Minutes of the meeting held on Wednesday 7 February 2007.

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

The Vice-Chancellor welcomed the re-elected members, and Mr Reavley, to their first meeting.

PART A: INTRODUCTORY

31. Minutes

The minutes of the meeting held on 10 January 2007 were approved.

32. 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 any matters for decision contained in the confirmed list of straightforward or reported business, and received the other material.

Three items of straightforward and reported business were unstarred.

Item 2, Accounts - Statement of Recommended Practice (Paper FC(07)16).

The Committee noted that the deadline for comments on the draft of a revised HE/FE SORP was 13 April 2007. The Director of Finance would consult the Colleges on the response to the revised SORP. A paper would be presented to a future meeting.

Action: Director of Finance

Item 3, College Contribution (Paper FC(07)24).

The Registrary reported that a member of the University had applied to the Commissary for review of the way in which the Grace regarding College Contribution had been put forward.

Item 4, Committees and Annual Report - Planning and Resources Committee – 3 January 2007 (Paper FC(07)19).

The Committee noted that a loan had been made to the Judge Business School from the Strategic Planning Reserve Fund. Although it was unusual to make loans from this fund the purpose was to enable the School to bring forward aspects of its new business plan. Interest would be charged.

33. Future business and work plan

An updated statement was received (Paper FC(07)25).
PART B: SUBSTANTIVE BUSINESS

34. Estates

(a) Non-Operational Estate

Mr. Rob Simpson, Senior Estates Surveyor, joined the meeting for this item. The Report on the Cambridge and Madingley let properties for the year 2005-06 and up-date on Strategic Review were received as Paper FC(07)22 and Annexes.

The Committee noted that:

(i) the surplus of recurrent income over expenditure transferred to the Chest was £1.453m compared with the estimate of £1.542m as a result of a change in the application of the management fee and maintenance transfer. Predicted cash transfers to the Chest for 2006-07 and 2007-08 were £1.497m and £1.357m respectively;
(ii) capital receipts from sales of property in the period was £11.9m;
(iii) the capital value of investment-only properties appearing in both the 2004-05 and 2005-06 valuations was £20.5m, a capital growth of 9.3% over the previous year;
(iv) the net income return (yield) for these investment-only properties was 4.6%, producing a total return (capital and income) of 13.9%;
(v) the management fee of 7.5% and maintenance transfer of 25% had been extended across almost all properties, reducing the surplus by £0.03m and £0.08m, respectively;
(vi) an occupancy rate of 97% had been achieved on the residential properties, including new residences, up to 31 July 2006 (compared with 98% in the previous year);
(vii) the rolling five-year maintenance plan based on the 2003 external consultant’s survey had continued in 2005-06. The provision for maintenance and refurbishment identified in the plan was funded by top-slicing the first 25% of rental income (now including all properties also subject to the management fee);
(viii) Surveyors’ fees to agree a formal valuation of 2 Trumpington Street as a precursor to purchase, and subsequent legal costs, were estimated at £25k;
(ix) a Grace would be required for the disposal of 6a Chaucer Road; and
(x) only four properties were part of the shared equity scheme, although another six or so were coming forward. The scheme had a cap of £150,000 per property.

The Committee agreed:

- to approve the Report and Accounts for 2005-06 and note the projections for future years;
- to approve a warrant for surveyors’ and legal fees in connection with the valuation and subsequent purchase of 2 Trumpington Street at a total cost of £25k, which Officers recommended should be a charge on the Land Fund;
- to recommend to the Council to promote a Grace for the disposal of 6a Chaucer Road; and
that the Personnel Committee should be asked to look at other universities’
shared equity schemes and in the light of that, review the Cambridge scheme
in terms of size and target audience.

Action: Director of Estate Management, Director of Personnel, Draftsman.

(b) Estate Maintenance

The report on the condition of the estate, proposals for the maintenance budget for
2007-08 and the relevant PRC Minute were received as Paper FC(07)23.

The Committee noted that:

(i) the maintenance budget recommended for FY 2007/08 £16.306M,
representing 1.0% of the insured replacement cost (IRC) of the fixed assets
of the Operational Estate. The bid did not include any substantial works
necessary to comply with the Disability Discrimination Act (DDA) or any
major refurbishment to ‘Special Accommodation’;
(ii) due to reduced staff numbers and the ongoing difficulties with recruitment
and retention, it would prove difficult to spend beyond the bid level and it
may be necessary to carry funding over to 2008/09 if negative staffing trends
continue;
(iii) the Planning and Resources Committee had agreed that the University
should generally comply with the recommendation by HEFCE that
universities should, as a minimum, be guided by the RICS guidelines that
institutions should spend 1.5% to 2.25% of the IRC of their buildings on
routine, steady state maintenance (with additional requirements for estates
with listed and/or highly serviced scientific buildings);
(iv) University expenditure of less than the HEFCE guideline would however
maintain the Estate in a good/satisfactory condition and not allow backlog
maintenance to increase. 1 – 1.25% of IRC is considered a more suitable
‘benchmark’ given the current condition of the Estate and the experience of
delivering good ‘value for money’ in expenditure on all aspects of
maintenance;
(v) the direct replacement cost of the physical Estate (excluding loose contents)
was estimated at £1,138M as of 1 May 2003. This was likely to rise to
£2,020M by 2010/11;
(vi) the costs of maintenance and utilities staff had now been subsumed into the
maintenance budget;
(vii) the lift maintenance budget was included within the recommended total
budget but might need to be a separate bid in future as costs rose;
(viii) grounds maintenance expenditure, including staff costs, was expected to be
funded from the maintenance budget;
(ix) there had been a substantial increase in the Operational Estate since 1999
(26.4%), and there had been similar increases in tender prices (44.1%);
(x) based on the above data and following a revaluation exercise in August
2003, the replacement cost of the Operational Estate was calculated to be
£1,653M for 2007/08. The recommended maintenance budget of £16.306M
was therefore equivalent to 0.96% of the IRC of the Operational Estate; and
(xi) the overall building fabric condition of good to fair was applicable to the
majority of the Estate, with Cambridge being in the top four of the Russell
Group. There were local areas giving cause for concern such as the Arup Building, Chemistry and Engineering.

