University of Cambridge

COUNCIL

Finance Committee

Minutes of the meeting held on Wednesday 8 February 2006

Present: The Vice-Chancellor, Professor Chase, Dr Clark, Dr Dissanaike, Professor Hunter, Mr Johnston, Ms Lowther, Professor Minson, Dr Nicholls, Dr Reid, Mr Thompson, with the Director of Finance, the Administrative Secretary, the Acting Director of Estate Management, the Registrary, the Academic Secretary and Mr Troupe;

Apologies for absence were received from Mr Larkum.

PART A: INTRODUCTION

8. MINUTES

The Minutes of the meeting held on 11 January 2006 were approved subject to the following amendment.

Minute 4 a (ii), final bullet point to read:

“treasury activity had returned a surplus of £1.2m to the Chest for the year to date. The Committee noted that depositing funds received the equivalent of 7 day local authority rate, which was considered good for short-term deposits. The University’s policy was that the Chest retained any surplus made between this and the amounts earned through the money markets. A member questioned the appropriateness of this policy particularly in respect of longer term deposits and felt it should be explored further. The Director of Finance undertook to come back to the April meeting with further information”.

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

9. VICE-CHANCELLOR’S REPORT

(a) The Vice-Chancellor reported that:

(i) Professor Arnoud De Meyer, currently Deputy Dean of INSEAD, had been appointed as the new Director of the Judge Business School;
(ii) the University had joined the International Alliance of Research Universities;
(iii) she had attended the World Economic Forum in Davos, Switzerland at the end of January;
(iv) she had met a number of politicians with education portfolios from both Houses and across political parties; and
(v) the DfES would be visiting to engage with the Pro-Vice-Chancellor for Planning and Resources and the Director of Finance to better understand the University’s finances.
PART B: SUBSTANTIVE BUSINESS

10. FINANCE AND RESOURCES

Financial Strategy. The Committee received Note FC(06)26 with Paper FC(06)28 a summary of the main questions and issues to be addressed in determining a financial strategy for the University.

(a) The Director of Finance introduced the paper and commented that in the past the University had budgeted on Chest cash basis on a year to year basis but considerable progress had been made with 5 year planning for all income and expenditure, development and use of a financial model, greater understanding on costs and clearer direction with regard to investments. There had been considerable growth and changes in funding in recent years, with a trend to shorter and less predictable sources of funds.

(b) The Committee noted that this was a dynamic document and the purpose of the item was to identify a broader concept of where the University’s finances were going and to promote discussion on what the major strategic issues the Committee should focus on over the next six months. Following a lengthy discussion the Committee identified the following areas for further consideration:

(i) performance indicators;
(ii) the mix of investment in asset classes (people, physical, financial, reputation);
(iii) the current approach through the RAM is to allocate almost all income to Schools and Institutions. In the future what proportion should be retained for new or strategic initiatives centrally and in Schools and Institutions? How much ‘power’ to make strategic decisions should be retained in the centre and how much devolved to Schools and Institutions. What level of devolution should there be? Too much devolution may lead to a number of inconsistent strategies being pursued;
(iv) the management of the North West Cambridge project and how it will be funded;
(v) the approach to setting fees and costing of courses. What the balance should be between undergraduate and postgraduate provisions, and research. How each element is financed and are there cross subsidies. There is a need to understand the financial realities that underpin the postgraduate provision and what to invest in;
(vi) policy on trusts and fund management, investment and working capital management;
(vii) strategic plans for the 800th Campaign and whether it is focused on things the University already does;
(viii) borrowing and the need to only borrow against certain future incomes. A policy on borrowing for operational purposes or investment purposes should be considered;
(ix) whether gifts should be used for endowment or current use;
(x) the role of CUP and Cambridge Assessment, whether they should be treated as integral departments or for cash flow;
(xi) sustainability

A revised more focused paper would be brought back to the Committee at a future meeting.

Director of Finance
meeting including more information, a list of issues to explore indicating which were the most urgent and which would be best to look at first.

11. ESTATES

*Cambridge and Madingley Let Properties.*

(a) The Committee received Note FC(06)20 with Paper FC(06)21 a report prepared by EMBS categorizing the Properties and considering the future role on a case by case basis it recalled that at its meeting on 30 November 2005 it had received a report of rental income and valuation of the properties and had been advised that a strategic review of the properties would be carried out. The Acting Director of EMBS had also been asked to investigate the true cost of managing these properties, whether the management fee charged covered these costs and also to widen the scope of the review to include properties that were not part of the operational estate.

(b) The Acting Director of EMBS presented the paper and made the following points:

(i) all of these properties were held for a variety of purposes;
(ii) ten categories within the portfolio had been identified and in each case options from hold, sell or review had been considered and selected;
(iii) the cost of managing the properties was not significantly different from the management fee charged;
(iv) the properties included as a result of widening the review had not yet been valued;
(v) a number of the identified categories had the review option as the favoured course of action. These reviews would be undertaken over the next 12 months; and
(vi) the Finance Committee would be consulted regarding any property sales.

The Committee noted that the review was a work in progress and:

(c) (i) approved the recommendations of the Strategic Review;
(ii) agreed that the current policy relating to the enfranchised estate should be reviewed in liaison with the relevant Colleges;
(iii) approved the retention of the existing management fee of 7.5% of rents receivable and its extension to the additional properties; and
(iv) instructed the Acting Director of Estate Management and the Director of Finance to formally agree the basis on which the additional properties should be accounted for in future reports.

12. ESTATES

*North West Cambridge Site: Governance.*

(a) The Committee received Note FC(06)18 which made proposals for the committee structure to oversee the development of the North West Cambridge Site, and the project management arrangements for delivering the development.
The Committee agreed to defer full discussion until the next meeting due to time constraints.

