At a Meeting of the Finance Committee held this day,

Present: Mr. Larkum (in the Chair), Dr Anderson, Dr Bullock, Professor Chase, Professor Daunton, Dr Good, Ms Lowther, Dr Nicholls, Dr Reid, Mr Thompson, Dr Turner, the Treasurer (Secretary), the Administrative Secretary, the Director of Finance, the Director of Estate Management, the Registrary and the Academic Secretary;

Apologies for absence were received from The Vice-Chancellor, Professor Grant and Mr Brown.

The Chairman welcomed the new members of the Committee.

1,346 MINUTES Action

The Minutes of the meeting held on 27 November 2002 were approved.

REPORT ON ACTIONS

1,347 The Treasurer reported on action taken following the last meeting. The Director of Finance reported that the audited accounts had been published, and had been sent to HEFCE. A small favourable adjustment to income had been made subsequent to the Committee’s meeting; the Committee had been kept fully informed by email.

ACCOUNTS

1,348 (a) Discussion Document: Consolidation. With reference to Minute 1,338(e) the Committee received Note FC(03)11 summarising discussion of possible consolidation, which had taken place with HEFCE and with Oxford at a meeting of Oxford and Cambridge Officers.

(b) The Committee agreed to set up a Technical Working Group (proposed membership to consist of Mr Larkum, Ms Lowther, Dr Reid, Mr Brown, the Treasurer and the Director of Finance; the Registrary to attend) to investigate the issues and to report back. The Committee requested a further Note to be circulated for its next meeting setting out Terms of Reference.
FINANCE COMMITTEE

Sealings. The Committee received Note FC(03)1 with Paper FC(03)1, a list of sealings authorised by the Treasurer under delegated authority since the previous meeting.

TELECOMMUNICATIONS

Joint Telecommunications Management Committee. The Committee received Note FC(03)6 with Paper FC(03)7 the Unconfirmed Minutes of the meeting of the Joint Telecommunications Management Committee (JTMC) held on 11 December 2002. The Committee agreed that its input to this business would be strengthened by appointing a member of the Management Committee in place of Dr. Hanka (Minute 1,357).

Mr. Larkum drew attention to the proposals for replacing the University/College telephone system during 2004. The Committee noted that a concept paper had been taken to the PRC, and that information would come to the Finance Committee as the project moved forward.

SCHOLARSHIPS AND BURSARIES

Awards for Overseas Students. Gates Cambridge Trust. The Committee received Note FC(03)10 with Paper FC(03)15 the Unconfirmed Minutes of a meeting of a Sub-Committee of the Finance Committee with representatives of the Gates Cambridge Trust, held on 25 November 2002. The Committee agreed to refer the Minutes to the Council.

CATERING

University Centre. Mr. Walston, General Manager of the University Centre, attended for this business. With reference to Minutes 1,189 and 1,287 the Committee received Private and Confidential Note FC(03)4 with Paper FC(03)5 a report to the Registrary prepared by Dr. Turner and Mr. Walston about the financial position of the University Centre and related catering functions. Dr Turner introduced the paper. The following were among the points made in the course of discussion:

(i) Many catering operations in the Centre and run by it were in significant deficit, and the Centre found itself unable to contribute to the capital expenditure which had been incurred there.

(ii) There was no earmarked HEFCE funding for these activities.

(iii) Price policy was important, but there was considerable local competition, including subsidised College kitchens, which limited the Centre’s ability to improve its financial position by raising prices.
(iv) A significant volume of the Centre’s business arose away from its main site; much of this did not operate in significant surplus, but served an academic and social purpose; the Committee questioned why such cost should fall on the central University and not on the departments concerned.

(v) The University currently adopted, broadly speaking, a “service approach” to this activity. The Committee noted that this had stood in the way of numerous previous reviews that sought to improve the Centre’s operating position. It now believed that there were strong arguments for adopting a business approach, given the availability in many locations in the University of alternative facilities; if so, service aspects should be carefully and explicitly reviewed.

(b) The Committee concluded that a business approach should normally be followed and invited the General Manager, with the Registratory, to bring forward proposals accordingly. The Committee noted that their support would be necessary in implementing such proposals which would almost certainly involve restructuring or discontinuing some present services.

The Committee noted that Dr. Turner had put an enormous amount of work into this matter, which had helped to crystallise ideas and issues. The Committee thanked Dr. Turner and Mr. Walston for their paper and agreed to draw the Council’s attention to this discussion, and to the conclusion recorded above.

