At a Meeting of the Finance Committee held this day,

Present: The Vice-Chancellor, Professor Chase, Professor Hunter, Mr Johnston, Mr Larkum, 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 Ms Lowther and Professor Anderson.

1,709 MINUTES

The Minutes of the meeting held on 12 January 2005 were approved subject to two amendments to Minute 1,708 (a).

The external members asked for clarification on the nature of the Minutes. The Vice-Chancellor confirmed that the Minutes were a record of decisions and a summary of the key points, and not a verbatim record. However, both members felt that some important points had been excluded and had submitted revised Minutes for the item concerned.

The Committee agreed to include amendments to Minute 1,708 (b) (ix) by adding “and optimise the financial benefits to the University” to the first point; “since the strategy for Cambridge Enterprise was currently unclear and a permanent director had yet to be appointed it may not be appropriate at this time to commit Cambridge Enterprise to this location and space;” to the fourth point; and “however members were anxious that tenants be found who would provide valuable interaction with University departments” to the fifth point.

1,710 REPORT ON ACTIONS

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

ROUTINE BUSINESS

1,711 Sealings. The Committee received Note FC(05)19 with Paper FC(05)22 a list of sealings authorised by the Acting Treasurer under delegated authority since the previous meeting.
Committees. The Committee received Note FC(05)20 and approved the following:

(i) Professor Ian White appointed to the Buildings Sub-Committee, for two years to 2006, in place of Professor Steve Young; and

(ii) Professor Chase nominated by the Committee for appointment by Council to the Standing Appointments Committee of the UAS.

Finance Committee Business. The Committee received Note FC(05)27 and noted that the major items planned for the March meeting were as follows:

- Report of the working group on Investment Management
- Review of current tax issues (presentation by Kerry Sykes)
- Half-year management accounts (presentation by Andrew Reid)

The Committee agreed to re-confirm the flow of business.

Directors’ and Officers’ Insurance – Challenge Fund & Directorships of Spin Out Companies. The Committee received Note FC(05)25 and recalled that at its meeting on 8 December 2004 it had received a list of current directorships and the company boards they sat on. The Committee noted that the companies were limited companies and agreed to appoint formally the individuals listed.

ACCOUNTS

Annual Statement of Accounts: The Fitzwilliam Museum. The Committee received Note FC(05)28 with Paper FC(05)35 a summary statement of Accounts for the year to 31 July 2004, presented under Regulation 4(d) for the Syndicate. The Committee agreed to receive the statement and note the information provided.

College Contributions: Annual Report of the Assessment Sub-Committee 2004. The Committee received Note FC(05)16 with the following Papers:

Paper FC(05)18 Unconfirmed Minutes of a meeting of the Assessment Sub-Committee held on 13 December 2004.


The Committee agreed to note the Report.
1,717  *College Contributions: Annual Report of the Council.* The Committee received Note FC(05)17 with Paper FC(05)20 the draft Report of the Council on the Contributions of Colleges for University purposes in the financial year 2004-05. The Committee approved the Report and agreed to forward it to the Council for publication in the *Reporter*.

1,718 (a)  *External Auditors Management Letter.* The Committee received Note FC(05)14 with Paper FC(05)16 the Management Letter for 2003-04 prepared by the University’s external auditors, Deloitte & Touche.

(b) The Committee noted that:

(i) the Finance Division makes the management response to the letter, follows up and subsequently reports on progress to the Audit Committee;

(ii) the Audit Committee had considered the letter and had noted that there were no significant areas of concern;

(iii) the letter took into account points raised in previous letters and the auditors were satisfied that all points had been dealt with or were being progressed; and

(iv) Professor Anderson had commented before the meeting that the auditors were not recommending in all respects best practice in terms of IT access control.

(c) A member felt that the points raised and responses in the letter were satisfactory, and noted that Deloitte had commented on certain important areas of achievement. The Director of Finance would report progress on the recommendation to improve trust fund documentation at a future meeting.

(d) The Committee took note of the information provided.

1,719  *Remarks on Discussion on Financial Statements (Abstract of Accounts) for the year ended 31 July 2004.* The Committee received Note FC(05)18 with Paper FC(05)21 the Remarks made at the Discussion on 1 February 2005 on the Financial Statements for the year ended 31 July 2004.

The Committee felt that the Remarks made had been generally positive, and had no comments it wished to make for Council’s response to the Remarks.

