Minutes of the meeting held on Wednesday 9 May 2007.

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

Apologies were received from Ms Coutu.

PART A: INTRODUCTORY

55. Minutes

The minutes of the meeting held on 11 April 2007 were approved subject to the following amendment. Minute 52 to be replaced with:

“52. Accounts: Accounting Policy – Heritage Assets

An exposure draft for accounting for Heritage Assets and the Finance Division’s proposed response was received as Paper FC(07)53.

The Committee noted that:

(i) the UK Accounting Standards Board (ASB) had issued an exposure draft ‘Accounting for Heritage Assets’ in December 2006;
(ii) the proposals included a requirement to value and capitalise all heritage assets if possible, and certain disclosure requirements;
(iii) the current University policy was to capitalise assets acquired from 1999-2000;
(iv) the proposals would require the University to report its collections of heritage assets at their current valuation in the balance sheet, where practical. If it were not practical such assets would not be capitalised on the balance sheet and would not form part of expenditure in the income and expenditure account for the year;
(v) ancient buildings that were operational were not covered as they were reported under FRS15;
(vi) some collections could be valued, but it was unlikely that the University would be able to obtain up to date professional valuations for all of its collections;
(vii) the Joint Museums Committee had stated that it would not be practical to obtain valuations. The cost of valuing even some collections might be disproportionate to the benefit, but the Committee should consider carefully the benefits in terms of good stewardship and the allocation of resources for insurance and conservation;
(viii) capitalisation of heritage assets on the proposed basis might give a misleading impression of the University’s financial position, which might impede fund raising;
were this to become a financial standard in the future the University would need to ensure full compliance in order to maintain the true and fair status of its accounts.

The Committee agreed to a robust response to the exposure draft, pointing out the inherent difficulties of obtaining valuations at a cost which did not outweigh the benefits.”

56. **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.

With regard to item 1 (dates of meetings 2007-08) the Committee noted that the November 2007 meeting would be held 21 November 2007 and not 28 November, as previously indicated, this was to comply with the programme for finalising the accounts for 2006-07.

57. **Future business and work plan**

An updated statement was received (Paper FC(07)70).

**PART B: SUBSTANTIVE BUSINESS**

58. **Finance and Resources**

(a) **University Budget 2007-08 (2nd Draft)**

The Second Draft Allocations Report was received as Paper FC(07)77. Professor Minson introduced it.

The Committee noted that:

(i) in June 2006 the Council had predicted that the total income for 2006-07 would be £614.9M, of which £285.4M would be Chest income and £329.5M non-chest, after a transfer of £3.0M from reserves a deficit of £0.8M on the Chest was predicted;

(ii) the latest forecast for 2006-07, on the same basis, was a Chest deficit of £8.5M;

(iii) the main reason for this difference was a lower than expected contribution, by about £8.8M, to indirect costs due to the slower than planned introduction of Full Economic Costing (fEC);

(iv) the report was as usual principally on an Allocations basis. A deficit was predicted but some of the allocations proposed might well not be fully spent by the eventual year-end;

(v) the non-Chest column was largely derived from Schools’ estimates of income and expenditure, the largest component being Research Grants and Contracts. The £4.4M spend from reserves on the non-Chest side, included approximately £4.0m from a designated reserve built up for a
specific purpose (planned expenditure on a new telecommunications system);

(vi) initial expenditure plans had indicated a Chest deficit of about £19m for 2007-08. Following detailed discussions with Schools and Institutions proposed expenditure had been reduced to achieve a budget close to balance. Work was currently being done to examine and reduce expenditure proposals for future years;

(vii) academic staff numbers had fallen slightly in the last six years whilst academic related staff numbers had increased significantly. Technical staff numbers had also fallen somewhat. The Planning and Resources Committee would examine the very complex staff profile in more detail to determine where the areas of growth were;

(viii) for future years the figures for Research Grants and Contracts were arrived at through modelling and taking into account resources already in place or committed. Although the fEC rate charged was sensitive to volume changes the rate could be changed on an annual basis;

(ix) many academics had submitted grant applications immediately prior to the implementation of fEC, which was followed by a hiatus, and the research councils had also been slow to process applications. In total the delay was around a year. As a result of this some research councils had not allocated all of the funding available and it had been clawed back;

(x) although some allocations had been reduced for 2007-08, reducing allocations further in order to achieve break even on an allocations basis was not advisable as this would result in damage to the University’s activities. A small deficit was predicted for 2007-08 but a return to surplus was anticipated the following year;

(xi) student numbers for 2006-07 were not at present available due to problems with the information system and loss of key staff. These figures should be available at the end of this month;

(xii) the Council had previously agreed that transfers into, and expenditure from, the Strategic Planning Reserve Fund would be published in the Financial Management Information special edition of the Reporter, rather than the Allocations Report. However the allocation to this fund should be included in the Allocations Report;

(xiii) the Committee needed to give further thought to the longer term financial strategy and level of surplus/deficit the University would tolerate and levels of expenditure. The financial framework paper had gone some way in addressing this but it would be made more explicit in future versions; and

(xiv) the Committee made a number of drafting comments on the report and recommendations for amplification, which would be passed on to Professor Minson.