ACCOUNTS

1,353

Quarterly Management Accounts. The Committee received Note FC(03)8 with Paper FC(03)13 the Management Accounts for the three months to 31 October 2002.

The Director of Finance invited the Committee to advise on the content and presentation of future Quarterly Management Accounts.

BOARD OF SCRUTINY

1,354 (a) Seventh Report of the Board of Scrutiny. The Committee received Strictly Private and Confidential Note FC(03)13 with the following Papers:

Paper FC(03)16 Seventh Report of the Board of Scrutiny.

Paper FC(03)17 Report of a Discussion held on 29 October 2002.

Paper FC(03)18 Recommendations of the Seventh Report and proposed responses on behalf of the Finance Committee.
The Committee remarked on the detailed and thoughtful work that had gone into producing the Seventh Report. It agreed to endorse the comments about the recommendations of the Report contained in Paper FC(03)18 for submission to the Council, subject to strengthening the remarks made about recommendation II (Reports on Building Projects to include fuller information about funding) by agreeing that better arrangements for reporting should be made. The Committee noted, however, that in many cases a full indication of funding sources for a building project could not be made at an early stage. When to report (and whether to make a preliminary report) was a matter for judgement by the central bodies in the light of the circumstances attaching to an individual project.

BUILDINGS

1,355 (a) Buildings Sub-Committee. The Committee received Private and Confidential Note FC(03)7 with the following Papers:

- Paper FC(03)8 The Unconfirmed Minutes of a meeting of the Buildings Sub-Committee held on 11 December 2002.
- Paper FC(03)10 University of Cambridge/Hutchison/CR-UK-Multi-Storey Car Park, Addenbrooke’s Hospital.
- Paper FC(03)11 Refurbishment of Sir William Hardy Building.
- Paper FC(03)12 Multi-Storey Car Park, Addenbrooke’s Hospital. Notes of a meeting held on 20 December 2002 to discuss the financial aspects of the Car Park.

(b) Dr. Nicholls introduced the papers. In relation to Long Term Maintenance Plan 2003/04 to 2007/08 (BSC Minute 119 and Paper FC(03)9), he drew attention to the statement in the supporting report that, in spite of a budget cut in 2002/03, safety-related works affecting the direct Health and Safety of Staff and Students, fire alarms, emergency lighting, structural and fire precautions programmes were being carried out to an adequate standard, noting that legislative requirements now rest more on complying with duty of care than on simply stated provision. All necessary reactive and breakdown maintenance should continue to be funded. It was essential to ensure that enough was spent on maintenance each year to prevent the condition of buildings from deteriorating. New statutory requirements, for example related to disability access, would inevitably increase costs.
The Committee welcomed the detailed paperwork and commended its authors for the quality of their submission. The Committee noted that EMBS reached its recommended budget bid for maintenance by preparing a 5 year plan, based on the status and condition of buildings, and by benchmarking this against other Universities and against HEFCE guidelines. In addition, account had been taken of the backlog of maintenance assessed by external consultants, with the aim of reducing it. A range of pre-planned, running and reactive maintenance projects had been included in the budget bid.

Dr. Nicholls informed the Committee that work was being done to analyse the University’s total annual buildings maintenance expenditure, including costs currently recorded under this heading in Departmental accounts.

The Committee wished to record its support for ensuring that an adequate level of maintenance spending was maintained, and recommended that:

(i) the maintenance budget for FY2003/04 be set at £18.785M (including all relevant staff costs), in order to prevent significant deterioration in the estate. This figure includes an amount of £3M to fund additional works necessitated by legislation and to reduce the backlog maintenance;

(ii) the Long Term Maintenance Plan for FYs 2004-2008 be noted for planning purposes.

(c) The Treasurer introduced a brief discussion on funding of University of Cambridge/Hutchison/CR-UK-Multi-Storey Car Park, Addenbrooke’s Hospital. (BSC Minute 120 and Papers FC(03)10 and 12). She noted that the multi-storey car park formed part of the complex project to construct a cancer research building at Addenbrooke’s, which was now at a very critical stage with construction planned to start shortly. Funding for the car park had been a major problem; the current model allowed for interest to be paid at a reasonably commercial rate on a University loan of £5.4m. but for no capital repayments. The Director noted that PRC continued to be aware of the need to make a decision on funding.

