Minutes of the meeting held on Wednesday 7 November 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.

PART A: INTRODUCTORY

12. Minutes

The minutes of the meeting held on 10 October 2007 were approved subject to the following amendment:

an additional point would be added to Minute 10, Investments, as below.

(ix) in terms of costs, the balance between risk and return should be monitored closely.

13. 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.

Two items were discussed.

2. Committees – Planning and Resources Committee 17 October 2007, Minute 969, Composition Fee Structures

The Minute stated that the Bursars’ Fees Sub-Committee would be consulted on proposals for a new fee structure. The Pro Vice-Chancellor for Planning and Resources would provide details of the form this consultation would take by circulation.


The Pensions Regulator had requested a discussion with the CPS Managing Committee on 25 October 2007. The telephone discussion was an enquiry regarding the assumptions used for the last valuation. No indication was given that the Pensions Regulator considered the assumptions were a problem and no further communication had yet been received.

14. Future business and work plan

An updated work plan for 2007-08 was received as Paper FC(07)160.

15. Finance Committee

Membership
A paper about membership of the Committee was received as Paper FC(07)162.

PART B: SUBSTANTIVE BUSINESS

16. Accounts

Financial Statements

Mr Light, Head of Financial Reporting, Finance Division, attended for this item. The first drafts of the 2006-07 financial statements were received as follows:

Paper FC(07)150 ‘Little U’ (the University excluding Cambridge Assessment, Cambridge University Press and the Cambridge Trusts)

Paper FC(07)163 ‘Grand U’ (the University consolidated group)

(a) The Director of Finance presented the draft statements. The Committee noted the following:

(i) the timetable was as follows, in contrast to previous years, in order to meet the earlier HEFCE submission deadline of 30 November: Finance Committee approval on 21 November (joint meeting with Audit Committee with external auditors in attendance), Council approval and submission to HEFCE on 26 November and publication in the Reporter on 30 November;

(ii) some changes had impacted on the accounts: reclassification of investments from current assets to fixed asset investments, clean-up of fixed assets, historical cost result note, new fixed asset investment revaluation reserve and new pensions presentation (FRS17);

(iii) “Little U” (University teaching, research and subsidiaries) income had risen 6.7% from £563.6m to £601.5m, expenditure had risen 7.6% from £556.6m to £598.9m, capital expenditure had increased by 22.1% from £70m to £86m reversing the downward trend since 2003, and net assets had increased by 8.4% from £1,738m to £1,884m. There was a “Little U” surplus of £2.6m with £1.4m being transferred to general reserves. All items were close to budget;

(iv) all categories of income had increased, the most notable being the 14.9% increase in fees and the 18.6% increase in investment income. However, research grants and contracts had only risen by 3.7% which was an area of concern. Oxford was reported as having increased its comparable income by 16% over the same period. Changes to CMI might have affected the comparisons. A detailed analysis would be undertaken and reported back to the Committee. Since 2001 revenue had increased by 52% from £397m to £602m;

(v) all categories of expenditure had also increased, the most notable being an 8.1% increase in permanent staff costs and an increase of 7.5% for research staff, this was due to the effects of the pay and grading exercise and pay settlement. Other costs had increased by 13.5% after a number of years of little or no increase. There had been an adjustment for items that had been capitalised in error giving a swing of £6.6m and it was likely that there had been a period of catching up on planned work that had been held over from
previous years leading to a re-balance between this and the previous years of flat spending;

(vi) reserves for the University only had increased from £663m to £675m, the greatest increase being in departmental reserves. The level of departmental reserves was examined as part of the planning round and departments would be encouraged to use their reserves where appropriate;

(vii) “Grand U” (“Little U” plus Cambridge Assessment, Cambridge University Press and the Trusts) consolidation had been completed satisfactorily this year. Cambridge Assessment and the Trusts now had the same July year-end as the University and Cambridge University Press (CUP) had an April year-end with a stub-period adjustment. The Committee agreed that the CUP should again be asked to consider seriously moving to a July year-end;

(viii) income had risen by 7.6% from £890.7m to £958.2m, expenditure had risen by 7.2% from £882.4m to £945.5m, capital expenditure had increased by 14% from £95m to £108m and net assets had increased 11% from £2,171m to £2,411m. There was a “Grand U” surplus, before exceptional items and transfers, of £12.7m, around 1% of turnover. With the addition of gains on disposal and transfers £21.4m went to general reserves;

(ix) “Grand U” income was much more diversified than “Little U”;