The Committee agreed to commend the draft Allocations Report to the Council, subject to the changes under (xii) and (xiv).

Action: Professor Minson, Mr Morrison

(b) Possible Bond Issue

A letter from the Chairman of the Investment Sub-Committee of the Bursars’ Committee was received as Paper FC(07)71 together with draft Terms of
Reference for a Finance Committee working group to investigate and progress the opportunity of a long-term bond issue (Paper FC(07)72). The Director of Finance presented the papers.

Dr Reid declared an interest as Acting Bursar of Sidney Sussex College.

The Committee noted that:

(i) progress was being made;
(ii) the University had to establish the legal position and whether it had power to issue a bond, and also whether it could lend on to Colleges. There may be some cost incurred but it would be useful for the University to clarify the legal position;
(iii) the purpose for which the money raised would be used and the strategic context also needed to be determined;
(iv) it was intended that the bond issue would be for the University or both the University and the Colleges. The case for issuing a bond was less compelling if it was for the Colleges only;
(v) the question of whether the University would charge the Colleges a guarantee fee had yet to be determined;
(vi) it was unclear whether all the Colleges interested in taking part had determined a purpose for the use of the resources they would borrow;
(vii) several members of the Committee, being College Bursars, had a conflict of interest. One of the issues the working group would need to deal with early on was resolving conflict of interest. The Council would in due course require independent advice; and
(viii) the order of the group’s work would be: 1. Purpose; 2. Internal Processes; 3. Mechanics and 4. Colleges. It was unlikely there would be a conflict whilst considering sections 1 – 3 but the Bursar of King’s, a member of the proposed working group, would withdraw for section 4. The wording of the Terms of Reference would also be changed to reflect that the working group would be establishing what could be done and testing how it would be achieved.

The Committee approved the membership and Terms of Reference of the working group, subject to the comments above and charged the Director of Finance with drafting a response to the letter from the Chairman of the Investment Sub-Committee of the Bursars’ Committee.

Action: Director of Finance

59. Finance Committee

Membership

A paper by the Sub-Committee on Co-option was received as Paper FC(07)80.

The Committee noted that:

(i) two places could be filled by co-option at the discretion of the Finance Committee;
the Sub-Committee were of the opinion that the Finance Committee could usefully be strengthened further in areas such as general business experience, financial systems and pensions;

(iii) it was proposed that the Sub-Committee search for one or two potential co-opted members by advertisement, internally and externally;

(iv) it was suggested, as a governance matter of principle, that it would not be appropriate for a principal officer of a major University organisation for whose finances the Committee had significant supervisory responsibility (e.g. CUP, Cambridge Assessment and the Trusts) to serve on the Committee due to conflict of interest. The recent difficulty with the CUP and consolidation of the accounts was cited as an example as was concern about how it would appear in terms of governance and reputation. After discussion, in which a range of views were expressed, the Committee agreed that it would not be appropriate for such staff to be co-opted;

(v) the five Bursars present agreed that any further bursarial appointments was not appropriate; and

(vi) the Sub-Committee would report progress in June or July.

The Committee agreed that the Sub-Committee should search for one or two potential co-opted members by advertisement, internally and externally, highlighting the areas where the Committee would benefit from being strengthened.

Action: Administrative Secretary

Vice-Chancellor
6 June 2007
Finance Committee 9 May 2007: Straightforward and reported business submitted for decision or report

Paper No.

1. Finance Committee

   (i) **Date of November 2007 meeting**

       The Committee agreed that the date of the second meeting in November be changed to 21 November from 28 November. A revised list of approved dates of meetings with this change highlighted was received.

   (ii) **List of Sub-Committees**

       Received.

       Noted: that those members whose names had been highlighted in bold were due to be re-appointed or replaced. Agreed provisionally to make the re-appointments indicated and to confirm the appointments at the next meeting in the light of further consultations.

2. Committees

   Received the Minutes from the following Committees:

   - **Planning and Resources Committee** – 25 April 2007.
   - **Board of Directors of Cambridge Enterprise Limited** – 16 March 2007.

3. College Accounts

   The Inter-Collegiate Committee on College Accounts had proposed that certain minor amendments be made to the Recommended Cambridge College Accounts (RCCA). Paper FC(07)73 gave the proposed changes.

   The Committee agreed to recommend to the Council that the Schedule to Chapter XIV of Ordinances be amended accordingly.

4. Pensions

   (i) **Received the Minutes of the Pensions Working Group - 24 April 2007.**

       Noted:
(ii) FSSU: Supplementation of Pensions. 64 and 65

(iii) USS: 10th and 11th Deeds of Amendment. 66 - 69

Received the documents and recommended to Council that Notices be published in Reporter.

5. University Reporter – Price Increase. 74

The Committee approved the proposed prices.

6. Sealings 76

Received.