Dr. Anderson believed that the internal rate of return should have been much higher. The Committee concurred, but recognised that the terms on which the car park was to be constructed had not been able to be negotiated on a fully arm’s-length basis. The Planning and Resources Committee had approved Heads of Terms in 2001 and would be making the final decision on the funding model at their meeting in February.

Dr. Reid drew attention to the need to confirm that all statutory requirements had been complied with, particularly in relation to the proposed grant of a lease to Lynxvale Limited.
Having been assured that funding was available at the level required, the Committee agreed that the Treasurer be authorised to increase the warrant from £400k to £860k to enable the design team to progress to completion the design and procurement documentation of the building as a design and construct competitive tender and to evaluate the bids submitted.

(d) **Refurbishment of Sir William Hardy Building.** (BSC Minute 121 and Paper FC(03)11)

The Committee agreed that the project should proceed with a budget of £1.773M.

(e) The Director of EMBS noted that reports to committees, Council or the Regent House on capital projects could be made as frequently as required during the years of design and procurement, although repeated reporting might give rise in some cases to delays and extra cost. Early reports were necessarily subject to greater uncertainty.

1,356 (a) **Residences and Nursery Project at West Cambridge.** With reference to Minute 1,300 the Committee received Note FC(03)3 with Paper FC(03)4 a final paper prepared by the Director of Finance on the financing, by an internal loan, of the Residences and Nursery Project at West Cambridge.

(b) After some discussion of the risks involved, the Committee agreed that the Residences and Nursery Project be financed by an internal loan at an interest rate of 6%. They wished to place on record their view that this form of financing should not be taken as setting any precedent for future projects.

FINANCE COMMITTEE

1,357 (a) **List of Sub-Committees.** The Committee received Note FC(03)9 with Paper FC(03)14 an updated List of Sub-Committees of the Finance Committee as from January 2003.

(b) The Committee agreed to:-

(i) approve the appointment/reappointment of members indicated in bold in Paper FC(03)14;

(ii) approve the nominations to be put forward to the Council for appointment;

(iii) nominate Mr. Larkum as the Finance Committee representative on the University Theatre Syndicate in accordance with Statutes and Ordinances and recommend that Dr. Walker be co-opted onto the Syndicate in addition;

(iv) approve the appointment of Mr. Roger Salmon as a member of the Investments Sub-Committee; and
(v) note that the Senior Tutors Committee would be putting forward a nominee to replace Dr. Hanka on the Loan Fund I Committee.

INVESTMENTS

1,358 (a) Investments Sub-Committee. The Committee received Private and Confidential Note FC(03)2 with the following Papers:-

Paper FC(03)2 Unconfirmed Minutes of a meeting of the Investments Sub-Committee held on 25 November 2002.


(b) The Committee agreed to receive the Minutes and to note the information contained therein. Attention was drawn to Minute 260 which indicated that for budgeting purposes for 2003/04 the distribution per unit in the Amalgamated Fund would not include any special dividend. Care would need to be taken to draw this to unit holders’ attention, as the implication was a reduction in their income for that year.

(c) In relation to the proposed Statement of Investment Principles the Finance Committee confirmed that it wished to approve this formally rather than to delegate approval to the Investments Sub-Committee. It was agreed that the Investments Committee be requested to submit a final version for approval.

1,359 (a) Deposit Account Authorised Investment Limits. With reference to Minute 1,173 the Committee received Note FC(03)12 and recalled that at its meeting on 28 November 2001 it had approved Authorised Investment Limits for the investment of the University’s short-term cash. The Committee had agreed that it would review annually the Authorised Investment Limit policy.

(b) Having reviewed the Note and the Director of Finance’s recommendation, the Committee confirmed that no change should be made for 2003.

UNIVERSITY FINANCIAL SYSTEM

1,360 (a) Financial System Management Committee. The Committee received Private and Confidential Note FC(03)5 with Paper FC(03)6 the Unconfirmed Minutes of a meeting of the Financial System Management Committee held on 8 November 2002.

(b) The Director of Finance noted that a further meeting had been held in December but that the Minutes were still with the Chair. The main discussion had been on the future development of the system. The

Treasurer

Treasurer

Director of Finance
Committee requested that efforts be made to bring the unconfirmed Minutes of such meetings to the earliest possible Finance Committee meeting.

(c) The Committee noted that there continued to be improvements in the Research Grants Module of CUFS but that a Grants Project Study, which is continuing, had identified a number of procedural improvements within RSD that could be made.

(d) The Committee agreed to take note of the information provided.

Vice-Chancellor
12 February 2003