At a Meeting of the Finance Committee held this day,

Present: The Vice-Chancellor, Professor Anderson, Mr Brown, Professor Chase, Professor Daunton, Dr Good, Mr Larkum, Ms Lowther, Dr Nicholls, Dr Reid, Mr Thompson, Professor Minson (Pro-Vice-Chancellor and Acting Treasurer), the Director of Finance, the Administrative Secretary, the Registrary, the Academic Secretary and Mr Troupe.

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

1,551 MINUTES

The Minutes of the meeting held on 14 January 2004 were approved except that the action in Minute 1,545 (d) should read, “The Committee agreed, in view of the urgency, to receive the PRC documents via e-mail”.

1,552 REPORT ON ACTIONS

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

REPORTED AND STRAIGHTFORWARD BUSINESS

FINANCE COMMITTEE

1,553 Sealings. The Committee received Note FC(04)17 with Paper FC(04)17 a list of sealings authorised by the Acting Treasurer under delegated authority since the previous meeting.

COLLEGE CONTRIBUTIONS

1,554 Annual Report of the Council. The Committee received Note FC(04)19 with Paper FC(04)19 the draft Report of the Council on the Contributions of Colleges for University purposes in the financial year 2003-04. The Committee agreed to delay publication of the Report in the Reporter until King’s College had submitted its accounts to the Acting Treasurer. The Committee expressed concern that King’s College had not submitted by the annual 31 December deadline. Dr Good, speaking as a Fellow of the College, said that he expected the
accounts to be submitted before the next Finance Committee meeting. However, in the meantime, the Director of Finance would write to King’s, on behalf of the Committee, to enquire as to when the accounts would be submitted.

ACCOUNTS

1,555 University of Oxford: Financial Statements 2002-03. The Committee received Note FC(04)23 with the following Papers:-


Paper FC(04)24 Brief review of Oxford’s financial statements together with comparisons with Cambridge University’s financial results, prepared by the Director of Finance.

BUILDINGS

1,556 University Security Committee. The Committee received Strictly Private and Confidential Note FC(04)16 with Paper FC(04)16 the Unconfirmed Minutes of a meeting of the University Security Committee held on 13 January 2004 and agreed to take note of the information provided.

PENSIONS

1,557 USS Statement of Investment Principles. The Committee received Private and Confidential Note FC(04)25 with Paper FC(04)26 a Revised draft Statement of Investment Principles together with a letter, dated 30 January 2004, from the Chief Accountant of USS Limited.

UNIVERSITY COMPANIES


MATTERS FOR DISCUSSION AND DECISION

ACCOUNTS

1,559 External auditors Management Letter. The Committee received Note FC(04)24 with Paper FC(04)25 the Management Letter for 2002-03 prepared by the University’s external auditors, Deloitte & Touche.

The Registrary, as Secretary of the Audit Committee, reported.
(a) The Audit Committee had made a series of detailed comments and had noted:

- its disappointment that there was no representative from Deloitte & Touche at the meeting due to bad weather. The letter had therefore been accepted in principle, until it could be discussed in detail with the external auditors;

- the small number of recommendations when compared to the report received the previous year; and

- concern about recommendation 8, (a small number of departments had not submitted signed year-end certificates). The Audit Committee believed that a review of the responsibilities of department heads might be required.

(b) The Finance Committee made the following comments on the Management Letter recommendations:

Recommendation 2 suggested that distributions from the Amalgamated Fund in excess of its underlying income would be permissible following recent legal advice. A member expressed concern that not only would this erode the Fund’s capital, but also it may be in breach of Charity Commission rules. The Director of Finance would present a report on investment distribution.

Recommendation 3 stated that a standard form should be completed for all fixed asset disposals. A member pointed out that under the University policy this was only necessary for fixed assets over £10k. The Director of Finance agreed to inform the external auditors of this.

Recommendation 5 stated that departmental expenditure, if eligible, should be charged against a specific source of funding rather than the Chest. The Finance Working Party had also made a similar recommendation. This matter was not entirely straightforward. The Director of Finance agreed to bring a paper on progress, against the Finance Working Party recommendations, back to the Committee early next term.

Recommendation 8 would require departments to return their year-end certificates or face an appropriate sanction. Four departments had not submitted signed year-end certificates but had submitted letters explaining why. The Committee agreed that the aim would be for complete submission of signed certificates and if that was not possible an explanatory letter, addressed to the Finance Committee, setting out the reason(s) as to why this was not the case would be required. The Committee considered that the management response to this recommendation should be more robust, but as the letter had already been submitted to HEFCE following acceptance by the Audit Committee, this would be included in the management response to the 2004 letter. The Director of Finance was asked to forward this Minute to the external auditors in the meantime.
Recommendations 9a – 9f: good practice on some suggestions relating to passwords was not as stated by the auditors, and these comments were not approved. The Director of Finance would discuss this further with the external auditors.

1,560  **Consolidation.** The Registrary reported orally that discussions with the Press and Trusts were ongoing. A paper would be brought to the next meeting.

1,561  **Remarks on Discussion on Financial Statements (Abstract of Accounts) for the year ended 31 July 2003.** The Committee received Note FC(04)22 with Paper FC(04)22 the Remarks made at the Discussion on Tuesday 27 January 2004 on the Financial Statements (Abstract of Accounts) for the year ended 31 July 2004. The Committee had no comments it wished to convey to the Council.

