University of Cambridge

COUNCIL

Finance Committee

Minutes of the meeting held on Wednesday 6 February 2008.

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

PART A: INTRODUCTORY

35. Minutes

The minutes of the meeting held on 9 January 2008 were approved.

36. 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.

37. Future business and work plan

An updated work plan for 2007-08 was received as Paper FC(08)27.

PART B: SUBSTANTIVE BUSINESS

38. Estates

(a) Estate Condition Report

The Report on the condition of the estate, proposals for the maintenance budget for 2008-09, Long Term Maintenance Plan for FY 2009/10 to 2012/13 and the relevant PRC Minute were received as Paper FC(08)28.

The Committee noted that:

(i) a Maintenance budget of £17.04M had been recommended for 2008-09 including all relevant staff costs, but excluding the security allocation and one-off payment to Addenbrooke’s NHS Trust for maintenance of the embedded accommodation used by University Departments;
(ii) £17.04m represented a 4.5% increase on the 2007/08 allocation (£16.306M) and 1.04% of the insured replacement cost (IRC) of the Operational Estate, it having been valued at £1,682M (inc VAT) as of the third quarter of 2008;
(iii) expenditure may need to rise towards 1.5% of IRC in the future when recently constructed buildings approach the 10/15 year life cycle and mechanical/electrical equipment deteriorated;
any substantial works necessary to comply with the Disability Discrimination Act or any major work to the 'Special Accommodation' were not included in the bid, however a funding allocation of £1m for backlog maintenance was included;

the condition of the estate continued to improve. Cambridge was ranked second in the Russell Group for estate condition and the annual spend compared favourably with HEFCE’s benchmark when capital expenditure was included;

there had been a 26.6% increase in the size of Operational Estate since 1999;

the cost of maintaining the University’s 240 lifts was projected to rise sharply in future. Currently maintenance was carried out by the Engineering Department. EMBS would look into the delivery of this service;

it would be useful to see what the cost of business critical maintenance would be compared to steady state maintenance, so that in years when budgeting was tight the Committee would have an idea of how much flexibility there would be.

**Action:** Director of Estate Management

(b) **Non-Operational Estate**

The Report on the Cambridge and Madingley let properties for the year 2006-07 and update on the Strategic Review were received as Paper FC(08)29 and Annexes.

The Committee noted that:

(i) the surplus of recurrent income over expenditure transferred to the Chest was £1.4m compared with the estimate of £1.50m largely as a result of void properties;

(ii) predicted cash transfers to the Chest for 2007-08 and 2008-09 were £1.25m and £1.26m respectively;

(iii) the capital value of the investment-only properties was £22.4m, a capital growth of 10.0% over the previous year;

(iv) the net income return (yield) for these investment-only properties was 4.3%, producing a total return (capital and income) of 14.3% (compared with 13.9% the previous year);

(v) the occupancy rate up to 31 July 2007 was 96% (compared with 97% in the previous year);

(vi) the rolling five-year maintenance plan had been updated. The planned provision, if approved, would be funded by top-slicing the first 30% of rental income (previously 25%). The Committee agreed that the figure should remain at 25% until further work had been undertaken to determine the most appropriate level of re-investment and whether improvements to properties of a capital nature should be treated in a different way, whilst repairs and maintenance were paid for from current funds;

(vii) the shared equity scheme was under review with the aim of increasing its attractiveness;

(viii) it was hoped that a small shop would open at West Cambridge after further development and the site reached critical mass. In the meantime the empty property could be used as a community space, at relatively low cost, to improve the environment for residents; and

(ix) a Grace was required for the disposal of 1/2 Fitzwilliam Street, and 28/29 Trumpington Street. A draft Report to Council was attached.

The Committee approved:
the Report and Accounts for 2006-07 and noted the projections for future years;
the updated recommendations of the Strategic Review; and
the draft Report to Council for the disposal of 1/2 Fitzwilliam Street, and 28/29 Trumpington Street.

**Action:** Director of Estate Management, Director of Finance

(c) **Implementation of the Estate Plan**

A paper on the Implementation of the Estate Plan was received as Paper FC(08)30.

The Committee noted that:

(i) in the main the plan dealt with the re-development of the Old Press and New Museum sites;
(ii) it was a work in progress and was presented for information purposes;
(iii) a capital programme, full costings and an accurate timescale had not been developed as yet;
(iv) considerable background work had already been undertaken looking at re-use by the University, commercial options and taking into account the views of the planning authorities;
(v) although it would be early 2009 before the value and commercial potential of the site were clear some of the uncosted elements of the plan could be determined prior to that. A brief note setting out the progress made would be brought back to the Committee in May.

**Action:** Professor Minson, Director of Estate Management

39. **Cambridge University Press**

The Minutes of the meeting of the working group with the Press and its auditors held on 16 January 2008 and the Annual Report and Accounts of the Press for the year ended 30 April 2007 were received as Papers FC(08)31 and 32.

The Committee noted that:

(i) the meeting had been satisfactory;
(ii) the finances of the CUP were improving and action taken to control pensions costs. It had established an Audit Committee and good progress had been made on financial internal controls;
(iii) plans to deal with exchange rate volatility due to CUP’s exposure to the US Dollar were being developed;
(iv) the operating environment was changing rapidly, despite this there were no targets in place for the next five years. The CUP had a vision but needed to develop it into a strategic plan and should indicate the timescale for doing so. The plan should include details of how the CUP would strengthen its position and its business model for dealing with long term changes in exchange rates. The Chief Executive should be invited to present the strategic plan to the Committee; and
(v) the Press had been asked to give further consideration to a change in accounting year end from 30 April to 31 July.

