At a Meeting of the Finance Committee held this day,

Present: The Vice-Chancellor, Professor Anderson, Mr Brown, Professor Chase, Professor Daunton, Mr Larkum, Ms Lowther, 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;

In attendance: Professor Leslie (Pro-Vice Chancellor) for Item 7; Mr Parsons for Item 9; and Mr Sykes for Item 12.

Apologies for absence were received from Dr. Nicholls.

1,614 MINUTES

The Minutes of the meeting held on 12 May 2004 were approved, after Minute 1,611 (a) had been amended to delete “when the University’s financial position allows”.

1,615 REPORT ON ACTIONS

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

REPORTED AND STRAIGHTFORWARD BUSINESS

FINANCE COMMITTEE

1,616 Sealings. The Committee received Note FC(04)65 with Paper FC(04)69 a list of sealings authorised by the Acting Treasurer under delegated authority since the previous meeting.

ACCOUNTS

1,617 2003-04 Report and Financial Statements – Year-End Timetable. The Committee received Note FC(04)70 with Paper FC(04)72 the detailed programme for the preparation of the University’s 2003-04 reports and financial statements.
TELECOMMUNICATIONS

Joint Telecommunications Management Committee. The Committee received Note FC(04)66 with Paper FC(04)68 the Unconfirmed Minutes of the meeting of the Joint Telecommunications Management Committee held on 16 April 2004 and agreed to take note of the information provided.

BUILDINGS

Minor Works Review Group. The Committee received Note FC(04)71 with Paper FC(04)73 the Unconfirmed Minutes of the meeting of the Minor Works Review Group held on 20 May 2004 and agreed to take note of the information provided.

University Security Committee. The Committee received Strictly Private and Confidential Note FC(04)72 with Paper FC(04)74 the Unconfirmed Minutes of the meeting of the University Security Committee held on 20 May 2004 and agreed to take note of the information provided.

Buildings Sub-Committee. The Committee received Private and Confidential Note FC(04)77 with Paper FC(04)83 the Unconfirmed Minutes of the meeting of the Buildings Sub-Committee held on 26 May 2004 and agreed to take note of the information provided.

INVESTMENTS

University of Cambridge Ventures Board. The Committee received Private and Confidential Note FC(04)68 with Paper FC(04)70 the Unconfirmed Minutes of the meeting of the University of Cambridge Ventures Board held on 19 May 2004 and agreed to take note of the information provided.

UNIVERSITY FINANCIAL SYSTEM

Financial System Management Committee. The Committee received Private and Confidential Note FC(04)78 with Paper FC(04)84 the Unconfirmed Minutes of the meeting of the Financial Systems Management Committee held on 18 May 2004 and agreed to take note of the information provided.

MATTERS FOR DISCUSSION AND DECISION

ACCOUNTS

Quarterly Management Accounts. The Committee received Note FC(04)67 with Paper FC(04)67 the Red Book for the period August 2003-April 2004 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 and highlighted the following points:

**Income and Expenditure Account**

i) Income was in line with expectation and the trend over the year so far;

ii) research grants and contracts income had increased 9%, however overhead recovery was lower than budgeted.

The Committee expressed concern that overhead recovery was down in both value and as a percentage ratio against direct expenditure. There were a number of reasons identified for this such as the mix of staff and equipment expenditure, proportionally more activities which do not carry overheads such as Research Council Fellowships, and low pricing applications in order to maximise grant or contract activity and to increase the chance of being awarded the grant.

The Director of Finance commented that across the sector from 2005 all Research Council grant applications would have to be on a full economic costing (FEC) basis and that Government Departments had been instructed to fund research on an FEC basis. This should improve overhead recovery. A member commented that as this was the case applications to industry should also be on the same FEC basis.

iii) staff costs continued to rise as did the headcount (2.9% increase on April 2003) and continued to cause concern;

iv) other operating costs year to date continued to be held down at 2002-3 levels, which were 10% less than the preceding year, and showed the University was able to control costs;

v) although a deficit for the year to date was £7.4m, the full year forecast deficit of £15m continued to be projected. This included the £9.5m exceptional item in relation to the Cambridge University Assistants’ Contributory Pension Scheme (CUACPS);

**Balance Sheet**

vi) Net Assets had increased 6% since 31 July 2003, helped by an improvement in investment values;

vii) Attention had been paid to debtors where the total had decreased from £116m at the end of Quarter 2 to £88m in Quarter 3;

viii) the Finance Division would undertake a more detailed analysis before year-end;
Treasury Management Report

ix) the report was straightforward, the Director of Finance commented however, that, the money managed internally had performed marginally less well as that managed by BGI since the trend to increased interest rates began. In the past the University had performed in line than BGI. The Director of Finance agreed to analyse further an apparent mismatch between the tabular and graphical representations of the figures.

