Minutes of the meeting held on Wednesday 10 January 2007.

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

The Chairman welcomed the new members of the Committee.

Apologies were received from: Dr Clark and Mr Reavley.

PART A: INTRODUCTORY

24. **Minutes**

The minutes of the meeting held on 29 November 2006 were approved subject to the following amendment:

**Minute 21 (iii) NW Cambridge** to read –

Mr. Johnston commented that the housing element could go ahead as soon as planning permission was secured, as could a number of other smaller developments, but any major academic building in the next few years would almost certainly be on the West Cambridge site.

The Committee noted that the Financial Statements for 2005/06 had been signed off by the external auditors the week following the last Finance Committee meeting, held 29 November 2006, and had been published in December 2006. An investigation into the delay in completion of the Cambridge University Press accounts for inclusion was being undertaken and the outcome would be reported to the next meeting.

25. **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 any matters for decision contained in the confirmed list of straightforward or reported business, and received the other material.

Two items were discussed:

**Item 2, Paper 7 - Financial Management Information (FMI)**

Expenditure from the Strategic Planning Reserve would be reported in Section E of the FMI. However the question of authorisation of previous transfers into the reserve had yet to be concluded. The Committee agreed that transfers were normally properly dealt with through the Allocations Report and past transfers
should be regularised. The Council’s Business Committee would consider the matter.

**Action:** Administrative Secretary

**Item 3, Paper 2 - University Companies**

The Committee welcomed the inclusion of a section on management accountability in the Memorandum of Understanding (MoU) for the Judge Business School Executive Education Limited, but questioned why there was not a similar section in the MoU for Cambridge Enterprise. Whilst recognising that University companies differed the Committee suggested that management accountability should be made clearer in the Cambridge Enterprise MoU.

**Action:** Registrary, Director of Finance

**26. Future business and work plan**

An updated statement was received (Paper FC(07)1).

The Committee noted that the item on the financial framework, scheduled for the February meeting, would be presented later and that the Sub-Committee on Membership had not yet met as one of its members was in the process of being re-appointed to the Finance Committee.

**PART B: SUBSTANTIVE BUSINESS**

**27. Internal Controls**

The Committee noted that the following papers had been signed off by the Audit Committee at its 7 December 2006 meeting. The external auditors had given a true and fair opinion for the financial statements. The documents would be considered by the Council on 22 January 2007.

(a) **Annual Report of the Audit Committee**

The Annual Report of the Audit Committee for 2005-06 was received as Paper FC(07)8.

The Registrary as Secretary of the Audit Committee reported that overall the Audit Committee was satisfied with the University’s internal control arrangements.

The Audit Committee had stated that improvements needed to be made in value for money management. The Finance Committee noted that the internal auditors had agreed to assist the Value for Money Committee and that they identified and commented on opportunities for efficiency and effectiveness improvements, which were then discussed with University management.

**Action:** Professor Minson

(b) **Annual Report of the Internal Auditors**
The Annual Report of the Internal Auditors, RSM Robson Rhodes, 2005-06 was received as Paper FC(07)9.

The Committee noted that:

(i) there were a small number of discrepancies between the progress against the audit plan and the summary of internal audit reports which should be brought to the attention of RSM Robson Rhodes; and

(ii) after several years of intense activity and improvements internal audit activity levels may reduce.

**Action:** Director of Finance

(c) **External Auditors’ Management Letter**

External Auditors’, Deloitte & Touche, Management Letter 2005-06 was received as Paper FC(07)10.

The Committee noted there were no fundamental weaknesses or grade one recommendations. Progress against the recommendations in the letter would be reviewed in summer 2007.

Some members were of the opinion that an external IT company, specialising in hacking and penetration, should be engaged to check the security of the University’s IT network. The Audit Committee would be meeting the Director of Management Information Services shortly and would raise the matter.

**Action:** Registrary, Director of Finance

28. **Accounts**

The Committee noted that HEFCE had indicated that the requirement for earlier submission of audited financial statements by 30 November following the financial year-end may be deferred a further year to the 2007-08 financial year, but that 30 November 2007 was an option if universities were willing to adopt it.

The Committee noted that:

(i) the thinking behind the earlier submission date was to have a ‘single conversation’ with institutions whereby financial statements, financial forecasts and audit documents would be submitted at the same time rather than separately on different dates, as was the case currently;

(ii) although the Finance Division could deliver financial figures earlier than usual the Colleges may have some difficulty meeting the required timetable to submit necessary information to the University, which would be in advance of the 30 November submission date to HEFCE. The outcome of the investigation into the lateness of the Press accounts would also have a bearing; and

(iii) the Colleges Technical Sub-Committee had suggested that a sub-group meet with the Director of Finance to discuss the issue and that the financial figures could be separated from a statement from College external auditors to the University stating that the public funds received by the college had been applied for the purpose intended.
The Committee agreed it would be desirable to meet the 30 November deadline for 2007, to demonstrate good governance and good management, and also because it would be useful to have the various statements taken all together.

