Minutes of the meeting held on Wednesday 28 April 2010.

Present: The Vice-Chancellor in the Chair, Dr Clark, Ms Coutu, Mr Downer, Mr Du Quesnay, Professor Gamble, Mr Johnston, Ms Lowther, Mr Summers and Professor Young with the Registrary, the Academic Secretary, the Director of Finance, the Director of Estate Management and Dr Allen.

Apologies: Mr Chote, Dr Dissanaikie.

Professor Lynn Gladden, Pro-Vice-Chancellor (Research), and Ms Teri Willey, Chief Executive of Cambridge Enterprise, were in attendance for the business recorded under Minute 52.

PART A: INTRODUCTORY

45. Procedure of the Committee – Declaration of Interest

Mr Downer, Ms Lowther, Mr Du Quesnay and Mr Summers, as College Bursars, declared interests in respect of the matter recorded as Minute 56 (Cambridge University Endowment Fund – Extension to Colleges and Trusts). Dr Clark, because of his involvement in technology transfer, declared an interest in respect of the matter recorded as Minute 52 (Cambridge Enterprise).

46. Finance Committee Membership

It was noted that Dr Dissanaikie was on leave of absence under Statute D,II, 5 from his University Office in Easter Term 2010. The Committee agreed to dispense Dr Dissanaikie from attending during this period. It was noted that his absence reduced the academic representation on the Committee. It was therefore agreed in principle that a suitable representative should be identified and invited to be in attendance at the Finance Committee’s meetings during the period of Dr Dissanaikie’s leave.

47. Minutes

The Minutes of the meeting held on 3 March 2010 were approved.
48. **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.

49. **Future business and work plan**

An updated workplan for 2009-10 was received as Paper FC(10)48.

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**PART B: SUBSTANTIVE BUSINESS**

50. **Finance and Resources**

The final draft Budget Report recommending allocations from the Chest was received as Paper FC(10)49. The Pro-Vice-Chancellor (Planning and Resources) introduced the Report which had been considered, in a preliminary form, by the Finance Committee at its meeting on 3 March 2010 and, following further work on both the figures and the text, by the Finance Committee Business Sub-Committee at its meeting on 14 April. Drafts had also been considered by the PRC, the General Board and by the Council. A final version would be signed by Council at its meeting on 17 May.

The Senior Pro-Vice-Chancellor drew the Committee’s particular attention to the three tables. Table 1, which set out the latest forecast for 2009-10, indicated a favourable change from the original budget. The most significant positive variances were: a higher than anticipated contribution from Cambridge Assessment; over-pessimistic budgeting of investment income receivable; and greater income from composition fees than predicted. The negative variance of greatest concern was that for indirect cost recovery from research grants and contracts.

The operating budget for 2010-11 (Table 2), predicted a projected Chest deficit of approximately £1.8 million. This relatively limited deficit had been achieved by means of a strict planning envelope; it was recognised that in adhering to this envelope, Schools and Institutions were already experiencing financial stringencies which were impacting directly on their activities. Furthermore, in its March grant letter, HEFCE had reminded institutions that the fourth quarter funding for 2010-11 was not certain and, given the financial outlook, some claw-back of HEFCE funding in 2010-11 was likely.

The operating budget projections (Table 3) indicated a markedly increased deficit for 2011-12 and thereafter. These projections were based on the assumption that HEFCE funding would be reduced by a further £6m in 2011-12 and remain flat, in cash terms, in the two following years. This represented a cut, in real terms, of 9.3% (allowing for inflation) by the end of the three year
period and even this projection was probably optimistic. In view of this uncertainty, Schools and Institutions had been asked, as part of the planning process, to consider the extent to which they would be able to respond to more significant reductions in resource; a 2% cash cut in 2011-12 equivalent to 6% in real terms (Scenario A) or a 5% cash cut in 2011-12 equivalent to 9% in real terms (Scenario B). The responses had indicated that Scenario A could probably be managed within existing structures and it was noted that this would be sufficient to mitigate the deficits predicted by the current budget forecast. However deeper cuts in HEFCE funding or other income streams would require a move towards Scenario B which Schools and Institutions had identified as being possible only with centrally supported restructuring.

Given the degree of financial uncertainty, it would not be appropriate at this stage to implement radical and potentially damaging changes which might later turn out to be unwarranted. It was hoped, therefore, that there would be prompt and decisive government funding decisions, including in respect of any recommendations arising from the Browne Review.

The Committee agreed to commend the draft report to the Council for signature at the meeting on 17 May 2010.

