its final form, and the making of the Investor Presentation to prospective investors; and
(c) the execution and delivery of the other Bond Issue Documents as in the best interests of the University.

12 The administration of the Bond including all matters remaining to be done, and decisions remaining to be made, would be better regulated and managed by a sub-committee, and that the Finance Committee should delegate all powers necessary to enable such sub-committee to issue and administer the Bonds. The terms of reference for such sub-committee (the “Bond Sub-committee”) are set out below.

13 Matters decided

(i) That the Finance Committee approved in principle:
   (a) the launch of the Bond Issue;
   (b) the publication of the Prospectus (in both its preliminary form and, subsequently, in its final form) and the making of the Investor Presentation to prospective investors; and
   (c) the execution and delivery of the other Bond Issue Documents as in the best interests of the University, subject in each case to such adjustment that the Finance Committee (or any sub-committee of the Finance Committee) may see fit.
(ii) That a recommendation be made to Council that it endorse Finance Committee’s approval of the Bond Issue as detailed above.
(iii) That a sub-committee of the Finance Committee be constituted consisting of the Director of Finance, the Senior Pro-Vice-Chancellor and the Registrary (and their successors) with the terms of reference set out below.
(iv) That the Bond Sub-committee’s role be the approval of the terms of the Bond Issue and the oversight of the initial and ongoing administration of the Bonds and that the Finance Committee delegated to the Bond Sub-committee the power to exercise such functions.
(v) That any two of the members of the Bond Sub-committee be and are hereby authorised to:
   (a) release the Prospectus (both in its preliminary form and, subsequently, in its final form) and approve the Investor Presentation; and
   (b) execute the Subscription Agreement, the Paying Agency Agreement, the Issuer / ICSD Agreement, the Representation Letter and the closing certificate and letters set out in the Signing and Closing Memorandum in each case with any amendments that the Bond Sub-committee thinks fit (such approval in any such case to be conclusively determined by the publication, signing and delivery of such documents).
(vi) That the Registrary and the Senior Pro-Vice-Chancellor be authorised to affix the Common Seal of the University to the Trust Deed, with any amendments to the Trust Deed that the Bond Sub-committee thinks fit.
(such approval in any such case to be conclusively determined by the signing and delivery of such document).

(vii) That any two of the members of the Bond Sub-committee be and are hereby authorised on behalf of the University to execute and do all such acts, agreements, deeds, documents, certificates and notices and give such instructions to the Joint Lead Managers as the Bond Sub-committee may consider expedient or desirable in connection with the Bond Issue and the execution or performance by the University of each of the Bond Issue Documents or any other document or agreement connected therewith.

(viii) That the Director of Finance is authorised to provide answers on behalf of the University to due diligence questions put by the Joint Lead Managers.

(ix) That a recommendation be made to Council that the Registrary be authorised to sign the Representation Letter to PricewaterhouseCoopers.

**Bond Sub-committee**

The Committee was referred to the following terms of reference for the Bond Sub-committee:

“The Bond Sub-committee is constituted by the Finance Committee to:

1. Make tactical decisions on behalf of the Finance Committee/Council on timing, pricing, tenor and value of a public bond issue, subject to the constraints below.
2. Negotiate and finalise all documents relating to the bond issue, on behalf of the University, and to approve any final amendments required to such documents after the date of the Finance Committee’s and/or Council’s approval, including but not limited to the Subscription Agreement, the Paying Agency Agreement, the Trust Deed, the Temporary Global Bond and the Permanent Global Bond, the Prospectus and the Investor Presentation;
3. Through the University’s Director of Finance, answer all due diligence questions raised by the bookrunner banks;
4. Agree and execute all legal and related documentation;
5. Make a decision on the final pricing of the Bond on the day of the Bond issue
6. Make decisions on administrative matters in relation to the ongoing maintenance of the bond;
7. Execute and do all such acts, agreements, deeds, documents, certificates and notices and give instructions to the Joint Lead Managers in connection with the Bond issue.

Membership and meetings

- Members: Director of Finance; Senior PVC; Registrary.
- Quorum: two.
- Telephone and electronic meetings are permitted.
- Minutes of the meetings will be provided to the Finance Committee and Council.

Constraints

- Price: interest cost of no more that 4.5% unless agreed in advance by the Vice-Chancellor as Chair of the Finance Committee*.
- Amount: no more than £350 million.
- Term: not shorter than 25 years and no longer than 50 years.
- Financial covenants: none permitted.
- Timing: completion of issue before 10 December 2012.”