A member asked when the 5-year strategic plan would be published. The Committee noted that 5-year plans had been received from schools and non-school institutions but the institutional plan would not be ready until the summer. The Funding Council’s proposed changes to funding arrangements had not yet been taken into account, but the HEFCE letter would be received shortly. Also discussions had not yet
been held with the Colleges regarding student numbers. It would be
unwise to make the plan more widely available until these matters had
been resolved.

BUILDINGS

1,720  
_Report of the Council on the construction of agricultural buildings for
the School of the Biological Sciences in North West Cambridge._ The Committee received Note FC(05)26 with Paper FC(05)34 the draft
Report of the Council on the construction of agricultural buildings for
the School of the Biological Sciences in North West Cambridge. The Committee agreed to:-

(i) confirm to Council that funds were available; and

(ii) approve the draft Report for onward submission to the Council.

The Committee also agreed with the suggestion of the Director of
EMBS that the site should be renamed to prevent any association with
the previous proposed development on the site.

INVESTMENTS

1,721 (a)  _Management of Cash Balances._ The Committee received _Private and Confidential_ Note FC(05)12 with Paper FC(05)14 a summary of the
arrangements for managing the University’s cash balances.

(b) The Committee noted that a paper containing broader proposals
regarding management of investments would be brought to the next
meeting. In the meantime the Director of Finance reported that the
University’s deposit pool and surplus cash had increased steadily over
recent years, and was now well in excess of £200m. £90 million was
managed by Barclays Global Investors, with the balance currently
managed in-house by the Finance Division’s Treasury Team.
Paper FC(05)14 proposed that £70m be allocated to be managed
externally by Tradition. The benefits would be enhanced professional
management of a significant asset, the opportunity to compare
performance across three managers (one internal, two external) and
removing some of the administrative burden from the Finance
Division. There would be no additional risk and Tradition and the
Finance Division would together operate to the policies set by the
Finance Committee on counterparties.

(c) The Committee also noted the following:

(i) were the proposal to be approved the cash balances would be
split into three areas:

- that managed by Barclays Global Investors, under different
  policies than Tradition and the Finance Division, and
  likely to remain untouched except for a reduction of the
  amount managed from £90m to £70m;
that managed by the Finance Division, which could be drawn upon at any time and therefore were shorter term deposits; and

that managed by Tradition, somewhere between the other two, where some liquidity may be required.

In view of the fact that these deposits were managed in different ways it was difficult to compare the relative performance of the three managers but it did provide an indication;

(ii) the University could terminate the contract with Tradition easily if it wished to change the arrangements and move the deposits which were in the University’s name;

(iii) there were two charges options – a fixed fee or a performance based fee payable in arrears. The fixed fee was recommended although there was no estimation of the cost of a performance based fee; and

(iv) that the internal Finance Division team had an important ‘front office’ function (receiving and accounting for deposits from departments etc.) and less of an asset management role;

(d) Members commented that the paper raised relative performance but did not include any figures for comparison and that it was difficult to make a decision without any details of why Tradition were selected or any figures for other potential managers for comparison. The Director of Finance responded that the performance figures for BGI and the Finance Division were in the Red Book published every quarter and that it was not a straightforward comparison. Tradition’s past performance against LIBID was shown in the paper.

The Committee endorsed the proposal (including Option 1 in relation to charges) but asked that any future papers on this matter include details of alternative managers and their performance, and more information on the cost of the charging options.

PENSIONS

1,722 (a) Cambridge University Assistants’ Contributory Pension Scheme (CUACPS). The Committee received Private and Confidential Note FC(05)22 with Paper FC905)24 the report of the Managing Committee of the CUACPS on the Interim Actuarial Valuation as at 31 July 2004.

(b) Mr. Larkum (Chairman of the CPS Managing Committee) reported and made the following points:

(i) as at 31 July 2004, one year after the triennial full valuation
that led to a major increase in employers’ and employees’ contributions, an interim valuation had been carried out;

(ii) the interim valuation showed that the Scheme had a deficit on the funding basis of £28.55m (89% funded), compared with a deficit of £17.6m (92% funded) 12 months previously;

(iii) the CPS Managing Committee had requested the employer to make further arrangements to make up the deficit;

(iv) there were two options, an increase in contribution rate or a lump sum cash injection. The CPS Managing Committee recommended that the joint contribution rate be increased by 3.2% to 25.7% (an increase in the employer’s contribution from 16.5% to 19.7%) from 1 August 2005; and

(v) the Scheme was now entering an annual valuation regime brought about by changes in Government legislation.