FINANCE COMMITTEE

1,562  **Role of the Finance Committee.** The Committee received Note FC(04)27 with Paper FC(04)29 a Draft 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). The Registrary reported comments made by the Planning and Resources Committee. The Report was also being considered by the Audit Committee and the General Board. The Committee endorsed suggestions that the new Buildings Committee should report to the PRC, and that the Minor Works Review Group should report to the Buildings Committee. The Finance Committee would retain a role in, for example, the consideration of stewardship aspects of buildings maintenance, and participation, as set out in the draft Report, in the process of budget consideration.

The Committee noted that if there was a proposal to change the composition of the Committee in relation to the election of members by representatives of the Colleges, this might be a matter which affected these Colleges, and that the consent of the Colleges would probably be required.

The Committee agreed to draw these comments to the attention of the University Council.

PENSIONS

1,563  (a)  **Cambridge University Assistants’ Contributory Pensions Scheme Actuarial Valuation as at 31 July 2003.** The Committee received *Private and Confidential* Note FC(04)26 with Paper FC(04)28 extracts from the Rules of the Scheme. The Vice-Chancellor welcomed Mr. Stephen Cartridge of Barnes & Sherwood, the Scheme’s actuaries. Mrs. Sue Curryer, Head of Pensions Administration, and Mr. Peter Deer, Director of Personnel, attended for this item.

(b) The Director of Finance gave a presentation on the Cambridge University Assistants’ Contributory Pension Scheme and its most
recent actuarial valuation as at 31 July 2003. The Committee noted that the Scheme had a deficit of £17.6m as of 31 July 2003 and that action was required.

(c) Following a lengthy discussion the Committee considered a range of options in employer and employee contributions and lump sum payments to settle the deficit, address the possible contributions for 2003-04, and the payments for future service benefits.

(d) The main issue was whether both a lump sum paid by the University and an increase in the joint contribution rate (employer and employee contribution combined) should settle the deficit or a larger increase in the joint contribution rate alone, thus spreading the cost over future years.

(e) The Committee was divided as to the solution and took a vote on the issue.

(f) Eight members were in favour of making provision for a lump sum of £12,077,850 (the University paying approximately £9.5m and UCLES approximately £2.6m) payable by 31 July 2004 and increasing the joint contribution rate from the current 2% to 22.5% from 1 August 2004. Four members were in favour of increasing in the joint contribution rate to 24.7% from 1 August 2004 with no provision for a lump sum.

(g) The Committee therefore agreed to propose that a lump sum be paid along with an increase in joint contribution rate. It agreed to propose that the employees’ contribution should be increased to 6% from 1 August 2004, with the balance of 16.5% to be borne by the employers to give the joint contribution rate of 22.5%. The lump sum will be accounted for in the Income & Expenditure account for 2003-04.

(h) The Committee discussed briefly the future service benefits of the Scheme and provision of pension benefits generally. It requested that a review of the arrangements be carried out.

PROCESSES AND PROCEDURES

1,564 Responsible Officers in Faculties. The Committee received Note FC(04)20 with Paper FC(04)20 a note, prepared by the Director of Finance, which considered the arrangements, set out in Ordinances, for financial accountability in Faculties not organised into Departments.

The Committee noted that, in the case of Faculties organised into Departments, the responsible Officer for the “proper application of funds available to the department” was the Head of Department. However, in Faculties not organised into Departments it was the Secretary of the Faculty Board who had that responsibility.

The paper invited the Committee to consider whether this
responsibility should lie with the senior academic responsible for the overall direction of the Faculty rather than the Secretary of the Faculty Board, who was likely to be an administrator or, a relatively junior academic, with limited authority.

The Committee agreed to propose that the Chairman of the Faculty Board should have this responsibility and that Council and the General Board should give the matter further consideration.

PURCHASING

1,565 EU Public Procurement. The University, following advice, was in a position to declare itself outside the EU Public Procurement Regulations and had done so.

The Registrary reported that the University, which wished to follow good procurement practice, intended following EU procedures on a voluntary basis, save in exceptional instances when there were advantages in not adhering strictly to the procedures, such as the cases of sole supplier or in the justifiable interests of speed.

From an administrative point of view it would be necessary to identify the Officers who would have the authority to decide when exceptional circumstances existed and in which cases the EU procedures need not be followed.

The Committee therefore agreed that in the case of building and estates related procurement the decision would be taken by the Director of Estate Management, who would seek ratification from the Buildings Committee before any procurement could begin; this would then be reported to the Finance Committee; for all other procurement the Director of Finance would take the decision, reporting to the Finance Committee as soon as possible thereafter.

UNIVERSITY FINANCIAL SYSTEM

1,566 (a) Financial System Management Committee. The Committee received Private and Confidential Note FC(04)18 with Paper FC(04)18 the Unconfirmed Minutes of the meeting of the Financial System Management Committee (FSMC) held on 20 January 2004.

Professor Anderson presented the report. The main item to note and approve was the FSMC’s decision to proceed with a project to upgrade of the Oracle financial system later in 2004.

Vice-Chancellor
10 March 2004