(c) Members also raised the following points regarding the management accounts:

i) the accounts appeared to indicate that approximately £2m would be available for promotions and for incremental drift up scales. However in the preceding year the Allocations Report stated that £0.9m had been set aside for promotions and that this allocation was restricted and not open-ended; and

ii) the Depreciation figures were lower than the original budget resulting from the decision to capitalise the supercomputer at its net cost rather than gross cost.

1,625 (a) Restatement of 2002-03 Financial Statements with the inclusion of UCLES and Cambridge Foundation. The Committee received Note FC(04)74 with Paper FC(04)75 a summary paper of the restated 2002-03 accounts restated to be on the basis on which the 2003-04 accounts will be prepared.

(b) The Committee noted that the revised Financial Statements consolidated UCLES and the Cambridge Foundation, and took account of the new SORP and that an expanded Treasurer’s Report would be required. The Vice-Chancellor had asked the Director of Finance to draft a Treasurer’s Report that would enable the University to have an overview but also enable monitoring of each part of the enterprise. This may help make the University’s focus on its teaching and research activities more clear following inclusion/consolidation of other entities.

(c) The Registrar reported that since the last meeting the letters from Deloitte & Touche regarding consolidation had been forwarded to the Press and the Trusts. The Council had also instructed the Registrar to write to the Press Syndicate indicating that the Council was minded to include the Press’s Accounts and asking for comments. The Registrar reported that a response was expected before the Council meeting on 28 June 2004, however the Registrar did not anticipate that the Press would resist the Council’s determination.

(d) The Registrar also reported, that the officers of Gates Cambridge Trust had taken legal advice which differed from that of Deloitte & Touche and that the Gates Cambridge Trust and other Trusts had reservations about consolidation that had been expressed strongly. Discussions continued and the position should be clearer by the next
meeting of this Committee but ultimately it was a decision for the Council. The ideal outcome would be for the Trusts and the Council to go forward in agreement. The Committee noted that the Vice-Chancellor chairs the Council and the Gates Cambridge Trust and the Registrary was Secretary of the Gates Cambridge Trust.

A member commented that the Gates Cambridge Trust (not funded by the University) and the other Trusts (substantially funded by the University) may be considered differently, and that the risks associated with the Trusts were not the same as those associated with the Press and UCLES.

The Registrary agreed to update the Committee at the next meeting.

SCHOLARSHIPS AND BURSARIES

1,626 (a) **Awards for Overseas Students.** The Committee received *Private and Confidential* Note FC(04)75 with the following Papers:-

- **Paper FC(04)76** A comparative analysis of the financial statements of the Trusts.
- **Paper FC(04)77** Note on Composition Fee Income from Overseas Students and University Expenditure on Overseas Awards for the years 1981-82 to 2003-04.

The Committee noted that it had received the above Papers in advance of the annual meeting between the Finance Committee Sub-Committee and representatives of the CCT, COT, CET and Gates Cambridge Trust. The Committee agreed that the Sub-Committee should be Professor Minson, Mr Brown, Mr Larkum, Ms Lowther and the Director of Finance. The Minutes of that meeting would be brought to a later meeting.

(b) The Committee noted that a number of points (e.g. administrative costs) required close scrutiny and review by the Sub-Committee.
BUILDINGS

1,627 (a) The East Forum. Professor Leslie, Pro-Vice-Chancellor, attended for this item. The Committee received Note FC(04)69 with Paper FC(04)71 a revised version of the Second Report of the Council on a proposal for a new building at West Cambridge (the East Forum).

(b) The Committee noted that the final stage Report was contingent on the outcome of the Research Services Division review, that various other aspects required further work and a number of conditions were included. The Committee was asked to approve the draft Report for submission to the Council.

