Minutes of the meeting held on Wednesday 9 November 2005.

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

Apologies for absence were received from Mr Thompson and the Director of Estate Management.

16. MINUTES

The Minutes of the meeting held on 12 October 2005 were approved.

17. MATTERS ARISING REPORT ON ACTIONS

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

18. ROUTINE BUSINESS

(a) Sealings.

The Committee received Note FC(05)110 with Paper FC(05)137 a list of sealings authorised by the Acting Treasurer under delegated authority since the previous meeting.

(b) Future Business.

The Committee received Note FC(05)117 and confirmed the flow of business.

(c) Buildings Committee Minutes.

The Committee received Private and Confidential Note FC(05)111 with Paper FC(05)138 the Unconfirmed Minutes of the meeting of the Buildings Committee held on 5 October 2005.

(d) Minor Works Review Group.

The Committee received Note FC(05)112 with Paper FC(05)139 the Unconfirmed Minutes of the meeting of the Minor Works Review Group held on 19 October 2005.
(e) First Stage Report of the Council on the construction of a new building for a Centre of the Physics of Medicine in the Department of Physics at West Cambridge.

The Committee received Note FC(05)114 with Paper FC(05)141 a draft Report of the Council on the construction of a new building for a Centre of the Physics of Medicine in the Department of Physics at West Cambridge. The Committee considered the information provided and agreed to approve the draft Report for onward submission to the Council.

(f) Bad Debt Write-offs.

The Committee received Note FC(05)123 and noted that under the University’s Financial Regulations it was required to consider all debts over £15,000, before they were written-off.

The Committee, after reviewing the information provided and noting that the proposed bad debt write-offs totalling £410,796 related to research grants, approved that they be written-off.

The Committee asked whether there was a system of credit checking in place and whether sponsors could be asked to pay in advance or in instalments. Heads of Department were advised of unusual risk of sponsors and, if the decision was made to continue, the credit risk was carried by the department. The Committee wished to ensure that departments fully understood the credit risks and that payment profiles were adjusted accordingly. The Registry noted that if an element of credit risk were to be taken centrally then budgetary provision would be needed. The comments would be passed to the Research Services Division.

(g) Cambridge University Press. Accounting Arrangements.

The Committee received Note FC(05)122 with Paper FC(05)150 a Report of the Council on accounting arrangements of the University Press and agreed to approve the draft Report for onward submission to the Council subject to slight amendment to provide greater clarity on:

(i) whether the CUP would have a four or sixteen month accounting period to the first new accounting date of 30 April 2006; and

(ii) the effect of the 1 August 2006 date in the Report on the intention that the new arrangements would apply to the 2005-6 accounts.

(h) Transfer of shares in Cory Enterprises Limited.

The Committee received Note FC(05)119 and noted that Cory Enterprises Limited was a company owned by the Friends of the Botanic Garden whose purpose was to undertake non-charitable trading activity on behalf of the Friends. In order to address various risk
management and control issues the Friends wished to donate their shares in Cory Enterprises Limited to the University. The University would then have another wholly owned subsidiary company.

The Committee noted the information provided and agreed to:

(i) recommend that the University accepts the gift of shares from the Friends;

(ii) authorise the Director of Finance as the University’s Nominated Officer to take such steps as were necessary to remove at least three of the existing directors and replace with the Director of the Botanic Garden, and the Garden’s Administrative Secretary and to appoint a Company Secretary who was an employee of the University; and

(iii) require Cory Enterprises Limited to agree a memorandum of understanding with the University in line with those agreed with other subsidiaries.

A member commented that a review should be undertaken of the small subsidiary companies owned by the University. Such a review was not part of the current work plan but was something for the future.

(i) Tenth Report of the Board of Scrutiny.

The Committee received Note FC(05)116 and:

- Paper FC(05)143 The Tenth report of the Board of Scrutiny.
- Paper FC(05)144 Report of Discussion held on 19 October 2005.
- Paper FC(05)145 Council’s response to the Remarks made at the Discussion.