*On the advice of Rothschild, it was agreed that the Bond Sub-committee would not approve any interest cost of more than 4.5% without the express approval of the Vice-Chancellor as the Chair of the Finance Committee and that the signature of at least two members of the Bond Sub-committee would be required to execute any document relating to the bond issue.

Action: Director of Finance, Rothschild

71. Investments

The Committee received Paper FC(12)87, prepared by the Investment Office, setting out a proposal for a Short Term Fund to invest surplus capital associated with proposed bond issue in order to avoid the cost of carry before proceeds were applied to the North West Cambridge or other projects. The paper outlined two options for the investment of surplus capital over and above the ‘base case’ of investing in short-term cash deposits and gilts. The Committee discussed the assumptions upon which the financial model had been prepared, notably whether the return estimates were tailored to the sort of short-term investment that would be required in the circumstances. It was noted that, while liquidity considerations were important, funds could be drawn down from the University’s cash reserves if necessary.

It was agreed that a more detailed paper should be brought to the next meeting with a fuller explanation of the assumptions together with fully worked-up financial models including one for the ‘base case’ (‘Portfolio C’).

Action: Director of Finance, Investment Office

72. Non-Operational Estate

A proposal to transfer the Roger Needham Building from the non-operational estate to the operational estate was received as Paper FC(12)88. The current tenant, Microsoft Research Ltd, was due to break its lease on 24 March 2013 and it was proposed that the building should be transferred to the University’s operational estate at that point. The Review of IT Infrastructure and Support in
the University would recommend that the University Computing Service (UCS) and the Management Information Services Division (MISD) should be merged. There were, in any case, obvious benefits to co-location. Further, it had already been agreed that UCS would need to vacate their current premises on the New Museums site in order to allow that site’s redevelopment.

The Committee approved the proposal and noted that a costed proposal would be brought to a future meeting in the Michaelmas Term.

Action: Director of Finance, Registry

73. Board of Scrutiny

The Annual Report of the Board of Scrutiny was received as Paper FC(12)89. The Report would be the subject of a Discussion on 9 October 2012 after which the Council would prepare its Notice in response.

The Committee noted the Board’s recommendations about the provision of detailed financial materials to the Regent House both on the North West Cambridge project and on the performance of the CUEF and observed that the University needed to balance the dissemination of the data underpinning the financial appraisal with considerations of commercial confidentiality and legal privilege. It was intended that as much of this information as possible should be made available. The Committee also noted the Board’s suggestion that it might produce an Extraordinary Report on the North West Cambridge project; it would be unfortunate if the publication of such a Report coincided with the publication of the Council’s Report, potentially creating confusion. A meeting with representatives of the Board of Scrutiny was planned at which it was hoped that the Board’s residual questions and concerns might be resolved. It was suggested that the precise formulation of the Board’s recommendation about ensuring positive interest coverage throughout the duration of the North West Cambridge project was unlikely to be possible though the spirit of the recommendation was recognised.

The Committee recorded its appreciation of the time, care and commitment which the Board had expended in producing its Report.

74. Cambridge Enterprise

The Committee noted that the Memorandum of Understanding between the University and Cambridge Enterprise Ltd required the Finance Committee’s approval for a material (in excess of £1m) disposal of equity investments held by the Cambridge Seed Funds. The Committee received Confidential Paper FC(12)90, tabled at the meeting. The paper concerned a proposal for Cambridge Enterprise to sell its shares in the spin-out company BlueGnome Ltd to a large corporate purchaser of the entire company. The sale would generate a significant return for re-investment and would highlight the University’s support for commercialisation. Because of the timings involved,
the Director of Finance had ensured that all due diligence checks had been carried out and had authorised the disposal on behalf of the Committee on 18 September 2012. The Committee retrospectively approved this course of action and congratulated Cambridge Enterprise and others involved on this successful resolution.

75. **HEFCE**

The Committee received HEFCE Circular letter 21/2012 – Accounts Direction to higher education institutions for 2012-13 financial statements and revised Accounts Direction for 2011-12 (Paper FC(12)91).

Vice-Chancellor  
10 October 2012
Finance Committee 19 September 2012: Straightforward and reported business submitted for decision or report

1. **Committees**

   Received and noted the Minutes from the following Committees:

   - Planning and Resources Committee – 4 July 2012.
   - Audit Committee – 5 July 2012.

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

   Status received and noted.

3. **Committees – membership**

   Recommended to Council to appoint Neil Hickinson as a director of IfM Education and Consultancy Services Limited.

4. **Sealings**

   Noted.