University of Cambridge

COUNCIL

Finance Committee

WEDNESDAY 3 DECEMBER 2003

At a Meeting of the Finance Committee held this day,

Present: The Vice-Chancellor, Dr Anderson, Mr Brown, Professor Daunton, Dr Good, Mr Larkum, Ms Lowther, Dr Nicholls, Dr Reid, Mr Thompson, Dr Turner, Professor Minson (Pro-Vice-Chancellor and Acting Treasurer), the Director of Finance, the Administrative Secretary, the Director of Estate Management, and the Registrary.

Apologies for absence were received from Professor Chase and the Academic Secretary.

1,511 MINUTES

The Minutes of the meeting held on 5 November 2003 were approved.

1,512 REPORT ON ACTIONS

The Director of Finance reported on action taken following decisions at the last meeting.

REPORTED AND STRAIGHTFORWARD BUSINESS

FINANCE COMMITTEE

1,513 Sealings. The Committee received Note FC(03)143 with Paper FC(03)198 a list of sealings authorised by the Acting Treasurer/Director of Research Services under delegated authority since the previous meeting.

1,514 List of Sub-Committees. The Committee received Note FC(03)150 with Paper FC(03)210 a list of Sub-Committees of the Finance Committee as from January 2004 and noted that those members whose names had been highlighted in bold were due to be reappointed or replaced. The Committee agreed provisionally to make the re-appointments and appointments indicated and to confirm the appointments at the next meeting in the light of further consultations.

1,515 Uncompleted Business. The Committee received Private and Confidential Note FC(03)157 with Paper FC(03)216 a list of Uncompleted Business.
BUILDINGS

1,516 Buildings Sub-Committee. The Committee received Private and Confidential Note FC(03)146 with Paper FC(03)200 the unconfirmed Minutes of a meeting of the Buildings Sub-Committee held on 29 October 2003.

INVESTMENTS

1,517 University of Cambridge Ventures Board. The Committee received Private and Confidential Note FC(03)155 with Paper FC(03)214 the unconfirmed Minutes of a meeting of the University of Cambridge Ventures Board held on 23 October 2003.

PENSIONS

1,518 (a) Thirty First and Thirty Second Deeds of Amendment of the current rules of USS & Deed of Consolidation. The Committee received Private and Confidential Note FC(03)147 with the following Papers:

| Paper FC(03)201 | Thirty First Deed of Amendment of the current rules of USS, executed on 1 October 2003, together with a letter dated 30 October 2003 from the Pensions Manager of USS Ltd. |
| Paper FC(03)202 | Thirty Second Deed of Amendment together with an explanatory note. |
| Paper FC(03)203 | Deed of Consolidation, executed on 1 October 2003. |

The amendments had been approved by the Joint Negotiating Committee and the Funding Councils in accordance with USS Rule 12.5.

(b) The Committee noted that the Thirty First Deed of Amendment corrected a number of minor errors which had occurred in the amending Deeds issued between 1994 and the current date. The thirty Second Deed of Amendment dealt with a number of issues arising from the admission of variable time employees to USS.

UNIVERSITY COMPANIES

1,519 Minutes and Financial Statements.

| Paper FC(03)204 | Unconfirmed Minutes of the meeting of the Board of Directors of Lynxvale Limited held on 21 October 2003 together with the audited Accounts for the year ending 31 July 2003. |
| Paper FC(03)205 | Unconfirmed Minutes of the meeting of the Board of Directors of Cambridge University |
Technical Services Limited held on 29 September 2003, together with the audited Accounts for the year ended 31 July 2003.

Paper FC(03)206 Minutes of the meeting of the Board of Directors of Cambridge Manufacturing Industry Links Limited, a wholly-owned subsidiary of CUTS, held on 17 September 2003, together with the audited Accounts for the year ended 31 July 2003.

Paper FC(03)208 Unconfirmed Minutes of the meeting of the Board of Directors of Cambridge University Environmental Projects Limited held on 6 October 2003, together with the audited Accounts for the year ended 31 July 2003.


The Committee agreed to note the information provided and to receive the Financial Statements of each Company. The Committee agreed to consider further the memorandum between the University and Lynxvale Limited (see Minute 1528).

