At a Meeting of the Finance Committee held this day,

Present: The Vice-Chancellor, Dr Anderson, Mr Brown, Professor Chase, Dr Good, Ms Lowther, Dr Nicholls, Dr Reid, Mr Thompson, Dr Turner; Professor Minson (Pro-Vice-Chancellor and Acting Treasurer), 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 Professor Daunton and Mr. Larkum.

1,473 MINUTES

The Minutes of the meeting held on 9 July 2003 were approved.

1,474 REPORT ON ACTIONS AND MATTERS ARISING

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

*Purchasing Working Group* (Minute 1,456 refers)

Dr Reid pointed out that a report on the purchasing problems referred to in the Minutes of the Purchasing Working Group, held on 2 May 2003, had not been included in the papers. The Director of Finance undertook to submit a report on this matter to the next meeting.

**REPORTED AND STRAIGHTFORWARD BUSINESS**

**FINANCE COMMITTEE**

1,475 Sealings. The Committee received Note FC(03)110 with Paper FC(03)159 a list of sealings authorised by the Treasurer under delegated authority since the previous meeting.
BUILDINGS

1,476 (a) *Joint Telecommunications Management Committee.* The Committee received Note FC(03)114 with the following Papers:-

Paper FC(03)163 Unconfirmed Minutes of a meeting of the JTMC held on 25 June 2003.

Paper FC(03)170 Telecommunications Office – Annual Accounts 2001-02.

(b) The Committee noted that the Telecommunications Office had made a loss of £260k in 2001-2. In previous years there had been surpluses due to over recovery of costs from departments leading to a build up of reserves which had been carried forward. Further investigation of the costing and pricing structure, and a move to accrual accounting in the Telecommunications Office was required.

The Committee agreed to request a further report from the Joint Telecommunications Management Committee on the Telecommunications Office reserves and proposals for either distribution or re-investment; and further information on the costing and pricing structure.

Director of Finance

1,477 *Buildings Sub-Committee.* The Committee received *Private and Confidential* Note FC(03)125 with Paper FC(03)177 the Unconfirmed Minutes of a meeting of the Buildings Sub-Committee held on 17 September 2003.

HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND

1,478 *Revisions to HEFCE Model Financial Memorandum.* The Committee received Note FC(03)119 with the following Papers:-

Paper FC(03)171 Model financial memorandum between HEFCE and institutions.

Paper FC(03)172 Cambridge University’s revised response to the consultation on proposed changes to a revised model Financial Memorandum.

ACCOUNTS

1,479 *HEFCE Accounts Direction for 2003-04.* The Committee received Note FC(03)120 with Paper FC(03)173, the HEFCE’s Accounts Direction to higher education institutions for 2003-04.

INVESTMENTS

1,480 *Investments Sub-Committee.* The Committee received *Private and Confidential* Note FC(03)112 with Paper FC(03)161 the Unconfirmed Minutes of a meeting of the Investment Sub-Committee held on 5 August 2003.
University of Cambridge Venture Board. The Committee received Private and Confidential Note FC(03)113 with Paper FC(03)162 the draft Minutes of a meeting of the University of Cambridge Venture Board held on 26 June 2003.

PENSIONS

(a) USS Report and Accounts for year ended 31 March 2003. The Committee received Private and Confidential Note FC(03)115 with Paper FC(03)164 a draft Notice to inform USS members of the availability of the Report and Accounts. The Committee noted that the Report and Accounts for the year ended 31 March 2003 had been published by USS and indicated that the year to 31 March 2003 had been another difficult year for final salary pension schemes. The Scheme’s active membership had increased from 95,700 to 98,400 and there had been substantial growth in the number of pensioners and those entitled to deferred benefits to 37,000 and 51,400. At 31 March 2003 the Fund had total assets of around £15.5 billion.

(b) The Committee agreed that the draft Notice should be published in the Reporter.