(c) The Committee also noted that:

(i) a 3.2% increase in contribution rate would cost around £1.5m extra pa;

(ii) the increased cost would be built into research grant applications but the University would receive no assistance in paying this additional cost for other staff;

(iii) increases such as these affect departmental accounts and give the appearance that departments are not performing well financially, through no fault of their own; and

(iv) the Pensions Commission may comment if the University were to choose not to follow the CPS Managing Committee’s recommendation.

(d) The Committee approved an increase in the joint contribution rate of 3.2% to 25.7% (an increase in the employer’s contribution from 16.5% to 19.7%) from 1 August 2005.

1,723 Report of the Managing Committee of the Assistants’ Contributory Pension Scheme for the year ended 31 July 2004. The Committee received Private and Confidential Note FC(05)15 with Paper FC(05)17 the Annual Report and Accounts of the Contributory Pension Scheme for the year ended 31 July 2004.

The Committee took note of the information provided.

PURCHASING

1,725 Purchasing Working Group. The Committee received Note FC(05)13 with Paper FC(05)15 the Unconfirmed Minutes of a meeting of the Purchasing Working Group held on 25 November 2004 and agreed to
take note of the information provided.

UNIVERSITY COMPANIES

1,726 (a) Minutes and Financial Statements. The Committee received Note FC(05)24 with the audited Accounts for the year ending 31 July 2004 of the following University Companies:-

Paper FC(05)26 Lynxvale Limited.
Paper FC(05)27 Cambridge University Technical Services Limited.
Paper FC(05)28 Cambridge Manufacturing Industry Links Limited
Paper FC(05)29 Cambridge University Environmental Projects Limited
Paper FC(05)30 Fitzwilliam Museum (Enterprises) Limited.
Paper FC(05)31 University of Cambridge Challenge Fund Limited.
Paper FC(05)32 The Challenge Fund Trading Company Limited.
Paper FC(05)33 The Cambridge-MIT Institute Limited

(b) The Director of Finance explained that these statements were received by the Committee as shareholder of the companies for the purposes of information.

A member of the Committee commented that Fitzwilliam Museum (Enterprises) Limited had negative reserves following trading losses and stock write-downs. The paper did say that steps had been taken to strengthen the business and that the closure of the Museum had had an adverse effect. However, the member felt that this did not show good forward management.

A member noted that working groups of the Finance Committee reviewed the accounts of the Press, UCLES and the Cambridge Trusts, and commented that there should be a similar process, not necessarily reporting to the Finance Committee, for review of these subsidiaries that reported back to the relevant committee.

(c) The Officers responded that the companies existed for tax and commercial reasons and that the statements were in front of the Finance Committee as it was responsible for corporate structure of the University’s activities, and was the shareholder in respect of the companies. It was not required to approve the statements but, if necessary, ask questions and therefore it served a useful purpose. The formal shareholder representation was through a nominated officer
appointed by the Committee, currently the Director of Finance, who attended board meetings whenever possible.

(d) That being the case, some members felt that the financial statements should be accompanied by a statement or report from the relevant body to which the subsidiary company related. As some of these companies were losing money, performance should be included in the review.

(e) The Committee agreed to receive the Financial Statements of each Company. In future the Committee would receive a statement with each set of accounts.

The Registrary, Academic Secretary and Director of Finance would reflect on the best way of dealing with Cambridge MIT Institute Limited.

UNIVERSITY FINANCIAL SYSTEM

1,727 (a) Financial System Management Committee. The Committee received Note FC(05)23 with Paper FC(05)25 the Unconfirmed Minutes of the meeting of the Financial System Management Committee held on 20 January 2005.

(b) The Committee noted that the upgrade to version IIi of the Oracle financial software had gone well and congratulated the Project Board on the successful implementation.

1,728 OTHER BUSINESS

(a) The external members commented that an induction would be useful to enable newly appointed external members of University committees to contribute effectively. The Vice-Chancellor explained that the new external members of Council had received an introduction and that this should be extended to include all external members of central committees. A subscription to The Reporter, where the University conducted much of its affairs, would also be useful. The Registrary would take the matter forward.

(b) Additionally, it was noted that a “financial case” presentation had been prepared for the 800th campaign. Professor Minson commented that it was still being developed, but agreed that he and Mr Thompson would make the presentation to the Finance Committee at a future meeting.

Vice-Chancellor
9 March 2005