PART A: INTRODUCTORY

51. Minutes
The minutes of the meeting held on 7 June 2006 were approved subject to the following amendments:

   Minute 48 Strategic Planning Reserve Fund - Proposed Milstein Professorship of Immunology, University of Oxford

   under (v) replace with:

   “an ex-gratia gift from general University funds, were a gift to be agreed, should be authorised by Grace”; and

   under (vi) replace with:

   “on the basis of the present information the Committee could not confirm that the possible donation was an appropriate use of University funds and were not minded to commend the proposal to the Council”.

52. 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.

53. Future business and workplan
An updated statement was received (Paper FC(06)121). Further consideration of financial strategy would be deferred from September 2006 to a later date. The meeting previously arranged for 13 September
2006 was therefore cancelled. The Committee noted that the October meeting would be held on 4 October rather than 11 October 2006.

PART B: SUBSTANTIVE BUSINESS

54. Financial Statements

(a) Review of Accounting Policies
A review of Key Accounting Policies proposed to be adopted for the 2006 Financial Statements (Paper FC(06)119) was introduced by the Director of Finance. The Committee confirmed that the 2005-06 financial statements should be prepared using the recommended policies.

The Committee noted that:

(i) the accounts of the Cambridge University Press would be consolidated into the University’s accounts for the first time;
(ii) all other existing accounting policies would be retained for 2005-06;
(iii) there was ongoing discussions on the treatment of Heritage assets by the Accounting Standards Board; and
(iv) the University’s policies were in-line with current accounting practice.

Action: Director of Finance

(b) Consolidation of University Accounts
The Director of Finance introduced Paper FC(06)118, a mock up of the 2005-06 financial statements, which included the accounts of the Cambridge University Press (in addition to those of Cambridge Assessment and the Cambridge Trusts), using CUP’s December 2004 figures.

The Committee noted that:

(i) the CUP financial data had been added on a line by line basis;
(ii) with regard to note 7 on the remuneration of higher paid staff separation of ‘commercial’ and non-commercial activity should be considered. The relevant SORP required that the University publish total numbers of staff in particular salary bands but an additional column for ‘commercial’ staff could be added in the same way as the column for clinical staff;
(iii) the Gates Cambridge Trust would be disclosed in the same way as last year. A later draft of the accounts would include a statement of the policy in relation to the Trust; and
(iv) in relation to Note 10, Segmental Reporting, the category 'Academic' should be changed to 'education and research' as this definition covered the Trusts.
The Committee was content with the format of the financial statements, subject to the comments above.

**Action:** Director of Finance

(c) **International Financial Reporting Standards (IFRS)**

Paper FC(06)111 was received for information. The Director of Finance introduced the paper and provided an overview of the impact that IFRS was likely to have on the UK’s financial reporting framework, and hence the accounting standards to which the University prepared its own financial statements.

55. **Taxation**

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(06)123.

The Committee noted the University’s overall approach to tax and:

(i) the University incurred £17.5m of VAT in 2004-05 of which £6.9m was reclaimed;

(ii) the overall VAT position was becoming increasingly complicated due to a number of factors including appeals to the HM Revenue and Customs (HMRC) Tribunal, pressure to amend the University’s partial VAT exemption, insistence by HMRC that the University have a single VAT registration also encompassing CUP and Cambridge Assessment from 1 August 2006, VAT grouping arising from the incorporation of Cambridge Enterprise and a generally unsympathetic approach by HMRC. The appeals referred to above could yield savings of £3-£9m if successful;

(iii) the largest tax bill encountered by the University was £45.25m for the National Insurance and PAYE. There was little scope for savings in this area, although £108k had been saved for the University and £231k for employees through the Salary Sacrifice and Nursery Vouchers schemes.

56. **Insurance**

The Deputy Director of Finance (Finance Services and Taxation) attended for this item. Proposals for insurance renewal, following a full review in 2005, were received as Paper FC(06)109 (to which a correction was made).

The Committee noted that:

(i) following last year’s insurance review the University had entered into four year contracts to ensure there were no wide variations in premiums over the four year period;

(ii) with some improvements in cover the proposed premium for 2006 was £1.395m as compared to £1.397m for 2005;
the University had a separate insurance arrangement for damage resulting from terrorism, the premium for 2006 would increase slightly on that for 2005, reflecting the increase in size of the estate; last year the Finance Committee had asked that the feasibility of moving from a £1,000 to a £100,000 excess be looked at. The Insurance Section made the relevant calculations and in view of the recent claims record it was not recommended that such a change be made as it would not represent value for money; the paper recommended that the current arrangement whereby departments only paid 50% of the £2,500 excess for theft claims involving unforced entry (with the remainder being met centrally) should be discontinued. This was to encourage departments to improve security and risk management. in relation to other claims, such as accidental damage, departments had to meet the general £1000 excess. This was questioned. It would not be appropriate for the University to insure all minor risks especially when there were large reserves in certain departments that could cover such incidents; insurance for works of art was now provided at the Fitzwilliam Museum on a repair and restoration with theft recovery basis. Work continued with the Library about old books, periodicals, maps and charts; changes to the University insurance arrangements for clinical trials would be launched in the Autumn; and considerable benefit could be derived from a central travel insurance policy, but simple administration arrangements would be necessary. The Committee agreed
(i) a renewal with £1,000 deductible; and
(ii) a change in policy in respect of covering excesses on theft with unforced entry as set out in Paper FC(06)109.

