At a Meeting of the Finance Committee held this day,

Present: The Vice-Chancellor, Professor Grant, Dr Anderson, Professor Chase, Professor Daunton, Dr Good, Mr Larkum, 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, the Academic Secretary and Mr Troupe;

Apologies for absence were received from Mr Brown and Ms Lowther.

1,423 MINUTES

The Minutes of the meeting held on 30 April 2003 were approved.

MATTERS ARISING

UNIVERSITY FINANCE

1,424 Budget 2003-04.
(Minutes 1,418 and 1,421)

Mr Larkum and Dr Anderson expressed concern that the Budget for 2003-04 and projections for future years did not take account of the rising costs of the Assistant Staff Pension Scheme. The current contribution rate of 1% each by both the employer and employee was unsustainable and the budget projections should take account of this. If it was not possible to determine the increase in contributions required at this stage a provision should be made. The Treasurer indicated that an increase in contributions was likely in 2004-05, on the basis of an actuarial assessment as at 31 July 2003, the results of which would be available in the Michaelmas Term. A sensitivity analysis would be included. In the meantime, references to the likely funding gap had been inserted into the draft Allocations Report. If a contingency were to be built into the budget going forward, it would add around £4m to bottom-line costs, requiring savings elsewhere. The Director of Finance had already been asked to prepare a report (Minute 1,418(d)) on the way forward. The Committee made no formal recommendation but agreed to consider this report at an early meeting.

Action

Director of Finance
ACCOUNTS

1,425 College Accounts.
(Minutes 1,393 (d) and 1,399)

(a) The Committee recalled that all but two Colleges had made a positive commitment to adopt the new model of accounts (RCAA). The Vice-Chancellor and Professor Grant had been invited by the Council to consult with the Heads of the two Colleges concerned. In both cases, an alternative SORP seemed to be preferred (one being a charity model and the other the Anglican Cathedral model). Both Colleges considered the risk of reputational damage to the University if they adapted these models to be minimal, as the new arrangements would be more transparent than the existing ones.

(b) The Senior Bursar of Trinity College had recently written to Professor Grant suggesting a period of parallel running.

(c) It was agreed that Professor Grant should consult Mr Larkum as Chairman of the College Accounts Working Party about the proposals in the letter. It was also confirmed that the original proposal should be referred to the Council without any alteration.

1,426 REPORT ON ACTIONS

The Treasurer reported on action taken following decisions at the last meeting.

REPORTED AND STRAIGHTFORWARD BUSINESS

FINANCE COMMITTEE

1,427 Sealings. The Committee received Note FC(03)80 with Paper FC(03)111 a list of sealings authorised by the Treasurer under delegated authority since the previous meeting.

ACCOUNTS

1,428 Quarterly Management Accounts. The Committee received Note FC(03)78 and noted that the timetable for production of the Quarterly Management Accounts (“Red Books”) was such that the Red Book for Quarter 3 would be distributed to Finance Committee members in the week commencing 9 June 2003.

BUILDINGS

1,429 Minor Works Review Group. The Committee received Note FC(03)77 with Papers FC(03)110 and 121, the Unconfirmed Minutes of the meetings of the Minor Works Review Group held on 26 March and 29 April 2003.
INVESTMENTS

1,430 **Investments Sub-Committee.** The Committee received *Private and Confidential* Note FC(03)71 with Paper FC(03)101 the Cambridge Amalgamated Fund Annual Review for the year ended 31 July 2002.

UNIVERSITY COMPANIES

1,432 **Cambridge University Technical Services Limited.** The Committee received Note FC(03)74 with the following Papers:

- Paper FC(03)107 Unconfirmed Minutes of the meeting of the Board of Directors of the Company held on 11 March 2003.

1,433 **Lynxvale Limited.** The Committee received Note FC(03)82 with the following Papers:

- Paper FC(03)122 Unconfirmed Minutes of the meeting of the Board of Directors of the Company held on 22 April 2003.
- Paper FC(03)123 Half-Year Accounts for the period ending 31 January 2003.

1,434 **Cambridge University Environmental Projects Limited.** The Committee received Note FC(03)83 with Paper FC(03)124 the Unconfirmed Minutes of the meeting of the Board of Directors of the Company held on 28 April 2003.

MATTERS FOR DISCUSSION AND DECISION

ACCOUNTS

1,435 **University Centre.** Mr. Walston, General Manager of the University Centre, attended for this business.

(a) The Committee received Note FC(03)84 with Paper FC(03)125 and Annex, a report from the General Manager of the University Centre.