**Action:** Director of Finance, Registry

29. **Pensions**

(a) **CPS Valuation**

The summary of valuation results as at 31 July 2006 and background papers were received as Paper FC(07)13.

The Committee noted that:

(i) an interim valuation of the CPS had been carried out at 31 July 2004, which gave a deficit of £28.5m (89% funded) and led to the current joint contribution rate of 25.7% of pensionable salaries;

(ii) following the 31 July 2006 full valuation, the “Base Case” set of assumptions (the key assumption being the rate of investment return) increased the deficit slightly to £33.4m (89% funded), which would indicate an increase in the joint contribution rate of 5.7% from 25.7% to 31.4% of pensionable salaries for the next ten years (thereby repairing the deficit) followed by a reduction to 23.7%, being the underlying accrual rate;

(iii) the Base Case assumptions could be considered overly prudent. The assumption for investment return was 6.4% for the portfolio, compared to the long-term rate of 7.8% estimated by the scheme’s investment advisors Cambridge Associates. In the “Proposed Case” an investment return of 6.9% was assumed, which still was prudent against the expected long-term returns;

(iv) the Proposed Case assumptions gave a deficit as at 31 July 2006 of £8.2m (97% funded), which would indicate a reduction of 3.5% in the joint contribution rate;

(v) the CPS Managing Committee was minded to apply the Proposed Case assumption for investment return (i.e. 6.9%). However since this assumption was at the limit of prudence which the Scheme actuary and the Managing Committee would find acceptable, it was recommended that the contribution rate remain unchanged for the time being, and not reduced. This would repair the deficit over a period less than the ten years expected of a recovery plan, and would also give planning stability; and

(vi) it was common for the employer and employees to share the burden of costs of providing pension benefits typically at a ratio of around 2:1 (employer: employee). The current CPS ratio was over 3:1 (19.7% employer, 6% employee).

The Committee agreed that the CPS Managing Committee’s Proposed Case assumption of a long-term investment return of 6.9% was reasonable and the joint contribution rate should remain at 25.7% (19.7% employer, 6% employee) of pensionable salaries at least until the next formal valuation results were available. Additionally, it was agreed that, if possible, two years notice of changes to the contribution rate would be given due to the large proportion of staff paid through
external contracts and the difficulty of changing these contracts rapidly, but flexibility should be retained.  

Action: Director of Finance

(b) USS – Results of consultation

The summary of responses to the USS consultation questionnaire on the future funding of USS was received as Paper FC(07)12.

The Director of Finance highlighted the main points. The Committee noted that:

(i) with immediate effect, the new retirement age would be 65 for new joiners from 1 March 2007 and institutions would be required to pay the full cost of early retirements before age 60;
(ii) institutions were strongly in favour of retaining a defined benefit pension arrangement but that consideration should be given to sharing any increase in cost between employer and employee;
(iii) there was a strong appetite for review and a ‘no change’ option was not appropriate. Institutions were keen to engage more widely with USS about future options; and
(iv) USS had advised that there would be no increase in the contribution rate for the time being.

(c) Pensions Working Group Minutes

The Minutes of the meetings of the Pensions Working Group held on 2 October, 19 October and 19 December 2006 were received as Paper FC(07)11.

(d) Chairmanship of the CPS Managing Committee

The Committee noted that the Chairman of the CPS Managing Committee should be a member of the Finance Committee. The Committee agreed to delegate the appointment to the Pro-Vice-Chancellor for Planning and Resources, after consultation with the Vice-Chancellor and the Registrary.  

Action: Registrary

30. 800th Campaign

Mr. Peter Agar, Director of Development, attended for this item and gave a presentation to the Committee on the 800th Campaign. The Committee thanked Mr Agar and noted the progress made.

Vice-Chancellor
7 February 2007
Finance Committee 10 January 2007: Straightforward and reported business submitted for decision or report

1. **Finance Committee: Dates of meetings 2007-2009**  
   Paper No. 3

2. **Financial Management Information (FMI)**  
   The FMI was in support of the Financial Statements already approved and published.  
   Paper No. 7

3. **University Companies**  
   The Final Memoranda of Understanding of Cambridge Enterprise Limited and JBS Executive Education Limited:  
   Paper No. 2

4. **Committees**  
   Received the Minutes from the following Committees:
   - **Audit Committee** *– 7 December 2006*  
     Paper No. 4
   - **Buildings Committee** – 6 December 2006  
     Paper No. 5
   - **North West Cambridge Strategy Committee** – 29 November 2006  
     Paper No. 14

5. **Sealings**  
   Paper No. 6

* Private and confidential