The Committee took note of the information provided and noted that no action was required on its part.

19. ACCOUNTS

(a) Financial Statements 2004-05.

The Committee received Notes FC(05)120 and 124 with

- Paper FC(05)147 Draft Financial Statements 2004-05 for ‘Little U’.
The Director of Finance introduced the draft statements and highlighted the following:

(i) the accounts for ‘Little U’ (the University’s core teaching, research and stewardship activities) fed into the ‘Big U’ accounts (University plus UCLES and the Trusts);

(ii) the ‘Big U’ accounts were timetabled to be approved by the Finance Committee at its meeting on 30 November with the external auditors, the Chairman and one other member of the Audit Committee in attendance. Council would be asked to approve the accounts on 12 December before being published in The Reporter on 14 December. The accompanying Financial Management Information detail pack would appear in The Reporter in January 2006;

(iii) further work was required including audit completion including possible adjustments, and completion of the Treasurer’s Report and the corporate governance statements;

(iv) in terms of ‘Little U’ there had been growth in income of 6.2% to £525.4m, with a 3.1% increase in expenditure to £525.3m. Capital expenditure had fallen by 11.2% to £95m;

(v) the £17m deficit for 2003-04 in ‘Little U’ had been reversed through an extra UCLES transfer in addition to the regular transfer an advance FEC payment CPS contributions charged to restricted funds, increased distribution from investment income, and other net improvements;

(vi) in terms of forecasting, the expenditure was much in line with original budget and the previous forecast, although an increased element of expenditure had been made from restricted funds, with an increase in the income accounted for;

(vii) a member commented that there was still more expenditure than income. Without the UCLES transfer there would be a material deficit, however the Committee felt that the transfer was a valuable and predictable revenue stream for teaching and research activities and should be considered in the same way as other income streams. It should not be viewed as a ‘plug’ for a deficit;

(viii) non-pay costs remained fairly similar to last year;

(ix) financial assets had nearly doubled since 1995 and revenue had increased 41% in the last 5 years;
capital expenditure was down 11.2% on last year, with a
reduction in expenditure on land and buildings but an
increase in equipment purchases;

buildings were included at the 1994 valuation for buildings
at that point, additions after 1994 were included at cost;

‘Little U’ creditors were down and debtors were up,
affecting liquid assets. This required further investigation;

in terms of ‘Big U’ the Trusts were now included and the
CUP would be added next year as a necessary step to give
“true and fair” accounts. Draft consolidated income was
£694.0m (up 5.6%), expenditure was £692.5m (up 4%),
giving a deficit £3.5m. ‘Big U’ was close to break-even on
income/expenditure.

The draft accounts showed ‘Big U’ net assets of £1,915m.
The Trusts and UCLES had added £319m to net assets and
there had been a £136m increase in market value of
investments. Investment assets were now £1,177m; and

regarding the Cambridge University Assistant Staff
Contributory Pension Scheme, there had been an
improvement in the scheme’s assets from £208m in 2004
to £249m in 2005. However, use of the assumptions
required for FRS17 compliance increased liabilities
disproportionately and the scheme deficit had increased
from £71m to £83m. The situation required close ongoing
monitoring. A revaluation for the Universities
Superannuation Scheme (which as a multi-employer
scheme would not be accounted for under FRS17) had
been undertaken recently, the outcome would not be
available in time for inclusion in the 2004-5 accounts.

The Committee thanked the Director of Finance and took note of the
information provided. The Director of Finance asked members to
forward any comments on the accounts or the draft Treasurer’s Report
to him via e-mail.

Following the presentation the Committee agreed that the Finance
Committee should consider the following issues going forward:

(i) the interaction between ‘Big U’ and ‘Little U’ and how
    this was approached and presented, in particular the
    presentation of UCLES transfer in ‘Little U’ accounts;

(ii) valuation of buildings;

(iii) sustainability and achieving a balanced budget;
(iv) analysis of buildings expenditure to investigate whether the estate was being replaced and maintained satisfactorily; and

(v) maintaining the University’s growth rate.

