A meeting of the Finance Committee was held on 30 April 2003 in the Council Room, The Old Schools.

Present: The Vice-Chancellor, Professor Grant, Dr Anderson, Mr Brown, Professor Chase, Professor Daunton, Mr Larkum (in the Chair for Minute 1,421), 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, the Academic Secretary, and Mr Troupe.

Apologies for absence were received from Dr Good.

1,399 MINUTES

The Minutes of the meeting held on 12 March 2003 were approved, after Minute 1,393(d), about College Accounts, had been amended to indicate that the Committee had invited the Vice-Chancellor and Professor Grant to consult the Heads of both Colleges about the matter.

1,400 REPORT ON ACTIONS

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

REPORTED AND STRAIGHTFORWARD BUSINESS

MATTERS ARISING

BUILDINGS

1,401 Land Economy – New Building. The Committee received Note FC(03)58 with Paper FC(03)81 the Draft Notice on the Construction of a new building for the Department of Land Economy on the Sidgwick Site. This had been prepared to comply with the Council’s new two-stage reporting procedures. The Committee agreed that a revised draft Notice should be prepared in due course for submission to the Committee and the Council.

FINANCE COMMITTEE

1,402 Sealings. The Committee received Note FC(03)59 with Paper FC(03)82 a list of sealings authorised by the Treasurer under delegated authority since the previous meeting.

1,403 Uncompleted Business. The Committee received Note FC(03)65 with Paper FC(03)95 a list of Uncompleted Business and agreed to take note of the information provided.

ACCOUNTS

1,404 Annual Report of the University Theatre Syndicate and of The Executive Committee for the Theatre. The Committee received Note FC(03)51 with Papers FC(03)66 and 67 the Annual Report of the University Theatre Syndicate and of the Executive Committee for the ADC Theatre for the years
2000-01 and 2001-02. The Committee agreed to receive the Annual Reports, noting that CAPSA problems had engendered serious difficulties in respect of the accounts for 2000-01, but that these had now been resolved.

HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND

1,405 Mid-Year Financial Return. The Committee received Note FC(03)54 with Paper FC(03)71 the mid-year Financial Return submitted to HEFCE on 21 March 2003 and took note of the information provided.

UNIVERSITIES UK

1,406 Higher Education Pay and Prices Index (HEPPI). The Committee received Note FC(03)56 with Paper FC(03)80 the Higher Education Pay and Prices Index (HEPPI) for 1 January 2003.

PENSIONS

1,407 (a) Twenty-Seventh, Twenty-Eighth and Twenty-Ninth Deeds of Amendment of the current rules of USS. The Committee received Private and Confidential Note FC(03)63 with the following Papers:-

Paper FC(03)90 Twenty-Seventh Deed of Amendment of the current rules of USS, executed on 1 November 2002, together with a letter dated 9 April 2003 from the Pensions Manager of USS Ltd., and explanatory note to the twenty seventh Deed of Amendment.

Paper FC(03)91 Twenty-Eighth Deed of Amendment of the current rules of USS, executed on 21 February 2003, together with a letter dated 9 April 2003 from the Pensions Manager of USS Ltd., and explanatory note to the twenty eighth Deed of Amendment.

Paper FC(03)92 Twenty-Ninth Deed of Amendment of the current rules of USS, executed on 22 February 2003, together with a letter dated 9 April 2003 from the Pensions Manager of USS Ltd., and explanatory note to the twenty ninth Deed of Amendment.

(b) The Committee noted that the Twenty-Seventh Deed of Amendment introduced two new rules to allow the trustee company to waive the restriction on pensioning a variable time post in respect of an employee who had another post at the same USS institution (Rule 4.2A) and laid down the method of calculating service credits for members who held both fixed time and variable time appointments concurrently (Rule 4.2B). These amendments had been introduced on a temporary basis for one year from 1 November 2002 and would be superseded in due course by further rule amendments which were presently under consideration.

(c) The Twenty-Eighth Deed of Amendment dealt with necessary amendments to the 1974 and 1991 rules of USS, as amended, and which continued to apply to members who had retired, left pensionable service or died prior to 29
January 1991 or after that date but before 7 February 1994 when the current rules of USS were introduced. These amendments permitted the payment of a dependant’s pensions under certain circumstances where this may not have been payable previously or where a reduction may have been applied. The Deed also clarified a number of definitions with respect to dependant’s and eligible children.