(b) The Committee recalled that it had suggested that the University Centre be managed as a business. The Centre’s figures for 2002-03 showed a budgeted operating loss of £72k and capital expenditure of £122k, compared with an operating loss of £266k and capital expenditure of £79k in 2001-02. The current forecast predicted that the University Centre would achieve the 2002-03 budget. This improvement was due to various measures; an operating surplus of £10-15k was predicted in three years time.
(c) Despite the improved operating performance, the University Centre would still not be able to fund a capital programme without financial support. The paper set out a range of options intended to increase income by around £100k a year, including ‘top slicing’ whereby approved external caterers operating in the University would be charged by the University. The Committee noted that ‘top slicing’ was essentially an operating license based on turnover and agreed that a paper detailing how this might work in practice was required.

(d) The Committee believed that the Centre should be set challenging targets, including a return to break-even as soon as possible.

(e) Many complex and difficult issues arose and some hard choices might need to be taken, for example to close loss-making entities such as the Riverside Restaurant.

(f) The Committee agreed that further work on the available options, including details of the implications of top-slicing, should be undertaken and for a business plan to be prepared. In the meantime the University Centre should aim at least to achieve the financial targets set out in the budget for 2002-03.

CATERING

1,436

University Combination Room. Mr. Walston, University Catering Adviser and Acting Chairman of the Committee of Management, attended for this business.

(a) The Committee received Note FC(03)85 with Paper FC(03)126 a report prepared by Mr. Walston.

(b) The Combination Room had been established in 1950 (before the creation of the University Centre) to provide for the members of the Regent House not catered for in Colleges or otherwise. It had been trading in deficit for a number of years, for a variety of reasons. There were also in the building tea-room facilities for Old Schools Staff.

(c) The paper suggested the merging of the Combination Room and Old Schools staff room/tea-room catering operations, closing the tea-room, opening the Combination Room to all staff, with the University Centre taking over day to day running of the combined operation. Funds should be made available for some refurbishment. The Old Schools Facilities Manager would take over management of the Room itself.

(d) The Committee noted that the purpose of the Combination Room was not the same as that of the Old Schools staff room. The Combination Room was a major historic reception room and also served as a common room. Any significant change of use would require serious consideration and Council and possibly Regent House approval.

(e) The Committee agreed that Mr. Walston, assisted by the Director of Finance, should prepare a more detailed paper.
1,437 (a) Buildings Sub-Committee. The Committee received Private and Confidential Note FC(03)81 with the following Papers:-

Paper FC(03)112 Unconfirmed Minutes of a meeting of the Buildings Sub-Committee held on 7 May 2003.

Paper FC(03)113 Department of Plant Sciences – New Plant Growth Facilities and Herbarium Building.


Paper FC(03)115 University Library – Stage III, Phase 5 – West Bookstacks Upper Floors


Paper FC(03)117 Cambridge Diabetic Centre, Addenbrooke’s Hospital


Paper FC(03)119 Car Parking on University Sites.

Paper FC(03)120 Draft Second Report of the Council on accommodation for the Leverhulme Centre for Human Evolutionary Studies within the Department of Biological Anthropology.

Dr. Nicholls as Chair of the Buildings Sub-Committee introduced the papers and commented that there were no particular points in the papers he wished to draw to the Committee’s attention and that the approvals therein were straightforward.

Professor Grant informed the Committee that details of the cost of the proposed new building for the Department of Land Economy were now out of date.

(b) Department of Plant Sciences – New Plant Growth Facilities and Herbarium Building. (BSC Minute 03.40 and
Papers FC(03)113 and 114)

The Committee agreed to recommend in due course to Council that an amended Report be submitted to the Regent House along the lines of Paper FC(03)114, amended so that it was in the form of a first stage report only.

A later more detailed report should be made in due course seeking second stage approval, to include more detailed information on running costs and details taken from a detailed business plan prepared by the Department of Plant Sciences.

(c) University Library – Stage III, Phase 5 – West Bookstacks Upper Floors (BSC Minute 03.41 and Papers FC(03)115 and 116)

The Committee agreed:-

(i) that the Warrant be raised by £550k (subject to the approval by PRC that the consultants be instructed to proceed to undertake RIBA Stages D-K at a fee of £550k including VAT); and

(ii) to recommend to Council that a Report be submitted to the Regent House along the lines of FC(03)116.

(d) Cambridge Diabetic Centre, Addenbrooke’s Hospital (BSC Minute 03.44 and Papers FC(03)117 and 118)

(i) This project was a PFI Scheme undertaken by Addenbrooke’s NHS Trust, the University contribution being within a total of £15m (£14m already pledged and the remaining £1m being addressed by the Development Office and the Clinical School). The scheme would yield 4,000 m² gross floor space for sole University use and a proportion of space shared with the Trust. Under the terms of the PFI Scheme the space would revert to the University after 30 years when the concession to the PFI partner expired. The service charge for the space (predicted to be around £600k per year) had not yet been taken into account and it was currently assumed that the Clinical School would cover it.

