University of Cambridge

COUNCIL

Finance Committee

WEDNESDAY 5 NOVEMBER 2003

At a Meeting of the Finance Committee held this day,

Present: The Vice-Chancellor, Mr Brown, Professor Chase, Professor Daunton, 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, the Registrary and the Academic Secretary;

Apologies for absence were received from Dr. Anderson, Dr. Good, Mr. Larkum, Ms Lowther and Dr. Nicholls.

1,493 MINUTES

The Minutes of the meeting held on 8 October 2003 were approved.

1,494 REPORT ON ACTIONS

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

1,495 REPORTED AND STRAIGHTFORWARD BUSINESS

FINANCE COMMITTEE

Sealings. The Committee received Note FC(03)128 with Paper FC(03)180 a list of sealings authorised by the Acting Treasurer and the Director of Research Services under delegated authority since the previous meeting.

ACCOUNTS

(a) External Auditors. The Committee received Note FC(03)130 and noted that Deloitte & Touche had been appointed as the University’s external auditors for and from the year-ending 31 July 2002, following an appointment exercise carried out by the Audit Committee. On 1 August 2003 the business of Deloitte & Touche was transferred to Deloitte & Touche LLP. The appointment of the LLP, in succession to the general partnership, in accordance with Statute F, II, 5 had been submitted as a Grace on 9 July 2003.
(b) The audit engagement partner, Mr Keith Gummery, would be leaving Deloitte & Touche LLP in December 2003. After completion of the work on the 2002-03 financial statements he would be handing over to Mr Stuart Henderson. The consulting partner, Mr Nigel Llewellyn, had resigned from the firm earlier this year.

(c) The Committee noted that the Chairman of the Audit Committee had written to Deloitte & Touche LLP expressing concern about the change in management of the University’s audit so shortly after a sound and productive relationship had been established. Members of the Committee endorsed this concern.

1,497 Management Letter: Contacts with Departmental Staff. The Committee received Note FC(03)136, a summary prepared by the Director of Finance on progress in strengthening contacts with departmental financial staff. The Committee noted that the contacts were being steadily improved and strengthened.

BUILDINGS

1,498 Minor Works Review Group. The Committee received Note FC(03)137 with Papers FC(03)190 and 191, the Unconfirmed Minutes of meetings of the Minor Works Review Group held on 14 July and 6 August 2003 respectively.

1,499 University Security Committee. The Committee received Private and Confidential Note FC(03)132 with the following Papers:-

Paper FC(03)183 Unconfirmed Minutes of a meeting of the University Security Committee held on 15 October 2003.


PROCEDURES

1,500 Review of Supplier Payment Systems. The Committee received Note FC(03)138 and noted that payments were made to suppliers by the Finance Division’s Accounts Payable team following invoice approval by departments. The University processed around 330,000 invoices per year, of value c£300m. As part of a review of how the University’s central information on its suppliers and payments procedures were working, an external company – Rockford Associates, had been commissioned to review information using the financial systems, over a period of five years. An equal sharing with Rockford Associates, of recovered overpayments made by the University to its suppliers, financed this project.
PURCHASING

1,501 (a) *EU Public Procurement.* The Committee received Note FC(03)129 with Paper FC(03)181 an analysis of public/private funding based on FY 2002 actual results.

UNIVERSITIES UK

1,502 Higher Education Pay and Prices Index (HEPPI). The Committee received Note FC(03)131 with Paper FC(03)182 a paper from Universities UK enclosing the Higher Education Pay and Prices Index (HEPPI) for 1 July 2003.

UNIVERSITY FINANCIAL SYSTEM

1,503 Financial System Management Committee. The Committee received Private and Confidential Note FC(03)133 with Paper FC(03)185 the Unconfirmed Minutes of the meeting of the Financial System Management Committee held on 2 October 2003. The Committee endorsed a proposal by the Director of Finance that routine reports from the Management Committee should in future be taken as starred items not for discussion.

MATTERS FOR DISCUSSION AND DECISION

1,504 (a) University Centre. The Committee received Note FC(03)139 with the following Papers:-

- Paper FC(03)192 Annual Report of the University Centre for the year ended 31 July 2003.
- Paper FC(03)193 Profit & Loss Account for the financial year 2002-03.
- Paper FC(03)194 Financial Statement for the year ended 31 July 2003 together with Account Analysis.

(b) The Committee noted that the Centre was moving to operating surplus, but this was without taking account of capital expenditure. Both income from the Chest grant (which represented a “club fee” paid in relation to a certain category of University staff) and capital expenditure provision needed to be taken into account in assessing the overall financial position of the Centre. The Committee agreed to draw to the General Manager’s attention the need for such an overall approach, and also to draw to attention the low rate of gross profit in some areas, which needed to be remedied if the financial position of the Centre was to improve further.