UNIVERSITY FINANCE

1,520 Granta Backbone Network. The Committee received Note FC(03)144 with Paper FC(03)199, the Report of the Granta Backbone Network Management Committee for 2002-03, and agreed to recommend to the Council that it be published.

MATTERS FOR DISCUSSION AND DECISION

ACCOUNTS

1,521 (a) Financial Statements 2002-03. The Committee received Note FC(03)158 with the following Papers:-


Paper FC(03)218 Draft Management Representations Letter.

Paper FC(03)220 Auditors’ Report to the Finance Committee.

(b) The Vice-Chancellor welcomed Professor Leslie, Mr. Brooker and Mr. Shakeshaft, of the Audit Committee and Mr. Gummery and Mr. Martyn-Johns of Deloitte & Touche, the University’s External Auditors, who had been invited to attend for this item.
Members of the Audit Committee indicated that the Committee was not dissatisfied with the process through which the accounts had been prepared. Various detailed points were also made.

The external auditors indicated that good progress was being made towards the production of a satisfactory audit report.

The Director of Finance presented the main elements of the financial position of the University as reflected in the draft Financial Statements.

The Committee reviewed the Treasurer’s Report, and suggested various minor amendments.

The Committee agreed that reference was not necessary, beyond that contained in the drafts, to the possible treatment of future pension scheme costs, the nature and value of which was yet to be determined (increased contributions and/or capital transfer). The matter was under consideration and would be the subject of a later report to the Committee.

The Council agreed that the Treasurer’s Report should concentrate on matters which arose directly in or from the accounts. The place for broader discussion of policy was the Council’s Annual Report (which would be published with the financial statements) and the Allocations Report to be prepared later in the year. It was desirable that in future years the preparation of the Annual Report of the Council, the Annual Report of the General Board to the Council, and the Financial Statements should be more fully co-ordinated.

The Committee agreed to commend the draft Financial Statements (as revised) to the Council for approval and publication; and to advise the Council that the draft Management Letter should be signed by the Registrary on the Council’s authority.

On behalf of the Committee the Vice-Chancellor thanked Mr Keith Gummery of Deloitte & Touche, who was attending for the last time.

ESTATES

1,522 (a) Cambridge and Madingley Let Properties. Mr Simpson of EMBS attended for this item. The Committee received Note FC(03)153 with Paper FC(03)212 the Annual Report of the Estate Management and Building Service to the Finance Committee for the year 2002-03 together with attached Estates accounts for the year ending 31 July 2003. The Committee noted that:-

(i) The surplus of recurrent income over expenditure transferred to the Chest was £1.533M compared with the estimate of £1.620M and out-turn of £1.311M for the previous year.

(ii) The capital value of properties appearing in both the 2001-02 and 2002-03 valuations were £34.8M and £35.5M respectively, a capital growth of 2.0%.
(iii) The capital value of the entire portfolio at 31 July 2003 was £36.4M. It was suggested in discussion, however, that it was appropriate to judge the success of the portfolio from the financial point of view primarily against income rather than capital criteria.

(iv) The net income return (yield) for the complete portfolio was 4.2% (3.8% in 2000-01). This produced a total return (capital and income) of 6.2% (21.1% in the prior year). A commentary detailing the factors limiting the performance of the portfolio was provided at paragraph 2(c) of the report.

(v) An occupancy rate of 99% had again been achieved on the residential properties.

(vi) The rolling five-year maintenance plan based on an independent survey by consultants QMP had continued in 2003. The provision for maintenance and refurbishment identified in the plan was funded by top-slicing the first 25% of rental income (broadly equating to 2% of the capital value). Members of the Committee questioned whether sufficient provision was been made for maintenance.

(vii) Predicted transfers to the Chest for 2003-04 and 2004-05 were £1.38M and £1.31M respectively as elements of the estate reverted to operational use.

(b) The Committee agreed to approve the Report and Accounts for the year 2002-03 for the let properties in Cambridge and Madingley and noted the projections for future years. It was agreed that consideration should be given to the future treatment of properties which were let to University institutions.