Action: Deputy Director of Finance (FS and T)

57. Estate Assets
Trustpington Street Strategic Review
The interim report to the Resource Management Committee by the Space Management Advisory Group (SMAG) was introduced by the Director of EMBS (Paper FC(06)112).

The Committee noted that:

(i) the Regent House had approved the first tranche of disposal of these properties through the sale of long leaseholds (99 years) but some of the properties had proved difficult to sell;
(ii) with the exception of 17/19 Brookside, which was freehold, none of the properties had been sold. The sale of the properties at 16-19 Trumpington Street would, however be finalised in the next two weeks, two and a half years after they had been put on the market;
the problems associated with the properties on Trumpington and Fitzwilliam Streets were that they were in poor condition, tended to be grade II listed, and had a range of compliance issues, some were small and inconvenient as ordinary houses;

this had led SMAG to recommend that the policy of disposing of properties on a 99 year leasehold basis be abandoned. The Committee, however, confirmed that the policy approved in 1989 should be retained but these properties should treated as an exception to it. Colleges may be interested in the properties on a freehold basis but this was not sufficient reason to abandon the policy as any future sales on a freehold basis would prevent the University regaining useful sites that may not be of use today.

The Committee approved the remaining recommendations of SMAG, with modifications:

(v) that a Grace to authorise the freehold disposal of land at 2 Fitzwilliam Street and 28 and 29 Trumpington Street be promoted;

(vi) that the future use of Trumpington Street houses should be, in priority order:

1. Residential conversion for letting to staff, postgraduate students or visiting scholars.
2. Lettings on commercial leases (of up to 20 years) for office-based activities.
3. Retention in operational use for specialist uses or ‘churn’ space.

(vii) that SMAG be instructed to bring forward option appraisals with business plans for the future use of specific properties or groups of properties.

Action: Director of Estate Management

58. University Companies
Judge Business School Executive Education Limited (JBSEEL)
A revised draft Memorandum of Understanding (MoU) setting out the relationship between JBSEEL and the University was received (Paper FC(06)124). The Registrary presented the paper.

The Committee noted that:

(i) the matter had been discussed at a previous meeting and the Committee had had reservations about an earlier draft of the MoU, as had the General Board for different reasons;

(ii) following further discussions with the Legal Services Office and the Judge Business School (JBS), the latest draft took account of
the comments made. It was now before the Finance Committee (and General Board) for a second time;

(iii) the Registrary identified the principle amendments to the MoU (Paras 2.1, 3.1, 3.2, 3.3 and 5.2) and noted that this MoU would in due course be an exemplar for all University Subsidiary companies;

(iv) in relation to paragraph 2.1 the Committee questioned why there was an order of priority for JBSEEL’s objectives and suggested that the order be removed. There was reference to generating revenue but no reference to costs or generation of a surplus, the Committee believed this should be rectified by inserting the word ‘net’ before revenue;

(v) Section 5 was titled ‘Accountability’ but also dealt with matters of oversight (para 5.1). The section should be re-titled ‘Oversight and Accountability’;

(vi) in relation to para 5.2, the Committee believed that if legally possible this should be strengthened to ensure a report on staff remuneration was submitted in accordance with a timetable rather than ‘on request’;

(vii) section 8 needed strengthening to make explicit who would be running and accountable for JBSEEL; it was intended that the Director of Executive Education would be the person so identified responsible to the Director of JBS (and to the Company Board).

The Registrary agreed to take the comments back to the Legal Services Office and JBS to consider rewording of the MoU to take account of the comments above.

Action: Registrary

Vice-Chancellor
4 October 2006
Finance Committee 12 July 2006: Straightforward and reported business submitted for decision or report.

1. **Sealings**
   
   List attached. **For decision:** to note.

2. **Investment Board Minutes – 20 June 2006.**

   Attached. **For decision:** to receive the Minutes.

3. **PRC Minutes* – 21 June 2006**

   Attached. **For decision:** to receive the Minutes.

4. **Value for Money Committee Minutes – 22 May 2006.**

   Attached. **For decision:** to receive the Minutes.

5. **Purchasing Working Group Minutes – 11 May 2006.**

   Attached. **For decision:** to receive the Minutes.


   Attached. **For decision:** to receive the Minutes.

7. **Financial System Management Committee Minutes – 29 June 2006**

   Attached. **For decision** to receive the Minutes.

8. **HEFCE: Financial Forecasts**

   Attached. **For decision:** to note.

9. **Internal Loans – Annual Report**

   Attached. **For decision:** to note

10. **Pensions**

    **USS: Statement of Investment Principles**

    Attached. **For decision:** to consider if the University wished to comment on the proposed Statement of Investment Principles. No comment was made at the meeting on 12 July 2006.
* Private and confidential

Action: Director of Finance