University of Cambridge

COUNCIL

Finance Committee

Minutes of the meeting held on Wednesday 11 July 2007.

Present: The Vice-Chancellor in the Chair, Ms Coutu, Mr Johnston, Mr Pratt, Mr Reavley, 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, the Registrary-elect and Mr Troupe.

Apologies were received from Professor Barker, Dr Clark, Professor Minson and Ms Lowther.

PART A: INTRODUCTORY

60. Minutes

The minutes of the meeting held on 9 May 2007 were approved.

61. Procedure of the Committee

A paper on the procedure of the Committee was received as Paper FC(07)102. The Committee agreed to trial a fortnightly circulation of straightforward and reported business for the Michaelmas term.

The reported business and matters for information which had been circulated to members of the Committee as Circular 01/07 were approved.

Action: Administrative Secretary

62. 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.

One item in the list was discussed.


The Committee noted that in both cases the outstanding sums were not strictly speaking debts; one was due to poor billing on the part of RSD several years ago and the other the result of exchange rate variations with the US dollar. Grants billing had since improved, and the recent implementation of billing directly from the grants module of the financial system had improved matters further. A hedging procedure would be introduced shortly for US dollar denominated research grants.

63. Future business and work plan

A work plan for 2007-08 was received (Paper FC(07)103). With regard to the University’s financial strategy the Committee agreed that the October 2007 discussion would provide an overview, including other strategic papers, there would be no
discussion at the second November meeting, the March 2008 discussion would be informal and the June discussion would be formal with a substantial paper and considerable agenda time devoted to the item.

PART B: SUBSTANTIVE BUSINESS

64. Financial Statements

Review of key accounting policies: 2007 Financial Statements

A review of key accounting policies proposed to be adopted for the 2007 Financial Statements was received as Paper FC(07)101. The Committee confirmed that the 2006-07 financial statements should be prepared using the recommended policies.

Action: Director of Finance

65. Taxation

The University’s Tax Position

The Deputy Director of Finance (Finance Services and Taxation) attended for this item and presented an overview of current University tax issues. A summary was received as Paper FC(07)114 including a draft Tax Strategy.

The main issues included new procedures relating to the self-employed/employed status of staff and potential liabilities; the method of calculating the University’s partial exemption from VAT; how EU funded research was treated for VAT purposes; changes to Corporation Tax resulting from the Finance Act 2006; Tribunals; salary sacrifice on pensions; benefits reporting; compliance risk management with regard to the relationship with the HRMC and the self-assessment regime; and the University’s Tax Strategy.

Members were asked to forward any comments to the Deputy Director of Finance on the draft Tax Strategy.

Action: Deputy Director of Finance (Finance Services and Taxation)

66. Insurance

Insurance – Renewal 2007

The Deputy Director of Finance (Finance Services and Taxation) attended for this item. Proposals for insurance renewal were received as Paper FC(07)112.

The Committee noted that insurance premiums were rising due to the increase in the size of the University’s estate, that it would be advisable to insure the Library collections and that the description in the insurance programme did not cover all of the University’s activities.

The Committee:

(i) approved the renewal of the Insurance Programme with the current insurers and on the terms detailed in Appendix A of the paper;
(ii) agreed all risks insurance for pre 1850 books, pre 1900 periodicals, maps, charts and works of art held at the University Library. The sum insured being £10m for each and every loss, with a premium in the region of £30k per annum with no claims excess (Option 2 in Appendix C of the paper); and

(iii) delegated authority to the Finance Division, for the purchase of cover for other University museums and galleries on similar terms.

**Action:** Deputy Director of Finance (Finance Services and Taxation)

67. **Investments**

Mr. Nick Cavalla, Chief Investment Officer, attended for this item. Paper FC(07)109, Minutes of the meeting of the Investment Board held on 29 June 2007, was received together with the Cambridge University Endowment Fund (CUEF) Investment Objectives and Policies and CUEF Operating Responsibilities.

The Chief Investment Officer gave a report on his activities since appointment including the Investment Office structure and resources, governance arrangements, investment objectives and proposals for transitional and long term policy portfolios. It was noted that the asset allocation framework would not be too rigid and it would take some time to move to the long term policy portfolio due to the size of the University’s endowment.

The Committee agreed to:

(i) recommend to Council for approval the proposed CUEF Investment Objectives and Policies and CUEF Operating Responsibilities; and

(ii) approve the Investment Board’s recommendation that the CUEF accounts to a 30 June year-end and that the Finance Division investigated changing the trading dates for units in the CUEF to calendar quarter ends.