(b) Quarterly Management Accounts.

The Committee received Note FC(05)109 with Paper FC(05)136 the Red Book for Quarter 4, 2004-05, together with the Green book which was a summary of the financial position of the Schools and similar groupings.

The Committee noted that the main issues had been covered in the previous item.

20. ESTATES


The Committee received Note FC(05)118 with Paper FC(05)146 a progress report on North West Cambridge.

The Committee noted that since the last report some thought had been put into the processes and structures needed to deliver the North West Cambridge development. The attached report was a short one as presented to the Planning and Resources Committee. Some scoping of the issues had been undertaken and it was anticipated that there would likely be a project board, a strategy group and a project director.

A further report would be brought to the next meeting of the Finance Committee.

21. FINANCE COMMITTEE

Conduct of Business.

The Committee received Note FC(05)115 with Paper FC(05)107 (recirculated) Consultative Report of the Council on matters relating to central administration and management (the Finance and Planning and Resources Committees, the establishment of a Buildings Committee).

Paper FC(05)142 Alternative format of the Agenda for the present meeting of the Finance Committee.

The Committee noted that:
(i) the ‘Consultative Report of the Council on matters related to central administration and management’ had redefined the role of the Finance Committee. The report had been graced and the Statute changes were with the Privy Council;

(ii) provision of adequate background was important for those members not close to University issues. The Committee should understand the context in which its decisions were taken and in the context of the Council’s business;

(iii) the other major consideration was the format and structure of the agenda. An alternative version was attached and it was also proposed that a weekly circular containing straightforward business be introduced along the lines of the Council circular; and

(iv) the Committee went on to consider the items of business the Finance Committee should be considering and identified the following:

- in order to fulfil its role of stewardship the Committee needed to have an input to decisions on the buildings maintenance budget;
- a weekly circular would enable routine business to be circulated earlier and not held up by other papers;
- more background material would be included so members were better informed. A member asked that the yellow front sheet attached to each paper should where necessary be expanded to give more background and to draw attention to the key issues;
- the interaction of the Finance Committee and the Audit Committee was at times unclear. Members commented that to discharge its responsibilities the Committee should have access to internal auditors as well as external auditors, and be able to request information from internal auditors. The Registrary undertook to provide some background material from HEFCE for the Committee; and
- it was suggested that there was a degree of overlap between the Finance Committee and the Planning and Resources Committee. The PRC minutes would be circulated in future.

The Committee agreed to introduce the new agenda format from the next meeting.
22. INVESTMENTS

(a) Investment Management.

The Committee received Note FC(05)121 with Paper FC(05)148 A status report on progress.

Paper FC(05)148 Terms of reference for the Investment Board and “letter of appointment” of Board members, after comments by IB members, for transmission to Council.

The Committee noted that the Investment Board had met in shadow form and had commented on the draft terms of reference in order to make the relationship between the Board and the Chief Investment Officer (CIO) clearer, to reassure the Board that they did not have any fiduciary responsibility and to provide greater clarity. In particular the CIO would propose a budget for the Investment Office, with the Board’s support, bidding for resources within the University’s normal budgeting arrangements. The Board also considered that it would be wise to engage external consultants to assist in setting up the new arrangements. The search for the CIO would commence shortly and an advertisement would be placed. It was expected that a further nomination for a Board member, considered by the Finance Committee at its October meeting, would be taken to the Council shortly.

The Director of Finance asked members to forward any comments on the changes to him via e-mail.

(b) Investments Sub-Committee.

The Committee received Private and Confidential Note FC(05)113 with Paper FC(05)140 the Unconfirmed Minutes of the Unreserved and Reserved business of the meeting of the Investments Sub-Committee held on 27 October 2005, together with a portfolio summary of the Cambridge University Endowment Fund (“CUEF”) (Amalgamated Fund) as at 31 July 2005. The Committee noted that the distribution by the CUEF for 2005-06 would be 114.0p per unit, up from 110.5p per unit in 2004-05.