**Action:** Director of Finance
40. **Accounts**

**The Cambridge Trusts**

The Minutes of the meeting between the Finance Committee’s working group and representatives of the Cambridge Trusts held on 28 January 2008, and the accounts of the Trusts for 2006-07 were received as Papers FC(08)35 and 22.

The Committee noted that:

(i) the University and Trinity College transfer money to the Cambridge Trusts;
(ii) in the past the Trusts, notably Cambridge European Trust (CET), had not distributed the income they had available as grants and had been using allocated funds to build up reserves, this had not been the case in 2006-07, although CET reserves had increased in value as a result of investment performance;
(iii) virtually all European students now fell in the Home/EU category and their funding arrangements had therefore changed. That being the case the CET, which spends a material proportion of its funds on undergraduate students, would need to review its support priorities;
(iv) the proportion of funding for the Trusts from external sources was falling;
(v) while the working group had satisfied the Committee that funds allocated by the University had been used for the purpose intended, the Committee also needed to be reassured that governance arrangements were satisfactory;
(vi) it was recommended that the Finance Committee and Planning and Resources Committee continue with planning to budget for grants to the Trusts on a five year rolling basis. The arrangements would be reviewed annually and continued funding would remain dependent on satisfactory administration of the Trusts and on the provision of student support consistent with the University’s recruitment priorities. Whether Trinity College would continue to do so was not known yet; and
(vii) as the current Director of the Trusts was retiring there would be an opportunity to discuss some of the matters raised by the Committee with the Director-designate and to consider further the operation and governance of the Trusts.

**Action:** Professor Minson, Registrar

41. **Cambridge Enterprise Limited**

Ms Willey, Director of Cambridge Enterprise, joined the meeting for this item. A report prepared by the Cambridge Enterprise Board of Directors for the year 2006-07 was received as Paper FC(08)33.

The Committee noted that:

(i) the report summarised the sources of technology and knowledge transfer income and how it was distributed and provided budgetary and future business information. A full business plan would be submitted to the Committee in May;
(ii) a breakdown of income streams indicated by the date the IP rights were disclosed to Cambridge Enterprise would be useful;
(iii) the time taken to see a return had compressed little in recent years, the turnaround times for physical and bio science were very different;
(iv) there were fluctuations in cash holdings from month to month, prediction of cash flows and risk management were improving;
the accounts showed a loss whilst £5.3m from technology and knowledge transfer had been returned to inventors, University Departments and the University. Distributions were based on the Distribution Policy whereby the inventor received 90% and the Department and University split the remaining 10%. It would be useful if the returns were recategorised to show how much was returned to the University as a whole;

Cambridge Enterprise Limited was tasked with establishing a sustainable financial position; it had been assumed that it would be loss-making in the short to medium term, as with many similar organisations in other universities. The accounts do not demonstrate the less measurable contributions made by Cambridge Enterprise, for example contributions have been made to several projects one of which resulted in £8m being raised for the University and another added a £2m IPR portfolio; and

the business plan would include information on prospects, the level of support needed from the University, the educational value contributed to the University, a competitor analysis of other universities in the UK and US, metrics and performance indicators and how to measure other returns where value has been added to the University by the work of Cambridge Enterprise.

Action: Ms Willey

42. University Companies

New subsidiary company

A proposal to incorporate a wholly-owned subsidiary company to optimise the tax position of a specific investment was received as Paper FC(08)36. The company would be for the sole purpose of the CU Endowment Fund’s investment in a property fund and would be wound up following completion of the fund’s activities.

The Committee approved:

(i) the incorporation of the company; and
(ii) confirmed the appointment of Kerry Sykes and Nick Cavalla as Directors.

Action: Director of Finance

43. HEFCE

Financial Memorandum

A copy of the “Revisions to Financial Memorandum: Consultation on changes to the funding agreement between HEFCE and institutions” was received as Paper FC(08)37.

The Committee noted that all universities in receipt of HEFCE funding were bound by a Financial Memorandum. In the spirit of reducing regulation HEFCE was moving towards a principle based rather than rule based memorandum. The University was supportive of the new memorandum and would make a response to the consultation.

Action: Director of Finance

Vice-Chancellor
5 March 2008
Finance Committee 6 February 2008: Straightforward and reported business submitted for decision or report.

1. Finance Committee

   (i) List of Sub-Committees
       Received the list of Sub-Committees of the Finance Committee as from January 2008. Noted and confirmed the appointments.

   (ii) Dates of Meetings 2008-2010 - Noted.

2. Committees

   Received the Minutes from the following Committees:

   Planning and Resources Committee – 8 January 2008
   Financial System Management Committee – 25 January 2008
   University Farm Committee of Management – 19 December 2007
   and Accounts for the year 2006-07

   Noted.

3. College Contribution

   Draft Annual Report of the Council

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

4. Pensions

   (i) Accounts of the CPS for the year ended 31 July 2007.
       Received.

   (ii) Proposed Rule Changes to the CPS.

       For decision: Recommended to Council that a Grace be published to amend the rules of the CPS.


6. Sealings

   Received.