At a Meeting of the Finance Committee held this day,

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

Apologies for absence were received from Dr Nicholls.

1,683 MINUTES

The Minutes of the meeting held on 24 November 2004 were approved.

1,684 REPORT ON ACTIONS

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

REPORTED AND STRAIGHTFORWARD BUSINESS

FINANCE COMMITTEE

1,685 Sealings. The Committee received Note FC(04)126 with Paper FC(04)146 a list of sealings authorised by the Acting Treasurer under delegated authority since the previous meeting.

1,686 Uncompleted Business. The Committee received Private and Confidential Note FC(04)128 with Paper FC(04)148 a list of Uncompleted Business.

INSURANCE

1,687 Directors’ and Officers’ Insurance – Challenge Fund and Directorships of Spin Out Companies. The Committee received Note FC(04)129 and agreed to appoint formally those individuals listed in Note FC(04)129 to represent the University on the Boards of the respective spin out companies.
PROCUREMENT

1,688 Race Relations (Amendment) Act. Race Equality Policy and Action Plan. The Committee received Note FC(04)133 with Paper FC(04)155, a letter from the Head of Purchasing. The Committee agreed that it should be the lead body in respect of procurement within the University’s Race Equality Policy and Action Plan.

Head of Purchasing

MATTERS FOR DISCUSSION AND DECISION

ACCOUNTS

1,689 (a) Financial Statements 2003-04. The Committee received Note FC(04)130 with the following Papers:-


Paper FC(04)150 Summary of changes made to the first draft set of the reports and financial statements received by the Committee at its meeting on 24 November 2004.

Paper FC(04)151 Draft Management Representations Letter.

Paper FC(04)152 Auditors’ Report to the Finance Committee.

(b) The Vice-Chancellor welcomed Mr. Matheson (interim chairman), Mr. Brooker, and Mr. Bullock of the Council’s Audit Committee and Mr. Kite and Mr. Henderson of Deloitte & Touche, the University’s External Auditors. Mr. Morris of the Finance Division also attended for this business.

(c) The Director of Finance indicated that some minor amendments were needed to the draft Treasurer’s Report, and to some details of the Notes to the Accounts. Some minor redrafting of the draft management representations letter was also required. These proposed changes were not material. The main change made since the Committee had seen the earlier draft of the statements was that £1 million of additional income was included, which reduced stated deficit.

(d) The external auditors commented on the audit, and informed the Committee they had received good co-operation from the Local Examinations Syndicate and the Syndicate’s auditors (KPMG). They informed the Committee that changes to the treatment of revenue recognition arising from a possible amendment of the SORP might affect the presentation of accounts in future years, but not those for 2003-04. Subject to sight of the final versions of the documents the auditors expected to be able to sign the independent auditors’ report without delay.

(e) Representatives of the Audit Committee reported that the Committee was content with the draft statement, but pointed out that some
reconciliation of figures in notes 20 and 28, and notes 11 and 20 was required. It was also suggested by the representatives that it would be appropriate in the Treasurer’s Report to refer to the possibility that in the future a deficit might arise in USS. The Committee noted that an appropriate amendment was being made.

(f) The Committee agreed to recommend that the Council:-

(i) approve the financial statements as the Abstract of Accounts of the University required under Statute F; and

(ii) authorise the Registrary to sign a slightly revised draft of the Management Representations Letter, on behalf of the Council.

Administrative Secretary
Registrary

1,690 (a) Quarterly Management Accounts. The Committee received Note FC(04)125 with Paper FC(04)145 the ‘Little U’ Management Accounts for Quarter 1, 2004-05 (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 introduced the Accounts. The deficit for the quarter was in line with the budget, although research grant income, and correspondingly, costs were behind budget. Overhead recovery on research grants was reviewed and although the overall percentage recovery was consistent with budget, that from research councils was adverse for the year to date.