(x) there were considerable intra-group transactions such as the CUP printing Cambridge Assessment examination papers;

(xi) Cambridge Assessment total income had increased by 14% from £173m to £197m. Expenditure had increased by 5% from £168m to £176m, the surplus before transfer of £6m to the University was £21m, increased from £5m in 2006;

(xii) CUP total income for the year to July had increased by 7% from £154m to £165m. Expenditure had increased by 6% from £154m to £164m with a surplus of £1m, increased from break even in 2005-06. Although the CUP had projected rising surpluses going forward it was achieving a small margin on its turnover. Concern was expressed as to whether the CUP may face difficulties going forward in view of the weakness of the US dollar. The Committee welcomed the news that Ms Coutu would be joining the CUP Finance Committee; and

(xiii) the CPS FRS17 pension deficit had reduced from £98m in 2006 to £58m in 2007.

The Committee thanked the Director of Finance for his presentation.

Action: Director of Finance

17. North West Cambridge

Progress Report

A progress report on North West Cambridge (Paper FC(07)164) and Minutes of the meeting of the NW Cambridge Strategy Committee held on 10 October 2007 (Paper FC(07)165) were received.

The Committee noted the following:

(i) under the Planning and Compulsory Purchase Act 2004, planning policy for the site would be set by an Area Action Plan being prepared jointly by Cambridge
City Council and South Cambridgeshire District Council superseding the more favourable policies set out in the 2006 Cambridge Local Plan. The Councils were likely to propose significantly less developable area than the University requires, and a number of policies unfavourable to the University's aspirations. The Strategy Committee had agreed that the University should challenge any outcomes which were unfavourable to the University;

(ii) further work was being undertaken on the mix and quantum of uses on the site; the Regent House would be asked to approve this as part of a Report in the Lent Term. It was also proposed to publish a Notice this Term updating the Regent House and responding to Remarks made by the Board of Scrutiny;

(iii) with a 50:50 mix of key worker and private housing there were questions about the viability of the project, the financial implications of the range of development options were being modelled and the outcome would be considered later this month, with a view to reaching a conclusion by the end of 2007 on the preferred financial option to be followed. It was unlikely that the percentage of private housing would increase above 50% due to planning constraints;

(iv) using interim project management consultants had allowed some progress to be made, however, the commitment of a disproportionate amount of EMBS staff resource had demonstrated that it was now necessary to appoint a Project Director with an externally sourced team to lead the project. EMBS did not have the capability to manage a group of projects of such scale;

(v) the project governance arrangements needed to be revisited; NW Cambridge would be a series of projects. The Strategy Committee had functioned well as a stakeholder group but a smaller executive group (not project board as stated in the paper) was required;

(vi) the following masterplanning areas were being progressed: (1) evolution of the 2005 masterplan to form the 2007 masterplan before submission to the Regent House as part of the Report in the Lent Term; (2) work on the block structure and disposition of uses within the site, and type of dwellings for the staff housing, in order to increase the financial value of the development;

(vii) a programme of study tours by members of the Strategy Committee to residential developments in the Netherlands and Northampton had been helpful;

(viii) the University needed to decide what value it put on particular activities on the site. There were a number of cross subsidies involved. It might, for example, hypothetically be more cost effective to subsidise staff housing cost rather than building shared equity housing; and

(ix) to fund the project the Chest was at present providing a loan to be repaid from project proceeds. Options included the University procuring and financing the project directly or involving one or a number of companies to take the project forward. The risks and level of return would vary according to which option was selected.

The Committee agreed that a paper proposing a governance and management structure for the project, with a brief case for seeking a Project Director, would be presented to the next meeting of the Committee. This paper would be followed by a more detailed second paper, looking at strategy, risks and financial options, at a later meeting.

**Action:** Registrary, Director of Finance, Director of Estate Management
Vice-Chancellor
21 November 2007
Finance Committee 7 November 2007: Straightforward and reported business submitted for decision or report

1. **Value for Money Committee**
   The Committee agreed to nominate Miss Claire Cahill to the Value for Money Committee.

2. **Committees**
   Received the Minutes from the following Committees:
   - **Planning and Resources Committee** – 18 July and 17 October 2007. See Minute 13
   - **Buildings Committee** – 3 October 2007.
   - **Audit Committee** – 11 October 2007.

3. **Pensions**
   - **USS** 14th Supplemental Amending Deed of the current rules.
   Received the information and noted that it was not necessary to publish a Notice in the *Reporter*.
   See Minute 13.

4. **Sealings**
   Received.