(b) The Registrary made the following brief points:

(i) the paper was for initial consideration and not decision;
(ii) a range of people had been providing advice;
(iii) some expertise and additional capacity would have to bought in;
(iv) the project management methodology would be based on a standard methodology used for major management information systems projects; and
(v) the relationship between the budget for this project and the University’s budget had to be considered.

13. BUILDINGS

(a) Financial Risks on Major Projects. The Committee received Private and Confidential Note FC(06)24 with Paper FC(06)26 a paper prepared by EMBS which briefed the Committee on the overruns on the CR-UK buildings, and the University’s exposure to claims made by contractors in respect of the Gurdon Institute, English and Criminology buildings.

(b) Professor Minson reported that the Committee were being asked to approve the process to deal with these claims and not to approve whether the sum of money should be spent. It was felt that the sums claimed would be reduced considerably through negotiation. The cost in total could be between £9.1m and £21.8m. In terms of the total capital programme these figures were still very small in percentage terms. These projects were started many years ago and the root of the problems lay in the procurement route. The current procurement practice was to follow a robust risk management process and transfer the risk to the contractor by paying a contingency at the beginning as opposed to a large claim at the end. The National Audit Office had noted that this was an exemplar of good practice.

(c) The Committee agreed to delegate authority to agree settlement figures to a group constituted of the Pro Vice-Chancellor (Planning and Resources), the Chair of the Buildings Committee and the Director of Finance subject to that group reporting on each occasion the settlement figure agreed and the rationale for accepting that figure so that the decision retains transparency. The Acting Director of Estates would attend in an advisory capacity.

A member asked whether the decision should revert to the Finance Committee if the group decision was not unanimous. This would be considered but time constraints may not allow it.

14. CLUBS AND SOCIETIES

Student Matters. Graduate Union: proposed trading.

(a) The Committee received Note FC(06)29, Dr Reid commented,

The Graduate Union had applied for and been granted a licence, on certain conditions, under the new Licensing Act. This licence was applied for without the University’s consent. Intended to establish a franchised coffee service. Under
Ordinance the Graduate Union required the permission of the Finance Committee before it could engage in trade while occupying University premises.

(b) The Committee noted that the senior members of the Student Matters Committee, the body which principally supervises the Graduate Union, had serious doubts about the viability of such trading activity and agreed that the matter should be referred to a small sub-committee, of Dr Reid and Ms Lowther with the Administrative Secretary, for consideration. A report would be brought to the next meeting.

15. INSURANCE

*Insurance of works of Art, Old Books and other collections.*

(a) The Committee received Note FC(06)14, a report which considered the risks and insurance options available in respect of the University’s heritage assets.

The Director of Finance reported that:

(i) currently the University does not insure works of art;
(ii) appropriate insurance for the Fitzwilliam Museum had been investigated;
(iii) a range of options had been identified, the favoured one being ‘Restoration Only with Theft Recovery’. The premium would be in the region of £18.5k per year, although this was likely to rise by 5 – 10% following an incident at the Museum recently. This option was supported by the Fitzwilliam Museum Syndicate; and
(iv) quotes for other collections and pre-1850 books should also be sought.

(b) The Committee approved that:

(i) works of fine art at the Fitzwilliam Museum should be insured on a Restoration Only with Theft Recovery basis;
(ii) work should be commissioned to investigate insurance options for pre-1850 books; and
(iii) further work should be undertaken to consider the position of other historic assets and collections.

PART C: STRAIGHTFORWARD AND REPORTED BUSINESS

16. (a) *Finance Committee: responsibilities and arrangements.*

The Committee received Note FC(06)30 with Paper FC(06)29 a paper recently approved by Council setting out the Statutory amendments and consequential decisions.

The Registrary explained that from the next meeting the role of Secretary to the Committee would be assigned to the Administrative Secretary. The Minutes were already taken by Secretariat staff but the agendas would now also be set through the Administrative Secretary in future, rather than through the Finance Division.

(b) *Sealings* – received a list of sealings since the previous meeting.
(c) **Future Business** - the Committee confirmed the flow of business.

(d) **Minor works Review Group** - received the Unconfirmed Minutes of the meeting held on 12 January 2006.

(e) **Long Term Maintenance Plan 2006-07 to 2010-11** – received, and noted that the maintenance budget for 2006-07 was proposed at £16.0m, with additional funding bringing to a total of £18.661m (1.2% of insured replacement cost).

(f) **Planning and Resources Committee (PRC)*** - received the Minutes of meetings held on 23 November 2005 and 4 January 2006 respectively.

(g) **Audit Committee Minutes*** - received the Unconfirmed Minutes of the meeting of the Audit Committee held on 19 January 2006.

(h) **Annual Internal Audit Report 2004-05** - the Committee received a summary of recommendations categorised as fundamental in the 2004-05 Internal Auditors’ Annual Report.

(i) **Annual Report of the University Theatre Syndicate and of The Executive Committee for the Theatre for 2004 – 05** – received.

(j) **Cambridge University Press. University of Cambridge Local Examinations Syndicate (“Cambridge Assessment”)** - received the Unconfirmed Minutes of the interim meetings of the Working Party set up to review the accounts of the University Press and the Local Examinations Syndicate.

(k) **Committees and Directorships.**

The Committee approved the following appointments:-

(i) Professor Andy Hopper as Chair of the Financial System Management Committee for three years until December 2008; and

(ii) Mr. John Malcolm Grimshaw as a Director of CUTS.

* Private & confidential