At a Meeting of the Finance Committee held this day,

Present: The Vice-Chancellor, Dr 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 Director of Estate Management, the Registrary, the Academic Secretary; and Mr Troupe.

Apologies for absence were received from the Administrative Secretary.

1,531 MINUTES

The Minutes of the meeting held on 3 December 2003 were approved.

1,532 REPORT ON ACTIONS

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

REPORTED AND STRAIGHTFORWARD BUSINESS

FINANCE COMMITTEE

1,533 Sealings. The Committee received Note FC(04)7 with Paper FC(04)5 a list of sealings authorised by the Acting Treasurer/Director of Research Services under delegated authority since the previous meeting.

1,534 Dates of Meetings for 2004-05. The Committee received Note FC(04)4 and noted that the Council, at their meeting on 12 December 2003, had agreed the following dates for meetings of the Finance Committee for 2004-05.

Long Vacation 2004 September 15
Michaelmas Term 2004 October 13
November 24
December 8
Lent Term 2005  January 12  
February 16  
March 9  

Easter Term 2005  April 13  
May 11  
June 8  

Long Vacation 2005  July 13  
September 14  

1,535  *List of Sub-Committees.* The Committee received Note FC(04)13 with Paper FC(04)12 a list of sub-committees of the Finance Committee as from January 2004 and approved the re-appointments and appointments as set out in the Note.

**ACCOUNTS**

1,536  *Annual Report of the University Theatre Syndicate and of The Executive Committee for the Theatre.* The Committee received Note FC(04)3 with Paper FC(04)2 the Annual Report of the University Theatre Syndicate and of the Executive Committee for the ADC Theatre for the year 2002-03 and agreed to take note of the information provided.

1,537  (a)  *Loan Fund II.* The Committee received Note FC(04)5 with Paper FC(04)3 a letter, dated 7 October 2003, from Mills & Reeve regarding the Land Registration Act 2003 and the potential effect this might have on loans made by the University from Loan Fund II.

(b) The Committee noted that any documents received by the Land Registry after 13 October 2003 would be available for inspection and it would be at the discretion of the Registrar to allow people access to documents sent in the preceding two years. It was open to the University to apply for any items it considered to be confidential or prejudicial to be removed from public inspection at a cost of £20.00.

(c) The Act also introduced a new method of determining the priorities between lenders. As the University normally held the second charge on the property against which the money had been advanced, it may wish to know if the first lender had, or intended to place, a limit on the level of borrowing. If this information was required it would be necessary to amend the application form for an advance from Loan Fund II so that the prospective borrower was required to provide this information.

(d) The Committee agreed to:

(i) instruct the Registrar to ‘censor’ any information held in connection with advances made from Loan Fund II, and
(ii) obtain confirmation from borrowers as to whether the first lender had or intended to place a maximum level on the value of loans against the property.

BUILDINGS

Joint Telecommunications Management Committee. The Committee received Note FC(04)6 with Paper FC(04)4 the Unconfirmed Minutes of the meeting of the Joint Telecommunications Management Committee (JTMC) held on 9 December 2003 and agreed to take note of the information provided.

HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND

HEFCE Model Financial Memorandum. The Committee received Note FC(04)2 with Paper FC(04)1, HEFCE Circular letter 27/2003 dated 28 November 2003, informing the University of a minor amendment to the model Financial Memorandum. The Committee noted that there were no new implications for the University and agreed to take note of the information provided.

PURCHASING

Purchasing Working Group. The Committee received Note FC(04)10 with Paper FC(04)9 the Unconfirmed Minutes of a meeting of the Purchasing Working Group (PWG), held on 14 November 2003, and agreed to take note of the information provided.

MATTERS FOR DISCUSSION AND DECISION

ACCOUNTS

(a) Quarterly Management Accounts. The Committee received Paper FC(03)221 the Management Accounts for Quarter 1, 2003-04 (the “Red Book”) together with the “Green Book” which was a summary of the financial position of the Schools and similar groupings.

(b) The Director of Finance introduced the Accounts. The Committee noted that there were no significant issues to highlight with regard to the Accounts but noted:-

(i) staff costs continue to increase. The reasons were more complicated than just incremental drift and promotions;

(ii) operating costs continued at a similar level to the previous year. Although some expenditure would have been deferred, it demonstrated that the University was able to contain its non-staff costs when necessary;

(iii) research income continued to increase and the recovery of research overheads was being closely monitored;
(iv) Capital Expenditure of £16.7m in the quarter was below the forecast of £29.5m and the equivalent period in the previous year, which was £28.5m. This was mainly due to the phasing of some large projects; and

(v) it was noted that the Amalgamated Fund unit value had not been re-valued. The Committee commented that the Fund should be re-valued on a more regular basis, estimating the direct property element of the portfolio where necessary. The Director of Finance agreed to take the matter forward.