(c) A member expressed concern about external perceptions of the connection of a venture capital company which would have a long term lease in the building and a substantial donation to the project and that it may not appear to be at ‘arms length’. Professor Leslie commented that the donation had been assessed following the standard Council procedure and had been reviewed by the Executive Committee. In both cases the donation was found to be acceptable. The Gates Building and Microsoft Laboratory provide an example of how this can be made to work when best practice is followed.

(d) It was pointed out if the Report were to be delayed the building would also be delayed and that the risks of not going forward may be greater than those associated with going ahead.

(f) It was agreed to defer the decision until the outcome of the RSD review was known. It was also noted that the University was committed to providing core domestic facilities at West Cambridge, and that more of the background of the project would be useful in the Report. It was also noted that the draft Report addressed the issue on which an earlier proposal had been rejected (the financial and commercial risks).

FINANCE AND RESOURCES

1,628 (a) University Composition Fees. The Committee received Note FC(04)76 with Paper FC(04)82 the Draft Report of the Council on the arrangements for University Composition Fees from 2006-07.

(b) The Committee noted that the primary purpose of the Report was to propose charging a higher level of fees, subject to the Bill passing through Parliament.

The Committee had a number of detailed concerns regarding the text of the Report. The detailed comments would be forwarded to the author for re-drafting.
PENSIONS

(a) Cambridge University Assistants’ Contributory Pension Scheme (CUACPS). Mr. David Parsons, the University’s solicitor, attended for this item. The Committee received Private and Confidential Note FC(04)80 with the following Papers:-

Paper FC(04)86 Pensions Bill 2004. Requirements for member nominated trustees and directors.

Paper FC(04)87 Eligibility for membership of the Universities Superannuation Scheme (USS) and Rule 43 of the Rules of the CPS.

(b) The Committee recalled that at its meeting in March it had considered a number of anomalies and concerns and the possible impact of the Pensions Bill 2004 on the structure and operation of the Managing Committee, and eligibility of members, of the CUACPS (Minute 1,578).

(c) The Committee noted that the paper only covered general issues at this point, detailed matters would be best examined after publication of a pensions code of practice, due to be released following enactment of the Bill sometime around November 2004. One of the changes resulting from the new Bill would be that at least one-third of the Trustees were required to be member nominated, previously there was an opt-out but this would no longer be available. The CUACPS currently had 5 out of 11 Trustees nominated by its members or their representative union. It was also noted that the University being both Trustee and the employer was causing confusion and this was no longer considered best practice.

(d) Going forward there were two options –individuals appointed as trustees or a separate trustee company could be created. The Committee felt that the separate company arrangement would be preferable, however its ownership would need to be resolved (shares owned by its members and the University or a company limited by guarantee). Other points related to the performance of the trustees and how they might be removed should be addressed.

UNIVERSITY COMPANIES

(a) Cambridge MIT Institute Limited – Letter of Comfort. The Committee received Note FC(04)81 and Annex. The Director of Finance reported that almost half of CMI’s expenditure was in US$ (through MIT) and that final commitments were being put in place as CMI came toward the end of its term. As these commitments were put in place CMI wished to enter into fixed currency contracts to buy US$ at certain rates of exchange. The University’s bankers (Barclays) were able to put the contracts in place but were unwilling to do so on the basis of CMI’s balance sheet (which had zero net assets) and had asked the University to provide a “letter of comfort” to indicate that it would stand by its associated company.
The Committee approved the letter of comfort subject to:

- approval by the DTI that CMI may enter into the contracts;
- confirmation that MIT was aware of the forward contracts and the proposed letter;
- further legal refinement of the letter and resolution of any other legal matters to the Registrary’s satisfaction;
- CMI agreeing to indemnify the University in respect of any payment made under the letter; and
- the final amount of the University’s exposure being no more that £3m.

UNIVERSITY INSTITUTIONS

1,631 (a) University Farm. With reference to Minute 1,590 the Committee received Private and Confidential Note FC(04)79 and Annex with Paper FC(04)85 the present Ordinance for the University Farm.

(b) The Committee noted the recommendations within the paper, namely:

- that the Farm Director should submit a detailed annual report to the Finance Committee;
- due to the strategic location of the Farm and its relationship with the Veterinary School that the Planning and Resources Committee (PRC) should appoint a member to the Farm Management Committee in addition to those appointed by the General Board and the Finance Committee; and
- that the Farm Director would report to the Registrary rather than the Treasurer as previously.

The Committee received the paper and noted that a large debate on the future use of the Farm and its relation with the Veterinary School was required.