(a) Thirtieth Deed of Amendment of the current rules of USS. The Committee received Private and Confidential Note FC(03)116 with the following Papers:-

Paper FC(03)165 Thirtieth Deed of Amendment of the current rules of USS executed on 28 July 2003, together with a letter dated 15 August 2003 from the Chief Pensions Manager of USS Ltd., and explanatory note to the thirtieth Deed of Amendment.

Paper FC(03)166 Draft Notice by the Council.

(b) The Committee noted that the Thirtieth Deed of Amendment introduced a number of new clauses to the rules of USS to permit members who had contributed to the AVC arrangements offered to members of USS by the Prudential to use all or a part of their accumulated fund to buy additional service in USS at retirement.

(c) The Committee noted that the amendments had been approved by the Joint Negotiating Committee and the Funding Councils in accordance with USS Rule 12.5 and agreed to recommend to the Council that a Notice be published in Reporter in the terms of the draft attached as Paper FC(03)166.
ACCOUNTS

1,484 (a) Loan Fund II. The Committee received Private and Confidential Note FC(03)126 and noted that one new loan of £10,000 had been granted during the period 1 August 2002 to 31 July 2003. There were at present 37 loans with outstanding balances amount to £88,636 (compared with 44 loans amounting to £117,510 at 31 July 2002). Repayment of all but four of these was being recovered by payroll deductions.

PURCHASING

1,485 Purchasing Working Group. The Committee received Note FC(03)111 with Paper FC(03)160 the Unconfirmed Minutes of a meeting of the Purchasing Working Group (PWG) held on 31 July 2003.

MATTERS FOR DISCUSSION AND DECISION

ACCOUNTS

1,486 (a) Awards for Overseas Students. The Committee received Private and Confidential Note FC(03)118 with the following Papers:-

Paper FC(03)168 Unconfirmed Notes of a meeting of the Sub-Committee with representatives of the Trusts, held on 24 July 2003.

Paper FC(03)169 A letter from Dr. Fleet, dated 15 August 2003, concerning the purchase of 5 Madingley Road by the Cambridge Commonwealth Trust and the Cambridge Overseas Trust.

(b) The Committee noted that the meeting with representatives of the Trusts had been both useful and informative but the purchase of 5 Madingley Road had not been raised at that meeting. This was a matter of concern. The University as Custodian Trustee would be required to sign the purchase on behalf of the Cambridge Commonwealth Trust and Cambridge Overseas Trust.

(c) A number of matters of concern were mentioned in discussion; the need for adequate succession planning of officers; the need for the Trusts separately to discharge their individual legal responsibilities.

These matters were of concern from the point of view of good governance generally, but also because the University was Custodian Trustee, a major funder of the Trust, and was associated with the activities which the Trust supported and bore general reputational risk to the University; and the purpose and division of 5 Madingley Road between the two Trusts involved. The Council should be informed.
(d) The Committee noted that the issues discussed above would be pursued as part of the broader process of devising a comprehensive student support system for the University.

1,487 (a) *Research Services Division Irrecoverable Debts.* The Committee received Note FC(03)122 and noted that Financial Regulation 3.8 required that the Committee approved the write-off of irrecoverable receivables over £15,000.

(b) The Research Services Division (RSD) had identified a total of £113,977 specific bad debts to be written-off by the University as at 31 July 2003. The Director of Finance indicated that he was satisfied the debts were not recoverable. If the VAT aspects of the debts were excluded the remaining debts constituted a relatively small amount of money and a reasonably good performance on the part of RSD. However, the University should always endeavour to recover bad debts to maximise income.

(c) The Committee approved the write-off of irrecoverable debts of £113,977. The cost of the write-off would fall on the Departments concerned.

1,488 (a) *Cambridge University Press.* The Committee received Note FC(03)124 with Paper FC(03)176 a letter, dated 16 September 2003, from the Chief Executive of the University Press.