1,542 (a) Consolidation. The Committee received Note FC(04)1 and Annexures.

(b) The Committee recalled that plans to include UCLES and consolidate certain Trusts (Trusts under University control) into the University group financial statements for 2003-04 were being made. The University Press would not be included as Statute F, I, l(d) required the Council “to prepare, and publish an abstract of, the annual accounts of the University, excluding the accounts of the University Press”. The exclusion of the Press resulted in accounts that were not SORP compliant.

(c) The Audit Committee had requested that Council consider that two sets of financial statements be published as a short-term solution, one set following statutory requirements and the other SORP compliant. The Council had received the suggestion at its meeting held on 17 November 2003 and had referred it to the Finance Committee for comment.

(d) The Finance Committee agreed to recommend to the Council that one set of accounts be prepared including and consolidating UCLES and certain Trusts and following statutory requirements. In the meantime negotiations with the University Press regarding the appropriate way forward would continue.

1,543 (a) Revised Statement of Recommended Practice (SORP): accounting for further and higher education. The Committee received Note FC(04)11 with the following Papers:-

Paper FC(04)10 The 2002-03 I&E account and SRGL restated following the revised accounting treatment in line with the revised SORP.

Paper FC(04)11 The revised SORP.

(b) The Committee noted that there were no fundamental changes included within the new SORP. The main change related to endowments where income from specific endowments was to be included on a receivable basis in the Income and Expenditure account. Any excess/shortfall of receivable income over expenditure from specific endowment funds...
would be credited/charged back to specific endowments and shown as a separate line at the foot of the Income and Expenditure Account. This change had the effect of changing the reported income, but would have no effect on the “bottom-line”.

(c) The Committee agreed to:-

(i) note the implications of the revised Statement of Recommended Practice (SORP): accounting for further and higher education; and

(ii) confirm that the Finance Division prepare the 2003-04 financial statements following the SORP, except to the extent that the Press would not be included.

BUILDINGS

1,544 (a) Buildings Sub-Committee. The Committee received Private and Confidential Note FC(04)14 with the following Papers:-

Paper FC(04)13 Unconfirmed Minutes of a meeting of the Buildings Sub-Committee held on 10 December 2003.

Paper FC(04)14 Long-Term Maintenance Plan 2004-05 to 2008-09.

(b) The Chairman of the Buildings Sub-Committee presented the report. The main issue of discussion related to the Long-Term Maintenance Plan 2004-05 to 2008-09. In previous years the Finance Committee had endorsed the budget for maintenance, however the Planning and Resources Committee (PRC) had, on review and prioritisation of the various demands on the University’s funds, reduced the budget allocated. The Committee wondered whether it may be more appropriate to submit the recommendation nearer the time the PRC makes its allocations and make formal representations should the allocated budget be less than that recommended by the Finance Committee. Members noted that the Council would be receiving a report on the roles of the Finance Committee and the PRC and the relationship between the two at their next meeting. In the meantime the Committee resolved to recommend a budget that would enable adequate maintenance of the University’s estate and not an amount that could lead to maintenance backlog problems in the future.

(c) The Committee agreed:-

(i) to propose that the maintenance budget for 2004-05 should be set at £19.256M (including all relevant staff costs) and that serious consideration should be given to setting the maintenance budget at £20.256M (which represents 1.52% of the insured replacement cost of the Estate) so as to allow £1M to be spent on backlog maintenance; and
(ii) the Long Term Maintenance Plan for FYs 2005-2009, as set out in Annex A of Paper FC(04)14, be noted for planning purposes.

1,545

(a) **Pfizer Building.** The Pro-Vice-Chancellor reported verbally on this item.

The Committee noted that:

(i) the ‘Pfizer Building’ comprised some 2,600 square metres of laboratory and animal accommodation on the Forvie Site at Addenbrooke’s;

(ii) the building was vacated by Pfizer 30 months ago and the University had expressed an interest in purchase of the lease;

(iii) the original asking price of £13M had fallen to £3.5M; and

(iv) Amersham plc had expressed an interest in occupying part of the building in an academic collaboration with the Clinical School.