1,505 (a) Cambridge University Press. The Committee received Private and Confidential Note FC(03)140 with Paper FC(03)195 a letter, dated 22 July 2003, from the Chairman of the Press Syndicate to the Vice-Chancellor outlining the financial support which the Press Syndicate proposed to give to the University of the next three years.
(b) The Committee noted that the Syndicate’s proposals although in general well judged had some implications for the academic activities of the University. A particular example was the decision to discontinue support for activities such as the Millennium Mathematics Project. It was for discussion at some stage in the future whether the use of Press surpluses should be decided by the Press Syndicate, or by the University. This was a matter which might be taken up further in connection with discussions about the consolidation of the accounts of the Press. The Committee noted that the comparable body, the Local Examinations Syndicate, required the consent of the University Council before grants could be made.

(c) The Committee agreed to advise the Vice-Chancellor to acknowledge the letter, to indicate that the proposal was accepted as regards 2003-04, but that further discussion of the mechanisms would initiated later.

1,506 (a) Quarterly Management Accounts. The Committee received Note FC(03)141 with Paper FC(03)196 the Management Accounts for Quarter 4, 2002-03 (the “Red Book”) together with the “Green Book” which was a summary of the financial position of the Schools and similar groupings.

(b) The Director of Finance gave a preliminary presentation of the end of year statements for 2002-3, which would be referred to the Audit Committee, the Finance Committee, and the University Council in the next cycle (leading up to the Council’s meeting on 15 December 2003). On a consolidated basis the predicted deficit for 2002-03 was significantly reduced, to £1 million, but staff costs had continued to rise by 9.7% overall and after account had been taken of research volume changes by about 8.4%. The Committee noted that given that a staff freeze had been enforce for part of the time this represented a significant underlying increase in staff costs, no doubt attributable to grade and salary movement, market forces, and a policy of promotions. Further analysis of this situation was needed.

1,507 University Accounts: Changes over the last ten years – Presentation by the Director of Finance.

(a) The Director of Finance made the presentation requested by the Committee about the main accounting changes which had taken place in the University in recent years. These could be summarised as follows:

1996 - UCLES de-consolidated  
- Pre-1988 land & buildings included at valuation
1999 - Buildings depreciated from 1.8.03  
- Changes in accounting for maintenance
2000 - Subsidiary companies consolidated  
- Treatment of capital donations for land and buildings changed.  
- College fee.
2002 - Income and expenditure accounts stop at surplus/deficit before
  - Reserve movements
  - Amalgamated fund/deposit account shown gross, with external investors in creditors
  - “Chest capital” reclassified as a Reserve.

(b) The Director of Finance commented on the discontinuities introduced in the long run figures by the changes. He gave indications of future changes, including the treatment of special and donation accounts (to be implemented 2003) and further consolidation to include UCLES, the Scholarship Trusts etc, and possible disclosure under FRS 17 of pension assets and liabilities. A comparison was also shown with the position of a major American university, the revenue of which was comparable with that of the widest notional picture for Cambridge (including CUP and Colleges) but the net assets of which were more than an order of magnitude greater. However, part of this gap could be accounted for by the availability to Cambridge of significant public funding which was, of course, not derived from Cambridge endowment assets. The disadvantage of reliance on such a source of income was that it constrained independence, as the relative experience of private and state in the United States indicated.

(c) In the course of a wide ranging discussion of the University’s financial position, attention was drawn to the need for appropriate levels of expenditure on and investment in various major domains, notably people and academic programmes; the physical fabric and equipment of the University; and the maintenance and generation of endowment. These must be viewed together.

(d) In this connection use of the new Financial Model, recently presented to the Planning and Resources Committee, would be a useful integrating tool. The model was at present being tested and had not yet been disseminated. It was not intended to replace the Resource Allocation Model (RAM) as the principal vehicle for analysis of micro resource allocation decisions at the levels of Schools, Faculties and Departments. The Financial Model was, however, likely to be a useful tool in the analysis of the financial circumstances of the University as a whole. The Committee agreed to invite the Director of Finance to give a presentation of the Financial Model to the Committee at a further meeting.

BOARD OF SCRUTINY

1,508 (a) Eighth Report of the Board of Scrutiny. The Committee received Private and Confidential Note FC(03)135 with the following Papers:

  Paper FC(03)188 Report of a Discussion held on 7 October 2003.
Paper FC(03)189 Recommendations of the Report and possible responses by the Finance Committee.

(b) The Committee agreed to endorse the proposed suggested comments, which would be taken into account in preparing the Council’s reply. University Draftsman

c) The Committee noted that questions related to investment should be considered by the Investments Sub-Committee at its next meeting.

Director of Finance

INVESTMENTS

1,509 University of Cambridge Venture Board. Concept Paper-A further Fund for Spinout Companies. The Committee received Note FC(03)134 with Paper FC(03)186 a paper by Sir Alastair Morton, Chairman of the Venture Board, setting out the case for a new University-sponsored fund. Consideration of this paper was deferred to the next meeting.

Purchasing

1,510(a) Procurement – Compliance with Regulations. With reference to Minute 1,456 the Committee received Private and Confidential Note FC(03)142 with Paper FC(03)197 a paper prepared by the Head of the Central Purchasing Office in response to concerns raised by the Committee about shortfalls in procurement practice.

(b) The Committee agreed to receive further information from the Director of Finance in due course about the more significant matters raised in the paper. Director of Finance

Vice-Chancellor
3 December 2003