(d) The Twenty-Ninth Deed of Amendment enabled the trustee company to be satisfied that it could respond appropriately to any future tribunal or court decision under which it may be required to make compensatory grant of past benefits, or where an institution and an applicant agree to compromise any such claim on that basis.

(e) The Committee noted that the amendments:

- had been approved by the Joint Negotiating Committee and the Funding Councils in accordance with USS Rule 12.5; and
- did not constitute material alterations to any item of basic scheme information, therefore no formal disclosure to the membership of USS was required.

1,408 **Supplementation of Pensions.** The Committee received Note FC(03)64 with the following Papers:

- Paper FC(03)93 A letter dated 2 April 2003 from Universities UK notifying a further increase in pensions in payment with effect from 7 April 2003.

(b) The Committee agreed to take note of the information provided and to recommend to the Council that a Notice, as set out in Paper FC(03)94, should be published.

**PURCHASING**

1,409 **Purchasing Working Group.** The Committee recorded that at an earlier meeting it had agreed to seek the views of the Purchasing Working Group about public procurement matters (and, in particular, the matters referred to in Minute 1,379). The Committee received Note FC(03)50 with Paper FC(03)65 the Unconfirmed Minutes of a meeting of the Purchasing working Group held on 8 January 2003 and agreed to take note of the information provided.

**UNIVERSITY REPORTER**

1,410 (a) **Proposed Price Increase.** With reference to Minute 138 the Committee received Note FC(03)57 and recalled that under procedures introduced in 1995 it makes a recommendation for the selling price of the *Reporter* which appears in the Committee’s Minutes and goes to Council for their approval.
(b) Since 1984 it had been customary to increase the price of the Reporter each year to take account of rising costs. It was anticipated that the general costs of production and distribution would rise by approximately the rate of R.P.I. in 2003-2004.

(c) The proposed rates for 2003-2004, as shown in the final column of the table below, represented changes ranging from 0.8% to 5.7%.

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(d) The Committee agreed to approve the proposed increases in the price of the Reporter shown in the final column of the table above and to recommend the Council to accept these proposals.

MATTERS FOR DISCUSSION AND DECISION

ACCOUNTS

1,411 (a) Consolidation. With reference to Minutes 1,348(b) and 1,363 the Committee received Note FC(03)52 with Paper FC(03)68 the Minutes of a meeting of the Technical Working Group (TWG) held on 21 March 2003.

(b) The Committee recalled that the TWG had been established to investigate the basis of preparation of the consolidated financial statements of the University. The Working Group had recommended that the following entities should be included in the University’s consolidated financial statements for 2003-04:

- UCLES
- All subsidiary companies
- The Cambridge Foundation
- The Scholarship Trusts (Gates Cambridge Trust, Cambridge Commonwealth Trust, Cambridge Overseas Trust and
Cambridge European Trust
All joint ventures and qualifying relevant collaborations
Other equity investments (the accounting treatment to depend
on the characteristics of the holding)

The Working Group further recommended that in compliance with Statute F.1.1(d), Cambridge University Press should not be included.

(c) The Committee noted that if consolidation as proposed above were achieved, a significant step would have been taken towards the preparation of accounts which could be certified as true and fair. However, the auditors currently expected not to be in a position to give such an opinion unless and until the accounts of CUP were also consolidated. At present, Statute F.1.1(d), prevented this.

(d) The Committee agreed to submit the matter to the University Council, with the recommendation that consolidation as set out in paragraph (b) above should proceed.

(e) The Committee further agreed to invite the University Council to consider initiating discussions with the Press Syndicate about the possibility of in due course amending University Statutes to permit inclusion of the Press in the University’s consolidated accounts.

SCHOLARSHIPS AND BURSARIES

1,412 (a) Awards for Overseas Students. The Committee received Private and Confidential Note FC(03)60 with the following Papers:-

Paper FC(03)83 Note on Composition Fee Income from Overseas Students and University Expenditure on Overseas Awards for the years 1981-82 to 2002-03.


Paper FC(03)87 A letter dated 15 April 2003 from the Treasurer of the various Trusts, Dr S Fleet.

(b) The Committee recalled that at its meeting on 10 July 2002, it appointed a sub-committee to discuss with representatives of the Trustees of the Cambridge Commonwealth Trust, the Cambridge Overseas Trust, the Cambridge European Trust and the Gates Cambridge Trust the Trusts’ accounts and associated issues (Finance Committee Minute 1,288). The sub-committee had met with representatives of the Gates Cambridge Trust on 25 November 2002.
The meeting with the representatives of the other Trusts had not yet taken place as the Executive Trustees wished to agree Terms of Reference before meeting with the sub-committee (Minute 1,368 of the Finance Committee dated 12 February 2003 refers).

