University of Cambridge

COUNCIL

Finance Committee

Minutes of the meeting held on Wednesday 21 November 2007.

Present: The Vice-Chancellor in the Chair, Professor Barker, Dr Clark, Ms Coutu, Mr Johnston, Mr Pratt, Mr Reavley, Dr Reid and Mr Summers, with the Administrative Secretary as Secretary, the Registrary, the Director of Finance and Mr Troupe.

Apologies were received from: Professor Minson, Dr Dissanaike and Ms Lowther.

Part 1 - Joint meeting of the Finance Committee and Audit Committee to consider the Financial Statements for 2006-07.

18. Accounts

Financial Statements 2006-07

Joint meeting of the Finance Committee and Audit Committee

Members of the Audit Committee (Mr Brown (Chairman), Mr Bullock, Mr Dowling, Professor Glover, Mr Shakeshaft, Dame Veronica Sutherland), Mr Stuart Henderson and Mr Matthew Hall from Deloitte & Touche, the University’s External Auditors and the Head of Reporting (Finance Division), attended for this item. The following papers were received:-

Paper FC(07)171 Draft Reports and Financial Statements 2006-07 for “Grand U”.

Paper FC(07)172 Deloitte’s Report to the Audit and Finance Committees

Paper FC(07)173 Deloitte’s Management Letter

Paper FC(07)174 Draft Letter of Management Representations

The Director of Finance reminded the Committee that it had reviewed the first draft financial statements for “Little U” and “Grand U” at its meeting on 7 November, and outlined the accounts preparation process. The Committee noted that the numbers had not changed since the meeting of the Committee on 7 November 2007 other than a minor adjustment (reclassification of £2m of income) that had not impacted on the surplus. A Financial Review was now included.

The external auditors, Deloitte and Touche, reported that there were no fundamental issues and that they were content to sign off the accounts as true and fair.

The Chairman of the Audit Committee reported that he did not expect the proceedings of the forthcoming meeting of the Audit Committee to be problematic.

The Finance Committee agreed to recommend that the Council:
(i) approve the reports and financial statements of the University required under Statute F;

(ii) approve the financial review; and

(iii) authorise the Registrary to sign the Management Representations Letter, on behalf of the Council.

Action: Director of Finance, Registrary, Administrative Secretary

Part 2 - Remainder of the business of the Finance Committee.

PART A: INTRODUCTORY

19. Minutes

The minutes of the meeting held on 7 November 2007 were approved.

20. Matters Arising from the Minutes of the meeting of 7 November 2007

A paper prepared by the Director of Finance was tabled. The following items were discussed:

(i) Staff Costs (Minute 16(a)(v))

The Committee received a detailed analysis of the reported 8.1% increase in permanent staff costs and the increase of 7.5% for research staff for 2006-07. In addition to the three year pay settlement agreed in 2006 and the pay and grading exercise, the professorial contribution exercise, incremental progression and changes in staff numbers had also contributed to the increase.

(ii) Research Income (Minute 16(a)(iv))

The Committee had asked for information about the reported 3.7% rise in research income between 2005-06 and 2006-07. A more detailed analysis, which adjusted for major one off items (FEC transitional funding and CMI funding), showed that the “like-with-like” increase was 9.8%. Direct costs, as an indicator of activity, had increased 7.2% over the same period when similarly adjusted.

The Committee considered an analysis prepared by Research Services Division. Between 2004-06 Oxford and Imperial College had increased ‘market share’, whilst that of Cambridge was static at 6.5%. Although Cambridge had the greatest market share of research council funding, it was less prominent in other sectors, such as overseas funding, where Oxford had approximately double the amount of Cambridge. The General Board’s Research Policy Committee should be asked to examine why Cambridge had fallen from first to third in terms of market share, should consider the use of key performance indicators, metrics and targets and should consider how the University’s position could be improved overall. It would be useful if future papers included comparator data from international competitors.