(b) The PRC at its meeting felt that:

(i) it was a strategic imperative to recover ownership of the building on the University’s land. It was a good investment at a good price;

(ii) the collaboration with Amersham plc was of considerable importance to the Clinical School and a firm undertaking to acquire the lease without preconditions should help to conclude negotiations swiftly. It seemed that Amersham would not take the matter further without the University having first acquired the lease. This was complicated by the take over of Amersham by General Electric;

(iii) deferring an inevitable decision would not help relations with important commercial partners;

(iv) ownership of the building would also give an opportunity to ease the pressure on animal housing at Addenbrooke’s in a cost-effective way; and

(v) any delay may result in the University losing a potential occupant who would contribute £1m a year over five years and leaving the building unoccupied, increasing the cost of making good a deteriorating building that the University would have to acquire at some stage.
The Committee expressed concern that a request for £3.5m capital funding was not accompanied by any paperwork or an academic or business plan. The PVC, Planning and Resources, commented that the PRC had received some papers at its meeting on 7 January 2004 which would be distributed to the Committee.

The Committee agreed, in view of the urgency, to receive the PRC documents via e-mail and to make a response in time for the next Council meeting on 26 January 2004.

**Cambridge Institute of Diabetes, Endocrinology, and Metabolism (CIDEM) Centre, Addenbrooke’s Hospital.** The Committee received Note FC(04)15 with Paper FC(04)15, the Second Stage Report of the Council on the Development of accommodation for the new Institute.

The Committee noted that the Second Stage Report (tabled) updated on progress and sought approval for the University to enter into a long-term lease agreement with Addenbrooke’s NHS Trust for the accommodation.

The Committee approved the Report and agreed to forward it to the Council for publication.

**INVESTMENTS**

The Committee received Private and Confidential Note FC(04)8 with the following Papers:-

Paper FC(04)6 Unconfirmed Minutes of a meeting of the Investments Sub-Committee held on 21 November 2003.


Paper FC(04)8 The response of the Investments Sub-Committee to Recommendation V of the Eighth Report of the Board of Scrutiny.

The Committee noted a number of points regarding the Amalgamated Fund, the distributions from the Fund and whether the University was risk taking or risk averse when it came to investments.

The Director of Finance would present a report on investments and investment strategy to a future meeting when the matter was to be discussed further.

The Committee received the Minutes and Annual Review, took note of the information provided, and agreed to forward the response of the Investments Sub-Committee to Recommendation V of the Eighth Report of the Board of Scrutiny to the Council.
1,548 (a) *Deposit Account Authorised Investments Limits.* The Committee received Note FC(04)12. The Committee recalled that at its meeting on 28 November 2001 it had agreed that it would review annually the Authorised Investment Limit policy.

(b) Having reviewed the Note and the Director of Finance’s recommendation that the Authorised Investment Limits be adjusted, the Committee requested that additional material be provided before a decision on the recommendation is made. The Director of Finance agreed to bring the Note and additional material back to a future meeting.

**PENSIONS**

1,549 (a) *Cambridge University Assistants’ Contributory Pensions Scheme (CUACPS). Actuarial Valuation as at 31 July 2003.* The Committee received Private and Confidential Note FC(04)9 together with a report from the Managing Committee of the CUACPS.

(b) The Committee noted that this was a very significant issue which would not be resolved over the course of one meeting.

The Finance Committee had considered in April 2003 the possible implications of the Actuarial Valuation of the Scheme as at 31 July 2003. The valuation had now been made and the following points were noted:

(i) there was a deficit as at 31 July of £17.6m (the Scheme was only 92% funded);

(ii) on the Minimum Funding Level basis the Scheme was 89% funded and there was, therefore, a requirement for a plan to put the Scheme in order;

(iii) the cost of future benefits was equivalent to a joint contribution rate of 20.3%;

(iv) these figures were for the Scheme as a whole and did not distinguish between different employers; and

(v) the CPS Management Committee had requested that the employers consider making a lump sum payment of £12,077,850 and that joint contribution rate (that between employee and employer) be increased from the current 2% to 22.5% from 1 August 2004.

(c) The Committee felt that a range of options to address the current deficit and the cost of future benefits, including examining whether there should be a change in the Scheme’s benefits, should be presented to its next meeting. This should be supported by consultation with the CPS
Management Committee, the Personnel Committee, UCLES and the other employers and the employees who were members of the Scheme. The Scheme Actuary should be invited to the next meeting of the Finance Committee.

The resulting paper(s) would be sent to the Council with a commentary from the Finance Committee.

It was also noted that the stock market had rallied somewhat since the valuation, which may affect the size of the deficit, and it would be useful to include the CPS Management Committee’s Terms of Reference with the other documents.

(d) The Committee agreed to send a Note to update the Council and to return to the issue at its next meeting. The Director of Finance would take the lead on this matter.

Purchasing

1,550 EU Public Procurement. The Registrary agreed to report to the next meeting.

Vice-Chancellor
11 February 2004