Director of EMBS

1,523 Reporter Notice. The Committee received Note FC(03)159 with Paper FC(03)219 a draft Notice. The last comprehensive statement had been published in 2002 (Reporter, 2003-03, p. 5897). The draft Notice (Paper FC(03)219) revised and updated that statement to take account of changes since then, and was approved for publication.

Draftsman

1,524(a) Investments Sub-Committee. Distribution by the Amalgamated Fund 2004-05. The Committee received Note FC(03)152 and noted that the Investments Sub-Committee had met on 21 November 2003 and that Minutes of that meeting would be brought to the next meeting. The Director of Finance had, however, drawn the Committee’s attention to specific decisions.
The Sub-Committee had confirmed that the distribution for 2003-04 by the Amalgamated Fund be 116.34 per unit (net). This was as estimated at the Investments Sub-Committee meeting of 25 November 2002, and as had been included in the University’s 2003-04 budgets. The special dividend of 16.5p per unit which had been paid for the past three years had been stopped. The 116.34p distribution gave a yield of 4.67% on the opening capital value of a unit. The Investments Sub-Committee, mindful of uncertainties in equity markets and its obligations to make distributions which were in line with the long term return of the Fund, had estimated the distribution for 2004-05 and, at this stage, had proposed no increase in the distribution, which would be held at 116.34p per unit (net).

It was suggested in discussion that there should be a review of distribution policy for the Amalgamated Fund. The Committee therefore agreed to note the distribution level for 2003-04, to note but not to approve the distribution estimated for 2004-05, and to invite the Investments Sub-Committee to report further to it for consideration in the first half of 2004, reviewing the distribution policy for the Amalgamated Fund, including consideration of whether or not to implement a total return policy.

University of Cambridge Ventures Board. Concept Paper – A further Fund for Spinout Companies. The Committee again received Note FC(03)134 with Paper FC(03)186 a paper by Sir Alastair Morton, Chairman of the Ventures Board, setting out the case for a new University-sponsored fund, and agreed to consider it at a later meeting.

Purchasing

EU Public Procurement. With reference to Minute 1,490, the Committee received Note FC(03)149 with Paper FC(03)209 a draft Notice on Public Procurement Regulations. The Committee noted that the Council, at their meeting on 17 November 2003, had approved the Committee’s recommendation that it declared that the University was outside the scope of the Public Procurement Regulations, and recommended the draft Notice for publication, subject to minor amendment.

Travelling Allowances

Bicycle Mileage Allowance for Business Use and Interest Free Loans for Sustainable Transport Purposes.

The Committee received Note FC(03)145 and Annexes, a report from the Estate Management and Building Service and Personnel Division outlining a scheme for the introduction of a bicycle mileage allowance for business use and interest free loans for sustainable transport purposes.
(b) Members of the Committee expressed the view that the scheme proposed was expensive and had many disadvantages. The Committee agreed to invite the Director of Estate Management to produce a revised scheme, which should be more modest, and which might be financed by a significant reduction in the mileage allowance for the use of motor vehicles.

VALUE ADDED TAX

1,528 Lynxvale Limited – Major Building Projects. The Committee received Note FC(03)156 with Paper FC(03)215 from the Deputy Director of Finance and Tax Manager (who attended) proposing that for administrative ease and as a potential aid to financing deals, the University invited its subsidiary company Lynxvale Limited, which carries out design and build contracts, to undertake routinely all major building projects. The Committee welcomed the proposals, gave them general approval, and agreed to authorise implementation. Dr. Anderson suggested that consideration should be given to the transfer to the employment of Lynxvale Limited of some of the relevant EMBS operational staff.

UNIVERSITY FINANCIAL SYSTEM

1,529 Financial System Management Committee. The Committee received Private and Confidential Note FC(03)154 with Paper FC(03)213 the Unconfirmed Minutes of the meeting of the Financial System Management Committee held on 13 November 2003.

1,530 Annual Report of the Financial System Management Committee(FSMC). The Committee received Note FC(03)151 with Paper FC(03)211 the Annual Report of the FSMC for 2002-03. The Committee thanked the Management Committee for the submission of the report, which it found to be most informative and helpful.

Vice-Chancellor,
14 January 2004