Action: Academic Secretary
(iii) Foreign currency exposure (Minute 16(a)(xii))

The Committee had expressed concern at its last meeting about the exposure of CUP to the weakening US dollar, particularly as CUP accounts were now consolidated and could therefore have an effect on the group position. CUP management were well aware of the situation, were progressing with building up the proportion of costs denominated in US dollars, and had in place a rolling US dollar hedge. CUP was considering US dollar borrowing to match US dollar assets.

The Committee noted that CUP was governed by University Statute J which gave the Press Syndicate considerable autonomy and constrained the authority of the Council and its Finance Committee. The Press was a reputational asset that needed to maintain a financial surplus.

The Finance Committee would make its annual review of CUP accounts in February 2008 and should look closely at the US dollar situation and business plans.

Action: Director of Finance

21. 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.

The following items were discussed.

1 (i) Calculation of the distribution of the Cambridge University Endowment Fund for 2007-08

The Committee noted that the distribution from the fund was based on a total returns formula based on long term performance of the fund and modelling of future outcomes, so as to ensure consistency of distribution, which was important for University departments. This had the effect of smoothing out fluctuations in dividend. The formula had been agreed by the Committee and was set out by Ordinance but could be changed in the light of experience.

3(i) University Centre – Annual Report and Accounts

A number of issues not covered in the circulated paper had been addressed in a tabled version. In future information on trends and more commentary would be included. The Catering Review was now complete and a paper would be prepared for the Council and its Committees.

Action: Registry

22. Future business and work plan

An updated work plan for 2007-08 was received as Paper FC(07)170.
PART B: SUBSTANTIVE BUSINESS

23. North West Cambridge

Governance and Management Structure for the NW Cambridge Project

(a) A paper on the governance and management structure of the project setting out the case for the appointment of a Project Director was received as Paper FC(07)175

The Committee noted that:

(i) at its last meeting it had agreed to consider a paper proposing an amended structure for the governance and management of the NW Cambridge Project and a brief case for the appointment of Project Director to take overall responsibility for delivery against the strategic and financial objectives set by the University;
(ii) the project was moving to a new phase but the Strategy Committee was still required to oversee and set the strategic objectives and the framework for the development, subject to agreement by the principal bodies of the University, and to ensure a robust governance structure for the project;
(iii) the existing governance structure, however, would be supplemented by an executive group, with the authority to consider and take decisions within the overall strategic and financial framework set by the Committee and the University. The group would be accountable in the first instance to the Vice-Chancellor but would report to the Strategy Committee and through it to the Finance Committee and the Council. Its membership was proposed as: Registrary (Chair); Pro Vice-Chancellor (Planning and Resources); Chair of the Strategy Committee (Mr Johnston); Director of Finance and the Project Director; the scale of the development, as a series of interlocking projects, was very large and with an investment value of up to £1bn would have significant strategic implications for the University. A Project Director and a small team were therefore now needed to work through the complexities and options of the project, to manage the consultant team and to initiate the implementation plans. There was no individual with the required skills or experience within the University. It would therefore be desirable to begin the search for a Project Director now so they could help develop the final plans for the project;
(iv) search consultants would be instructed to begin work immediately after Christmas and a job description had been drawn up. The Project Director would report through the Director of EMBS to the Registrary. No appointment would be made unless it was clear that the financial appraisal ended in a satisfactory conclusion about the direction and timetable for the development.

(b) The Committee approved:

(i) the changed arrangements for the management of the project; and
(ii) appointment of a Project Director as stated above.

Action: Registrary

Vice-Chancellor
9 January 2008
Finance Committee 21 November 2007: Straightforward and reported business submitted for decision or report

1. **Investments**


   (ii) **Investment Board Minutes** – 8 November 2007

2. **Granta Backbone Management Committee Report for 2006-07**

   Received the Report, under Regulation 3(d) of Chapter XIII (Institutions under the supervision of the Council). Recommended to the Council that it be published.

   **Action:** Mr Troupe

3. **Accounts**

   Received and noted the following Annual Report and Accounts:

   (i) **University Centre**

       Annual Report and Accounts of the University Centre for the year ended 31 July 2007. See Minute 21.

   (ii) **Fitzwilliam Museum**

       A summary statement of Accounts for the year to 31 July 2007.