(c) The Committee agreed:–

(i) to receive the papers; and

(ii) the proposed purpose of the meeting as set out in Dr. Fleet’s letter (Paper FC(03)87).

(d) The Committee further agreed to suggest that discussions with the Gates Cambridge Trust should be aligned with the meeting about the other Trusts. The Registrary, as Secretary of the Gates Cambridge Trust informed the Committee that the Trust hoped in future to present accounts significantly earlier than had been in the case in the first two years.

1,413 BUILDINGS

(a) Buildings Sub-Committee. The Committee received Private and Confidential Note FC(03)55 with the following Papers:–

Paper FC(03)72 Unconfirmed Minutes of a meeting of the Buildings Sub-Committee held on 5 March 2003.

Papers FC(03)73, 74 and 75 East Forum and Plaza (Paper FC(03)73). Minute 414 of a meeting of the Planning and Resources Committee held on 19 March 2003 (Paper FC(03)74). Draft Report of the Council on the construction of the East forum building at West Cambridge (Paper FC(03)75).

Paper FC(03)76 University of Cambridge/Hutchison/CR-UK – Multi-Storey Car Park, Addenbrooke’s Hospital: Budget Reduction.

Paper FC(03)77 Fenner’s: Proposed Cricket School and Improvements to the Pavilion.

Paper FC(03)78 Wellcome/CR-UK Institute, Tennis Court Road: Relocation and Upgrading.

A subsequent Report on the Adjudication is attached for information. Funding issues will need to be considered by the PRC.

Paper FC(03)79 Projects Completed Report.
Dr. Nicholls as Chair of the Buildings Sub-Committee introduced the Papers.

(b) East Forum and Plaza (BSC Minute 03.21 and Papers FC(03)73, 74 and 75)

(i) The Committee noted that no further expenditure may be incurred on this project until approval in principle has been obtained by Grace of the Regent House. Recommendation (b) (BSC Minute 03.21, Paper FC(03)72) is subject to such approval.

(ii) In the course of a long discussion, the Committee noted that the East Forum represented a major general contribution to the University’s development in West Cambridge, and was of importance to the other University departments working on or moving to the site. Reference was made to the proposed work of Cambridge Enterprise, which exists to help University of Cambridge inventors, innovators and entrepreneurs make their ideas and concepts more commercially successful. It was suggested that aspects of this might prove controversial in the Regent House. It was desirable that a University view should be established through Discussion in the Regent House. The main question before the Finance Committee was not, however, whether the proposed purposes for which accommodation was being constructed was satisfactory, that being a policy matter for the Council, but whether the financial arrangements were sound. The scheme as presented included a significant University contribution, with the prospect of a return of capital and interest over 30 years from rental income. This was a long period. The income could not be regarded as entirely secure, given the nature of the likely lettings. However, if the accommodation proved unsuccessful for that purpose, it would be possible to allocate it for other University purposes, thereby releasing accommodation elsewhere or permitting new developments. A single donor has promised £8m toward the cost of this building, on the understanding that a pro rata proportion of the space (almost 40%) be used in a way consistent with his wishes. There is not yet a full business plan for the building, and the financial analysis has not yet demonstrated the commercial viability of the project.

(iii) The Committee agreed by a majority, Dr Anderson and Professor Chase dissenting that:

(a) The budget be set at £21.51M, to include building costs and preliminaries, external works, contingency and client reserve, furniture, fittings and equipment, VAT, inflation at 6%, reduced infrastructure levy and abortive fees; and

(b) subject to approval in principle having been indicated by Grace of the Regent House, a Warrant be raised for
design fees of £730k, inclusive of VAT, to RIBA Stage D to allow an application for Planning Permission to be submitted.

(c) To refer the matter, and the draft Report to the University Council with the endorsement of the Committee on the basis recorded above.

(c) University of Cambridge/Hutchison/CR-UK – Multi-Storey Car Park, Addenbrooke’s Hospital: Budget Reduction (BSC Minute 03.23 and Paper FC(03)76)

The Committee agreed that the budget be fixed at £9.2m, excluding VAT.

(d) Fenner’s: Proposed Cricket School and Improvements to the Pavilion (BSC Minute 03.24 and Paper FC(03)77)

With reference to Minute 1,395 the Committee recalled that in view of the urgency of this matter it had received at its last meeting Note FC(03)46). A Report of the Council had been published in Reporter (19 March 2003).