(c) In discussion the Committee noted that some consideration should be given to improve the presentation of staff costs and analysis of changes (pages 3, 9 and 10); that figures for 2004-05 should not anticipate extra income arising as a result of the FEC process; that the consensus basis of base rate projections should be recorded (page 18); that reconciliation of deposit account totals was required (page 20); and that a different presentation of capital liquidity information, possibly with a trend line, would be helpful (page 17).

Director of Finance

ESTATES

1,691 (a) Cambridge and Madingley Let Properties. Mr. Simpson of EMBS attended for this business. The Committee received Note FC(04)127 with Paper FC(04)147 the Annual Report of the Estate Management and Building Service to the Finance Committee for the year 2003-04 together with attached Estates accounts for the year ending 31 July 2004. The Committee noted that:-

(i) The surplus of recurrent income over expenditure transferred to the Chest was £1.500M compared with the estimate of £1.381M and out-turn of £1.533M for the previous year.

Predicted transfers to the Chest for 2004-05 and 2005-06 were £1.467M and £1.394M respectively as elements of the estate reverted to operational use, in particular relating to the University Farm.
(ii) The capital value of income-producing properties appearing in both the 2002-03 and 2003-04 valuations were £31.19M and £32.75M respectively, a capital growth of 5.0%.

(iii) The capital value of the entire portfolio, including development sites, at 31 July 2004 was £41.36M, compared with £39.5M at 31 July 2003, an increase of 4.7%, on a like-for-like basis.

(iv) The net income return (yield) for the income-producing portfolio was 4.5% (4.2% in 2002-03). This produced a total return (capital and income) of 9.5% (6.2% in the prior year). A commentary detailing the factors impacting 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 up to 31 July 2004.

(vi) The rolling five-year maintenance plan based on an external survey 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).

(vii) It had not proved possible to recover one particular debt on a Trust Fund property (£41k) as detailed in Annex B para 8. Full provision against non-payment had been made in the 2003 accounts, but authority was now sought to formally write off this debt.

(b) The Committee agreed:

(i) to approve the Report and Accounts for 2003-04 and note the projections for future years; and

(ii) to authorise writing-off £41,421 of rent and service charge arrears in respect of the Trust Fund property at 4, 4a and 5 Castle Street (in accordance with Finance Regulation 3.8) (but see Minute 1,692).

(iii) to consider at a later meeting strategic questions about the management of Cambridge and Madingley let properties, on the basis of a paper to be prepared.

ACCOUNTS

1,692  *Write-Off of Bad Debts.* Arising from the decision recorded in Minute 1,691(b) (ii) to write-off a debt arising from a Cambridge let property, the Committee agreed that in future, proposals for write-off
should be presented to the Committee with an appropriate statement from the Director of Finance, and also that at least once a year a consolidated statement of write-offs already authorised by the Committee, and of those proposed to the Committee for consideration, should be submitted.

INVESTMENTS

Investments Sub-Committee. The Committee received Private and Confidential Note FC(04)131 with Paper FC(04)153 the Unconfirmed Minutes of the meeting of the Investments Sub-Committee held on 2 November 2004. The Committee noted that the US equity portfolio had been invested in exchange traded funds to follow the general market index closely, and that it had considered the Sub-Committee’s paper on total return distribution at its meeting of 24 November.

UNIVERSITY FINANCIAL SYSTEM

Annual Report of the Financial System Management Committee (FSMC). The Committee received Note FC(04)132 with Paper FC(04)154 the Annual Report of the FSMC for 2003-04. Professor Anderson, who represented the Committee on the FSMC, suggested that the University should consider better arrangements for the strategic control of major information projects, concentrating on new and developing major projects, and that in particular the structure of committees should be simplified and co-ordinated. Among committees mentioned in the course of discussion in this regard were the FSMC itself, the Information Strategy Group and bodies reporting to it, the Information Technology Syndicate, and the Joint Telecommunications Committee. The Registrary informed the Committee that it was indeed hoped to take this matter forward when the new Director of the University Computing Service was in post.

Registrary

Vice-Chancellor
12 January 2005