Action: Director of Finance

51. Contracts with outside bodies

Foreign Exchange

The Committee received, as Paper FC(10)50, a proposal for a change to the foreign exchange risk policy for University research income. USD research grant income was in the region of $20m per annum. A dollar hedging policy was currently in place which provided budget certainty on an annual basis but not for the life of the grant. This made it difficult for Principal Investigators successfully to manage actual expenditure across the course of the project. A Foreign Exchange working party therefore proposed a new policy of centralised foreign exchange risk under which both gains and losses would be charged to the Chest. It was noted that this revised policy would apply in respect of all grants commencing after 1 August 2009.

It was agreed that, during implementation, consideration would be given to a limited variation of the policy in respect of the small number of grants in which there was significant expenditure (as well as income) in USD.

The Committee approved:
(i) the proposed change to the foreign exchange risk management policy for Research Grant income;
(ii) that foreign exchange gains and losses arising from research grants and contracts activated on 1 August 2009 or later are taken by the Chest under the proposed policy; and
52. **Cambridge Enterprise**

Professor Lynn Gladden, Pro-Vice-Chancellor (Research), and Ms Teri Willey, Chief Executive of Cambridge Enterprise, attended for this item.

(i) **Annual Report and papers**

The Committee received the Annual Report of the Cambridge Enterprise Group (CE) for 2008-09 and the summary financial results for 2009-10 together with a memorandum to the Finance Committee prepared by Ms Willey on behalf of the Cambridge Enterprise Board of Directors (Paper FC(10)51). This latter document sought to provide the Finance Committee with information beyond that contained in the Annual Review. A Financial Model working group set up by Cambridge Enterprise had undertaken significant work in this regard during 2009. Ms Willey noted that CE had consistently exceeded the income budget and operated within the expenditure budget and three year business plan approved by the Finance Committee. The outcome of the forthcoming review would be important in formulating the next phase in CE’s development.

The Committee welcomed the Report and, in particular, the additional information which was included in the memorandum to the Finance Committee.

(ii) **Review of Cambridge Enterprise Limited**

The Committee received a paper setting out proposals in respect of the terms for a review of Cambridge Enterprise Limited and the membership of the review group (Paper FC(10)57).

The Committee was reminded that, on 1 June 2006, the Council had published a Report concerning the incorporation of Cambridge Enterprise and setting out the implementation plan. That Report provided and set out terms of reference for a review of Cambridge Enterprise five years after its incorporation; that review would therefore fall due in July 2011. However, in order that recommendations arising from the review could be taken into account during the planning round for 2011-12, it was proposed that the review be brought forward into Michaelmas Term 2010. Further, establishing the review group at this stage would allow it to develop a proposed timetable and modus operandi before commencing work at the start of the new academical year.
It was important that membership of the review group was representative and balanced. It should include internal and external membership and its composition should be such as to allow international benchmarking. It should, as far as possible, encompass expertise across the range of CE’s activity streams. The Finance Committee agreed that the review group’s parameters should include a clear undertaking to solicit evidence and submissions from across a spectrum of views, including those who had been critical during the debates about IPR and the establishment of Cambridge Enterprise.

The Committee agreed to recommend to the Council that a review of Cambridge Enterprise Limited be brought forward on the terms and the review group membership set out in Paper FC(10)57.

(iii) Cambridge Enterprise Board of Directors

The Registrary reported Lord Roger Freeman had resigned as a director of Cambridge Enterprise Limited. It was suggested that Dr Mike Lynch (Founder and Chief Executive Officer of Autonomy) be considered for appointment to membership of the Board. The Committee supported the appointment of Dr Lynch in principle on the understanding that a formal proposal would go through the next Business Sub-Committee for consideration thereafter by the Nominations Committee and approval by the Council.

53. Pensions

The following strictly private and confidential papers were received:

Paper FC(10)52 Pensions Working Group
and 53 Minutes of meetings of the Pensions Working Group held on 13 and 22 April 2010

Paper FC(10)58 Cambridge University Assistants’ Contributory Pension Scheme
Options for future pensions provision.

The Committee was reminded that it had, at its meeting on 6 January 2010, discussed the options for the future of the CPS and had agreed that any revised scheme would need to be both affordable and sustainable. It had been agreed that the University’s contribution in respect of future service to any revised scheme must be significantly lower than at present. It had also supported a 50:50 balance of risk between employer and employee. The Pensions Working Group had, with actuarial advice, progressed discussions on that basis and had considered a number of options. The proposals had been discussed in broad terms with the Unions at three meetings of the Partnership Working Group. The Pensions Working Group now brought forward a proposal for a scheme which it believed to be sustainable, fair, high quality and flexible. The recommendation before the Finance Committee was
for a hybrid scheme which combined a defined final salary scheme and a
defined contribution scheme.

The Committee discussed the proposal that there be no requirement that
employees contribute to the defined contribution element of the scheme. It
was agreed that this made the scheme flexible and affordable for all
employees.