The Committee agreed that:

(i) the project budget be set at £1.105M, plus VAT payable;

(ii) the project should proceed to completion of Stage H – Tender Action, for which the fees budget was estimated to be £200k (including contingencies and VAT) and, subject to the agreement of Hughes Hall, this would be a charge on the land sale escrow account; and

(iii) if deemed an appropriate procurement route, the Director of Estate Management be authorised to negotiate with the contractor appointed to construct the Hughes Hall Residence Block on a sole source basis.

(e) Wellcome/CR-UK Institute, Tennis Court Road: Relocation and Upgrading (BSC Minute 03.26 and Paper FC(03)78)

The Committee agreed to take note of the information provided.

(f) Projects Completed Report (BSC Minute 03.36 and Paper FC(03)79

The Committee agreed to take note of the information provided.

INVESTMENTS

1,414 (a) Investments Sub-Committee. The Committee received Private and Confidential Note FC(03)49 with the following Papers:
Paper FC(03)63  Unconfirmed Minutes of a meeting of the Investments Sub-Committee held on 27 March 2003.

Paper FC(03)64  Statement of Investment Principles.

(b) The Committee approved the Statement of Investment Principles subject to a minor amendment.

1,415 (a)  *Venture Capital Sub-Committee.* The Committee received *Private and Confidential* Note FC(03)66 which outlined proposals by Sir Alastair Morton, Chair of the Sub-Committee, to improve the efficiency and effectiveness of future meetings.

(b) The Committee approved the proposals and noted that the addition of a further expert in biotechnology or the field of medicine to the board would be advantageous.

PENSIONS

1,416 (a)  *USS – Report by the Actuary on the Actuarial Valuation as at 31 March 2002.* The Committee received *Private and Confidential* Note FC(03)53 with the following Papers:-


Paper FC(03)70  A draft Notice by the Council.

(b) The Committee agreed to take note of the information provided and to recommend to Council that a Notice should be published in *Reporter* in the terms of the draft attached as Paper FC(03)70.

1,417 (a)  *USS Statement of Investment Principles.* The Committee received *Private and Confidential* Note FC(03)62 with Paper FC(03)89 a revised draft of the Statement of Investment Principles together with a letter from the Chief Accountant of USS.

(b) The Committee agreed to take note of the information provided and had no comments to forward to USS.

UNIVERSITY FINANCE

1,419 (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 defer this item until the next meeting.

1,420 (a)  *Budget 2003.* The Committee received Note FC(03)70 which set out the impact of the 2003 Budget on the University. The Committee noted that with the exception of one VAT item, there were no new
changes which were expected significantly to increase or reduce the University’s expenditure.

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

1,421 (a) University Budget 2003-04. The Committee received Note FC(03)68 with the following Papers:-


(b) The Committee noted that the projected deficit for 2003-04 had been reviewed by the PRC and RMC and had been reduced from £10.2m to £5m. The Director of Finance’s projections for future years continued to show deficits at around this level or above. Although the possible eventual impact of top-up fees created uncertainty, the Committee could not endorse ongoing deficits of this size, which would inevitably reduce the University’s reserves to an unsustainable level. It was felt the Committee should state clearly that an annual deficit of £5m or more per year was unsustainable. The Committee recognised that this was, however, a Higher Education sector wide problem, and that the forecasts were being prepared in a transitional period. The data could not be confirmed until the Resource Allocation Model (RAM) had been embedded and the outcome known in May. The RAM would enable Schools to take appropriate financial decisions locally. The medium to long term effect of this should be to reduce deficits, although that reduction could not be accurately attributed in the forecasts at this stage.

(c) Whilst reluctantly noting the level of deficit proposed for 2003-04, the Committee recommended strongly to the Council and PRC that more positive action must be taken to ensure significant improvements to the Chest out-turn by the end of 2006-07.

UNIVERSITY FINANCIAL SYSTEM

1,422 (a) Financial System Management Committee. The Committee received Private and Confidential Note FC(03)69 with the following Papers:-

   Paper FC(03)99 Unconfirmed Minutes of the meeting of the Financial Systems Management Committee held on 11 April 2003.
   Paper FC(03)100 CUFS Grants Project – Summary.

(b) Dr. Anderson reported that steady progress was being made and that gaps in the system were being worked on. The system had suffered
hardware failure on 8 April 2003. The standby facilities had been invoked successfully and a minimal service had been made available. The full system was restored on 14 April 2003.

Some minor data transfer problems may be experienced but solutions were in hand.

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