Minutes of the meeting held on Wednesday 17 November 2010.

Present: The Vice-Chancellor in the Chair, Mr Chote, Dr Clark, Professor Dissanaike, Mr Downer, Mr Du Quesnay, Professor Gamble, Mr Johnston, Professor Lizieri, Ms Lowther, Mr Summers and Professor Young with the Administrative Secretary as Secretary, the Registrary, the Academic Secretary, the Director of Finance, the Director of Estate Management and Dr Allen.

Apologies: Ms Coutu

The Vice-Chancellor welcomed Professor Colin Lizieri to his first meeting of the Committee and congratulated Mr Robert Chote, in person, on his appointment as the Chair of the Office for Budget Responsibility.

PART A: INTRODUCTORY

11. Procedure of the Committee – Declaration of Interest

Dr Clark, as a member of the Cambridge University Executive Committee of UCU, declared an interest in matters relating to academic employment and pay. Otherwise, no personal or prejudicial interests were declared.

12. Minutes

The Minutes of the meeting held on 6 October 2010 were approved.

13. Straightforward and reported business: agenda items starred as straightforward

A paper listing straightforward and reported business was received.

The Committee approved matters for decision contained in the confirmed list of straightforward or reported business, and received the other material.

14. Future business and work plan

An updated work plan for 2010-11 was received as Paper FC(10)115.
PART B: SUBSTANTIVE BUSINESS

15. Financial Statements

Mr. Brown, Chairman of the Audit Committee, Mr. John Minards, Mr. Simon Ormiston and Mr. Stephen Wyborn from PricewaterhouseCoopers, the University’s External Auditors and Mr. Paul Light, Head of Reporting (Finance Division) were present. The following Papers were received:

Paper FC(10)116 Draft financial statements for 2009-10 for the University group (“Big U”) together with the following supporting information: Summary of consolidation and segmental analysis and updated version of slides presented to the Business Sub-Committee. Management Representation letter marked up for source of Council’s Assurance.

Paper FC(10)117 PricewaterhouseCoopers (PwC) Management Letter on the 2009-10 external audit.

It was noted that the report and financial statements had been reviewed in detail by the Business Sub-Committee at its meeting on 3 November 2010. The circulated documentation would be considered by the Audit Committee at its meeting on 18 November 2010. The Council would be invited to consider the opinion of the Finance and Audit Committees and to approve the Financial Statements and the Management Letter at its meeting on 22 November 2010.

The Director of Finance drew the Committee’s attention to two significant accounting matters:

(i) Cambridge Assessment had, at the request of Pricewaterhouse Coopers, reviewed the arrangements for recognising income when a qualification was module rather than examination based. Previously, the income had been recognised at the point of receipt; it would now be deferred into subsequent periods for modules which the candidate had not yet taken. This resulted in a prior year adjustment of £18.8m for Cambridge Assessment and, therefore, for the University Group. There would be a note explaining this change in the financial statements.

The Committee approved the proposed change to the relevant paragraph in the accounting policy for income recognition (p18).

(ii) As in 2008-9, income from CUEF income had been brought into the endowment and investment income as the income (dividends/interest/rents) from its underlying investments and not as the distribution from CUEF. There was, again, a note on the Income and Expenditure
summary page which explained the treatment and gave corresponding figures based on a 'distribution' basis.

The Committee noted that this method of presenting CUEF income in the accounts was required by the HE SORP but did not represent the way in which the University actually managed its business and (notwithstanding the explanatory note) may be a less transparent representation of the University's financial position. The Auditors agreed, however, that it was, indeed, the correct application of the HE SORP and was consistent with the requirements on all HEIs most of which, however, had very different investment situations. The paragraphs about accounting for endowment and investment income in the Financial Review would be reviewed, perhaps to include information about the capital gains on investments.

The Director of Finance pointed out that there was a new requirement on the University, as an exempt charity subject to regulation by the HEFCE under the Charities Act 2006, to report annually on the ways in which it delivered charitable purposes for the public benefit. A public benefit statement therefore, for the first time, formed part of the Reports.