(ii) The Committee recommended that a Report be submitted to the Regent House seeking approval in principle for the project, and agreed to consider the matter further in due course

(iii) The Director of Finance was asked to prepare a paper about the PFI.

(e) Car Parking on University Sites. (BSC Minute 03.48 and Paper FC(03)119)
(i) The Committee agreed to approve the proposals relating to the provision, use and policy issues relating to University Car Parking as set out in Annexes A and B of Paper FC(03)119.

(ii) Dr Anderson suggested that it was not necessary to apply the same general parking standards, namely two spaces for every five members of staff, at sites such as West Cambridge where supply currently outstripped demand. The Director of Estate Management pointed out that, although enforcement was not necessary at this point at the West Cambridge Site as there was plenty of space, future demand would increase and control would then be required. Parking standards were determined by the planning authorities in the light of national guidance, and were binding on the University. They had been set out five years ago.

(f) Leverhulme Centre for Human Evolutionary Studies within the Department of Biological Anthropology.

The Committee recalled that by Minute 1,256(b)(iv) of its meeting on 24 April 2002 it had approved the recommendations of the Buildings Sub-Committee with respect to the Department of Biological Anthropology – Leverhulme Centre for Human Evolutionary Studies and agreed to recommend to Council that a Report be submitted to the Regent House along the lines of FC(03)120.

TELECOMMUNICATIONS

1,438 (a) Joint Telecommunications Management Committee. The Vice-Chancellor declared an interest as a director of Vodafone. The Committee received Note FC(03)72 with the following Papers:-

- Unconfirmed Minutes of the meetings of the Joint Telecommunications Management Committee (JTMC) held on 27 January and 20 March 2003.
- Extract from JTMC paper on System Replacement.
- Annual Accounts of the Telecommunications Office for 2000-01

(b) Professor Chase, who had recently joined the Joint Telecommunications Management Committee, expressed concerns about the procurement route for the replacement telecommunications system. The initial stage in the procurement was an invitation to tender for consultancy services to determine the system required. Professor Chase questioned whether this was necessary and suggested a standard competitive tendering route. The Treasurer stated that this route had been chosen to maintain control and to determine properly the type of system needed. Assessment of changing patterns of use and
whether a wireless system or otherwise was necessary.

(c) The Committee agreed to review a further report in due course from the Joint Committee.

INSURANCE

1,439 Estimates for Insurance. The Director of Finance reported that insurance premiums for 2003-04 were expected to increase by a further 10% after doubling in 2002-03. The level of detail required by the insurers has increased four fold in recent years, diverting administrative time from other tasks. The increase in premiums will add to the University’s bottom-line costs.

PROCEDURES

1,440 Fraud Response Procedures. The Committee received and approved Note FC(03)76 with Paper FC(03)109 Draft Fraud Response Procedures.

PURCHASING

1,441 (a) Public Procurement. The Committee received Note FC(03)79 and recalled that at its meeting on 12 February 2003 it had received a paper on Public Procurement prepared by the Registrary (Minute 1,379). Dr. Turner introduced the matter.

(b) The report from the Registrary indicated that the Council had previously reported to the Regent House (Reporter, 18 December 2002) that ‘it is clear that the Council would be able to declare that the University was outside the scope of the Public Procurement Regulations’.

(c) The Finance Committee had subsequently asked the Purchasing Working Group (PWG) to provide further detailed advice. The PWG had recommended that:

(i) calculations be undertaken to confirm that the University was in a position to make such a declaration; and

(ii) if so, the University, through the Council, should declare that it is outside the scope of the Public Procurement Regulations on a one-year trial basis.

When the University’s own independent good practice procurement procedures resembled those in the Public Procurement Regulations they shall not be described as “compliant” with those Regulations, so as to avoid the implication that the University was subject to the Regulations.

(d) The Committee endorsed the approach recommended by the PWG.

(b) The Committee noted that the accounts were in a particular form because of DTI funding and arrangements with the two universities.

(c) The Institute owed the University and MIT significant sums at the year-end. The Director of Finance explained that this was due to the general system of invoicing in arrears each quarter. Measures to reduce the length of time before invoicing occurred were being taken.

1,443 (a) *Concept Paper – Borrowings*. The Committee received Note FC(03)67 with Paper FC(03)96, Concept Paper – Borrowings, prepared by the Director of Finance.

(b) The Committee agreed to consider this item at the next meeting. Dr Anderson had expressed reservations about the proposal earlier in the meeting.

Vice-Chancellor
9 July 2003

Treasurer
(for agenda)