(b) The letter from the Chief Executive was in response to a request from the Finance Committee through the Council for a half year meeting in addition to the formal annual meetings held with the University Press and UCLES. The Chief Executive indicated the Press would not welcome an additional meeting in view of the extra workload and felt there was sufficient contact through the annual meeting, the Press Syndicate and the developing informal relationship between the Finance Directors of the University and the Press. The Committee nevertheless believed that an informal meeting six months after the annual meeting was necessary. The Committee agreed so to advise the Council.

(c) Representation of the Council on the Press Syndicate (and on the Local Examinations Syndicate) following the retirement of the University Treasurer would need to be considered. In the meantime the Director of Finance should attend.

1,489 (a) *Review of Specific Endowments.* The Committee received Note FC(03)127 with the following Papers:-

- Paper FC(03)178 Review of Specific Endowments – Effect on financial statements.
- Paper FC(03)179 Background paper entitled “What is an endowment?”
(b) The Director of Finance commented on the Paper which considered the results of a review of donations and special accounts, and special funds. The Paper included a proposal for a change in accounting treatment. The proposed treatment changes were to categorise non-specific donations as reserves rather than endowments in line with the SORP. Buildings donations were currently classified as specific endowments; however these donations were intended to be applied to capital projects and did not correspond to the definition of an endowment now used by the University. Therefore, the unspent balance was more appropriately classified under creditors in the balance sheet. The effect of these accounting changes would be a reduction in net assets and an increase in reserves. The Committee approved the proposed change of practice.

(c) Some research activity was funded through donation accounts, but this was not taken into account by HEFCE when assessing research performance nor was normal overhead charged such support was therefore not satisfactory.

(d) The Committee asked the Director of Finance to prepare a presentation on the accounts, including a review of the effect of changes over the last few years on the University’s financial position, for a later meeting of the Finance Committee.

**Purchasing**

1,490 (a) *Public Procurement*. The Committee received Note FC(03)123 with Paper FC(03)175, analysis of public/private funding based on FY2002 figures.

(b) The Committee recalled that the Council had reported to the Regent House (*Reporter*, 18 December 2002) that ‘it is clear that the Council would be able to declare that the University was outside the scope of the Public Procurement Regulations’. The Committee had discussed Public Procurement on 28 May 2003 and had endorsed the approach of the Purchasing Working Group which was that:

(i) calculations be undertaken to confirm that the University was in a position to make such a declaration; and

(ii) if so, the University, through the Council, should declare that it was outside the scope of the Public Procurement Regulations on a one-year trial basis.

(c) The Committee noted that the Public/Private split of revenues for 2001-02 supported the view that the University was less than half publicly funded provided that UCLES was included in the calculation. Inclusion of the Press built a still further stronger “private” case.
(d) The Committee agreed that, prior to presentation to the Council for decision, the paper should be revised to include a definition of “publicly funded” and the implications of this definition on the calculations.

**UNIVERSITY FINANCIAL SYSTEM**

1,491 *Financial System Management Committee.* The Committee received *Private and Confidential* Note FC(03)117 with Paper FC(03)167 the Unconfirmed Minutes of a meeting of the Financial System Management Committee held on 15 July 2003. The Committee noted that there had been few problems with the system recently and that the next stage was an upgrade over the next twelve months. The system was now working well and members of the Committee, whenever discussing the system in the University, should reflect this in their remarks.

**VALUE FOR MONEY**

1,492 (a) *VFM Strategy.* The Committee received Note FC(03)121 with Paper FC(03)174 a draft VFM – or Best Value - Strategy and preliminary Implementation Plan prepared by a VFM steering group, a working sub-group of the Purchasing Working Group, following a HEFCE requirement. This was an outstanding action point from the last HEFCE Audit visit. The Committee noted that the implementation plan was very detailed. It was suggested that the draft plan should be reviewed to ensure that it focussed on the helping get Best Value for the University rather than imposing checks and administrative controls.

(b) The Committee agreed to recommend to the Council that a VFM and Best Value Steering Committee should be established to take discussions on the VFM Strategy forward.

**Vice-Chancellor**  
5 November 2003