The financial statements indicated that there had been a modest (5%) increase in income to £1.19 billion. The deficit on continuing operations as reported in the Income and Expenditure statement was £(1)m. However, an accounting surplus of £20m would be retained within general reserves following a transfer from endowments. Cambridge Assessment showed an operating surplus of over £40m and £15m had been transferred to the University. CUP showed a modest surplus. There had been capital inflows of £48m from investments and £68m from capital grants. There had been a good growth in the market value of investments and in net assets. However, the deficit (FRS17) on the CPS and CUP schemes was now approaching £300m and continued to rise. There was some increase in student fee income which now represented a slightly greater element in the overall revenue mix.

On the matter of the growing deficit on the CPS scheme, it was noted that the Committee, at its meeting on 6 January 2010, had agreed principles for the future operation of CPS and had invited its Pensions Working Group to progress discussions. A Special Joint Negotiating Committee had been established and proposals would be brought forward for consideration as part of the formal 60 day consultation process.

Mr Minards noted that it was the first year in which PricewaterhouseCoopers had been responsible for the auditing of the University as a whole, including CUP. It was a credit to the Director of Finance and his team and to the accounts teams at Cambridge Assessment and CUP that the year-end closing process had been accomplished smoothly. He indicated that he confidently expected that, subject to approval by Council, the external auditors would be able to sign an unqualified audit opinion.
The Committee confirmed that it would be appropriate for Mr Brown to report to the Audit Committee on 18 November 2010 that the Finance Committee recommended adoption of the Reports and Financial Statements.

The auditors, Mr Brown and Mr Light left the meeting.

The Committee then agreed:
(i) to recommend to the Council that the University group Reports and Financial Statements for 2009-10 be approved and submitted to the Higher Education Funding Council;
(ii) to recommend to the Council that the Management Representation letter be approved.

**Action:** Director of Finance

16. **Accounts**

The Committee received (as Paper FC(10)120) the proposed Income and Expenditure Budget for the year ending 31 July 2011 for ‘Little U’, for the purpose of the management accounts (“Red Book”) report.

**Action:** Director of Finance

17. **HEFCE**

**HEFCE Financial forecasts**

The financial forecast for 2010-11, with historical comparisons, for the University group (“Big U”) were received as Paper FC(10)118 and approved for submission to HEFCE. It was noted that, on this occasion and in response to representations from the sector, HEFCE had asked for only one year’s financial projections.

18. **Cambridge Enterprise**

A preliminary report (Paper FC(10)119) from the Committee established to undertake a Review of Cambridge Enterprise was received and approved.
19. **North West Cambridge**

The Registrary reported that a Notice had been published in the Reporter setting out the Council’s response to the submissions to the consultation and to the comments made in Discussion. That Notice had indicated that the Council would bring forward formal proposals concerning the planning application and governance arrangements for the project once the implications of the Government’s decision to cancel the A14 upgrade project were clear. Recent discussions with the Highways Agency had been positive. Notwithstanding the cancellation of the A14 upgrade, it seemed likely that the North West Cambridge project could still be submitted successfully for planning permission since it is impact on the strategic road network would be minimal, given the nature of the developments proposed. It would, however, be necessary substantively to revise elements of the planning application in the context of the new traffic model. This would, inevitably, delay the submission of the planning application possibly until June or July 2011 and would incur additional costs about which a separate submission would be made in due course. It was, nevertheless hoped that detailed planning consent could be achieved by the end of 2011.

A detailed progress report and revised financial appraisal would be brought back to the Committee at its meeting on 5 January 2011.

Vice-Chancellor
5 January 2011
1. Finance Committee Business Sub-Committee
   Minutes of the meeting held on 3 November 2010.
   Noted.

2. Purchasing
   EU Public Procurement
   The Committee confirmed that the University remained less than
   50% publicly funded and could continue to declare itself outside the
   scope of the EU Regulations.

3. Cambridge University Press
   Annual Report and Accounts for the year ended 30 April 2010
   attached. The Finance Committee Working Group would meet with
   representatives from the Press on 17 November 2010. Noted

4. Accounts
   Fitzwilliam Museum
   A summary statement of Accounts for the year to 31 July 2010 was
   received.
   Received under Ordinances, Regulation 4(d) of Chapter X,
   Institutions under the supervision of the Council, and noted.

5. Sealings
   Noted.