It was confirmed that the contributions to the defined contribution scheme
would be invested in a general fund; scheme members would take the value
of their units with them if they left the scheme. It was agreed that this fund
should be run by an external investment management company.

In discussing the competitiveness of the scheme, it was noted that the
appropriate comparison was with other Self Administered Trusts in the sector
(many of which had closed) and not with the USS. It was agreed that the
scheme was, in that context, competitive because it retained a significant
element of defined benefit.

The proposed scheme was considered to be affordable to the University on
the basis of reasonable and informed financial projections.

It was agreed that it was important that presentational issues were taken into
account during the consultation processes and when rolling out the agreed
scheme. In particular, there should be information about changes to
comparable schemes elsewhere in the sector and assurances about the
University’s ongoing commitment to providing a defined benefit pension
scheme as an attractive part of the total remuneration for staff. Further, there
should be illustrations (without giving financial advice) of the potential benefits
arising from the defined contribution element of the scheme.

The Committee agreed: (i) that a hybrid scheme, broadly as set out in the
papers, met the objectives of affordability, shared risk, quality and flexibility;
and (ii) to progress discussions and consultations with CPS Trustees and
Employee representatives.

54. Estates

(i) Estate Implementation Plan

The Director of Estate Management gave a presentation about the
Estate Implementation Plan. The decision to prepare such a plan had
been approved by the PRC in 2007 as part of the adoption of the
Estate Strategy and in order to maximise the benefit to the University
of SRIF and CIF funding. It was recognised as an opportunity to fund
the co-ordinated redevelopment of two of the University’s key city
centre sites: the Old Press/Mill Lane Site and the New Museums Site.
The plan did not include ‘stand alone’ projects which had no
dependency or impact on other capital projects. It was hoped that the
plan would, in the long term, inform thinking and facilitate improvements (both through substantive refurbishment and through new build) across both sites. There had already been significant progress and developments in accordance with the plan programme since it was first drafted in January 2008. Detailed planning had already been undertaken in respect of future projects. These projects and proposals were illustrated in a series of power point slides.

The Committee discussed the net impact on available space of the proposals in the plan. Many of the proposals related to moving rather than losing/gaining space. Further, the extensive refurbishment programmes sought to make better use of space which was currently of very poor quality and not fit for purpose. It was agreed that figures about net space loss and gain should be provided as part of a capital plan.

There was some discussion of the commercial opportunities inherent in the redevelopment programme and it was agreed that this matter should be addressed within the capital plan. However, while retail/commercial considerations should be taken into account, the main strategic reason for redevelopment was the provision of high quality teaching and research facilities. Further, the University had confirmed, as part of the planning negotiations, that it would retain a significant presence in the city centre.

It was noted that the plans involved the removal of some of the car parking spaces. This was in accordance with the city planners’ intention to encourage increased use of public transport and park and cycle facilities. Secure cycle facilities would be important in this regard.

It was agreed that a capital plan which addressed wider estate issues (including the Downing Site, the Addenbrookes biomedical campus and enhancements to the Engineering Scroope Terrace site) would be brought back to the Finance Committee at its meeting on 7 July 2010.

(ii) North West Cambridge

Minutes of the Project Board meeting of 29 March 2010 were received as Paper FC(10)54. The Chair of the Board reported that there had been significant and positive progress. A Green paper would be brought forward in due course.
55. University Funding

Long-Term Funding

The Committee received as Paper FC(10)55 a paper and draft Report of the Council on external financing for the development of its holdings in North West Cambridge and other building projects.

The Director of Finance reminded the Committee that it had, at its meeting on 3 March 2010, agreed that further work should be undertaken to allow the Council to seek approval in principle from the Regent House for external borrowing for the capital programme should such borrowing prove necessary and the market favourable. The circulated documentation now set out the potential financing requirements for the North West Cambridge project and the Estate Implementation Plan and the case for external financing earmarked for, but not restricted to, these projects.

It was agreed that the proposal should be set firmly against the background of an agreed capital plan; it would therefore be brought back to the Committee at its next meeting for review in that context. However, the Committee confirmed its view that the Council should, at the earliest opportunity, seek approval from the Regent House for external borrowing.

56. Investments

Cambridge University Endowment Fund – Extension to Colleges and Trusts
Draft Memorandum of Understanding (MoU) with Cambridge Investment Management Limited (CIM)

The Committee received Paper FC(10)56 and agreed, on the recommendation of its Business Sub-Committee, that the Memorandum of Understanding with Cambridge Investment Management Limited be approved.
Finance Committee 28 April 2010: Straightforward and reported business submitted for decision or report

1. Finance Committee Business Sub-Committee

Minutes – 14 April 2010. To be approved at the June Sub-Committee meeting. For information

2. College Contribution for 2008-09

Recommended for publication by Council, at a later point along with Notice of the grants from the Colleges Fund.