The Committee recommended:

- to the PRC that the maintenance budget should be set at £16.306M, including all relevant staff costs but excluding the security allocation and a one off payment to Addenbrooke’s NHS Trust for maintenance of the Embedded Accommodation used by University Departments; and
- that the Long Term Maintenance Plan for FY 2007/08 to 2011/12 be noted for planning purposes.

**Action:** Director of Estate Management

35. **Accounts**

(a) **Financial Statements 2005-06 – Cambridge University Press Review**

A note of a meeting held on 23 January 2007 to discuss the inclusion of the accounts of Cambridge University Press in the University Group Accounts with particular reference to the events in Michaelmas Term 2006 was received as Paper FC(07)26.

The Vice-Chancellor reported that:

(i) the meeting had been constructive;
(ii) the Press had agreed that it had not met the previously agreed schedule for inclusion of its 2005/06 accounts;
(iii) the Press had proposed to establish an Audit Committee;
(iv) a number of steps had been taken to ensure the 2006/07 accounts and audits would be to schedule, including a clear timetable of meetings in 2007 with the Director of Finance, and additional accounting staff;
(v) it had been agreed, for the present, that the Press accounting year end should not be changed from 30 April to bring it into line with the University’s year end of 31 July so as to avoid further disruption;
(vi) having two separate firms of auditors had not been a factor in the difficulties experienced in the 2006 exercise; and
(vii) it was noted that the Regent House determined the Press year end date and the Council appointed the Press auditors.

(b) **University of Oxford – Financial Statements 2005-06**

A paper comparing Cambridge and Oxford’s financial results 2005-06 and a copy of the Oxford Financial Statements were received as Paper FC(07)21.

The Committee noted that:

(i) Oxford’s accounts continue to exclude the Oxford University Press (trading turnover £448m, profit £70m, transfer to Oxford University for current spend £35m);
(ii) Deloitte’s audit opinion was “Except for the non-inclusion of the Press, the financial statements give a true and fair view of the state of affairs...”. It therefore remained a heavily-qualified opinion and “the financial statements do not comply with applicable United Kingdom accounting standards”;

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(iii) Oxford was not able give a full statement of internal control;
(iv) Oxford now accounts for heritage assets, and accounts for pensions under FRS17 which removes a liability since its in-house scheme is regarded as multi-employer;
(v) the contribution of the OUP was a valuable source of unrestricted funding for Oxford, equivalent to a significant endowment;
(vi) if the OUP contributions were disregarded Cambridge’s surplus/deficit was significantly favourable to Oxford’s; and
(vii) in terms of income and expenditure, the universities remain remarkably similar. But Oxford’s total income (+14.8%) had moved ahead of Cambridge, aided by some acquisitions, although its operating expenses had risen sharply. There was a significant growth in Oxford’s Research Grants and Contracts income, mainly in research funded by the charities sector.

PART C: PRESENTATION

36. Cambridge University Press

Mr. Stephen Bourne, Chief Executive of the Press, gave a presentation on the Press’ business. Although there was insufficient time for further discussion the questions put by the Committee and the answers would provide a useful basis for discussion at a future meeting. The following areas were of interest to the Committee and would be discussed in greater detail in due course: governance (Statute J); personnel of the Press; the move to electronic publishing; and being more commercial going forward.

Vice-Chancellor
7 March 2007
Finance Committee 7 March 2007: Straightforward and reported business submitted for decision or report

1. **Pensions**

   **Chairmanship of the CPS Managing Committee**

   The Committee agreed to appoint Professor Graeme Barker as Chairman of the CPS Managing Committee.

2. **Accounts**

   **Statement of Recommended Practice**

   The University prepared its financial statements in accordance with the HE/FE SORP. An exposure draft of a revised SORP had been issued. A summary of the main changes was received. Comments on the exposure draft from the Finance Division and the Colleges would be considered at a later meeting.

3. **College Contribution**


4. **Committees and Annual Report**

   Received the Minutes and Annual Report from the following Committees:

   - **Audit Committee** – 18 January 2007
   - **Purchasing Working Group** – 16 November 2006
   - **Planning and Resources Committee** – 3 January 2007
   - **Annual Report of the University Theatre Syndicate 2005-06**
   - **Annual Report of the University Theatre Syndicate for the Theatre for the year 2005-06.**

5. **Sealings**

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