68. **Pensions**

(a) The Minutes of the meeting of the Pensions Working Group held on 5 June 2007 were received as Paper FC(07)104 together with Paper FC(07)105, a paper on CPS Governance Arrangements with recommendations for approval.

The Committee noted that:

(i) changes to the governance arrangements for pension schemes were required as a result of the Pensions Act 2004;

(ii) currently the scheme was managed through a Managing Committee consisting of eleven members (in effect trustees) of which five were nominated by members;

(iii) there were two options, a body of individual trustees or a trustee company; the Finance Committee, at its June 2004 meeting, had preferred a separate company arrangement;

(iv) proposals had been made that there should be nine members of the board of the new company four of which would be nominated by members of the scheme; and

(v) the University had power to amend the rules of the scheme on the recommendation of the Managing Committee, provided any changes were approved by two-thirds of the members of the Managing Committee. It had been
suggested that the rules of the scheme be changed so that any rule change could be approved by a simple majority rather than two-thirds.

(b) The Pensions Working Group had made the following recommendations:

(i) A trustee company should be set up to act as a corporate trustee for the CPS, as a company limited by guarantee, with the University the sole member; and
(ii) There should be nine directors of the trustee company, of which four should be member-nominated directors (MNDs).

The Committee approved the recommendations and agreed to propose the changes to the Managing Committee, and additionally, that a rule change should be proposed that future rule changes be approved by majority.

69. Estates

(i) Final Account Settlements – Gurdon Institute, English, Criminology and CR-UK, Addenbrooke’s

A paper reporting on the contractor’s Final Account position reached on the above building projects was received as Paper FC(07)99.

The Committee noted the Final Account Settlements, negotiated by EMBS in accordance with the procedure agreed by the Finance Committee at its 8 February 2006 meeting, as set out below. The outcome was more positive than at first anticipated.

Gurdon Institute - total gross payment to Sir Robert McAlpine, £20.112M, 10% over the original contract sum. This was approximately £1.731M under the Project Manager’s assessment of financial risk and approximately £900k under the proposed settlement figure agreed with the Pro-Vice-Chancellor (Planning and Resources), Chairman of the Buildings Committee and the Deputy Director Finance.

English - total gross payment to Wates Construction Limited, £12.393M, 8.3% over the original contract sum. This was in accordance with the £1.3M stated in the Project Manager’s assessment and at the proposed settlement figure agreed with the Pro-Vice-Chancellor (Planning and Resources) and the Chairman of the Buildings Committee.

Criminology - total gross payment to Wates Construction Limited, £10.174M, 6.8% over the original contract sum. This was approximately £200k under the Project Manager’s assessment and at the proposed settlement figure agreed with the Pro-Vice-Chancellor (Planning and Resources) and the Chairman of the Buildings Committee.

CR-UK - the current gross payment to Laing O’Rourke was £37.598M with £546.6k retention monies to be paid on release of the Making Good Defects Certificate - total predicted gross payment to Laing O’Rourke £38.145M, 19.2% over the original contract sum. This was approximately £340k under the Project Manager’s assessment. The intention was to ensure the final project out-turn cost
was contained below £50M as compared with the existing Warranted sum of £50.26M.

(ii) **Proposed purchase of 215a Huntingdon Road, Cambridge**

Dr Reid and Mr Summers declared College interests and withdrew for this business.

A paper on the proposed purchase of a house in Huntingdon Road, for strategic reasons as set out in the paper, was received as Paper FC(07)98 and Annexes. The Committee approved the purchase of the freehold at an estimated cost of £1,090,000 including fees.

(iii) **Proposed purchase of 2 Trumpington Street, Cambridge.**

A paper on the proposed purchase of 2 Trumpington Street was received as Paper FC(07)113. The Committee approved the purchase of the freehold at a net figure of £687,500 plus purchase costs, for strategic reasons as set out in Paper FC(05)167.

Vice-Chancellor
12 September 2007
Finance Committee 11 July 2007: Straightforward and reported business submitted for decision or report

1. **HEFCE: Financial Forecasts**
   
   Received and noted

2. **Committees**
   
   Received the Minutes from the following Committees:
   
   - **North West Cambridge Strategy Committee** – 9 May 2007
   - **Value for Money Committee** – 27 June 2007
   - **Cambridge Enterprise Board** – 11 June 2007

3. **Pensions**
   
   - USS Statement of Investment Principles
   - USS Funding level update to 30 March 2007

   Noted.

4. **Mileage and Subsistence**
   
   - Travelling and Subsistance Allowances

   Approved the recommended rates.

5. **Research Services. Bad Debt Write-Off**
   
   See Minute 62.

6. **Sealings**
   
   Received.