23. MINUTES

The Minutes of the meeting held on 9 November 2005 were approved.

24. REPORT ON ACTIONS

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

SUBSTANTIVE BUSINESS

25. ACCOUNTS

(a) Financial Statements 2004-05.

The Committee received Note FC(05)130 and

Paper FC(05)157 Draft Reports and Financial Statements for the year 2004-05 (“Big U”only).

Paper FC(05)158 Report by Deloitte & Touche to the Finance Committee on the 2005 Audit.

Paper FC(05)159 Summary of changes made to the first draft set of the reports and financial statements received by the Committee at its meeting on 9 November 2005.

Paper FC(05)160 Draft Management Representations Letter.

(b) The Vice-Chancellor welcomed Mr. Brown and Mr. Bullock of the Council’s Audit Committee and Mr. Henderson of Deloitte & Touche, the University’s External Auditors. Mr. Morris of the Finance Division also attended for this business.

(c) The Director of Finance reminded the Committee that it had reviewed the first draft financial statements at its meeting on 9 November, and went over the accounts preparation process. He re-stated the main points arising from the accounts and the changes made to the first draft since that time. The main change was the inclusion in the consolidated accounts of an additional subsidiary undertaking, the Malaysian Commonwealth Studies Centre trust.

(d) Mr Henderson, on behalf of the external auditors, Deloitte and Touche, reported
that a few minor audit procedures were outstanding but on satisfactory completion of these matters it was anticipated that an unqualified audit opinion along the lines of previous years and as in the draft independent auditors’ report included in the draft Reports and Financial Statements would be issued.

Mr Henderson also noted that the register of commercial relationships had been reviewed satisfactorily and that the thirty-one colleges had all returned an education memorandum including an auditor’s report. None had received a qualified audit response.

The possible inclusion in future years of a statement of the historical cost of surpluses and deficits was being considered. Deloitte followed the usual practice of asking Council to give representations in the form of a Management Representations letter.

(e) The Finance Committee agreed to recommend that the Council:

(i) approve the reports and financial statements, with the minor amendments, as the abstract of accounts of the University required under Statute F; and

(ii) authorise the Registrary to sign the Management Representations Letter, on behalf of the Council.

The Committee also noted that HEFCE were consulting on a proposal to bring forward the date for submission of accounts by institutions to 30 November and possibly even to 31 October. This could prove to be problematical for the University which had a particularly complicated structure.

26. ESTATE ASSETS

(a) Cambridge and Madingley Let Properties.

Mr. Simpson of EMBS attended for this business. The Committee received Note FC(05)133 with Paper FC(05)163, with Annexes A-E, the Annual Report of the Estate Management and Building Service to the Finance Committee for the year 2004-05 together with attached Estates accounts for the year ending 31 July 2005.

The Acting Director of Estate Management reported that:

(i) the surplus of recurrent income over expenditure transferred to the Chest was £1.544M compared with the estimate of £1.467M and outturn of £1.500M for the previous year. Predicted transfers to the Chest for 2005-06 and 2006-07 were £1.542M and £1.592M;

(ii) the capital value of income-producing properties appearing in both the 2003-04 and 2004-05 valuations was £32.94M and £36.20M respectively, a capital growth of 9.9% (previous year 5.0%);

(iii) the capital value of the entire portfolio, including development sites, at
31 July 2005 was £44.70M, compared with £41.36M at 31 July 2004, an increase of 8.0%;

(iv) the net income return (yield) for the income-producing portfolio was 4.3% (4.5% in 2003-04). This produced a total return (capital and income) of 14.2% (9.5% in the prior year);

(v) an occupancy rate of 99% had been achieved on the residential properties up to 31 July 2005 (excluding the new residences at West Cambridge);

(vi) the rolling five-year maintenance plan based on the 2003 external survey had continued in 2004-05, funded by top-slicing the first 25% of rental income; and

(vii) a strategic review of the Properties would be considered at the Finance Committee’s meeting in February 2006.

The Committee noted that a management fee was applied to these properties at a rate of 7.5% of gross rents but that further work was required to assess the actual costs of EMBS, Accommodation Service, Security Office, etc in managing the properties. In addition, it was not clear what proportion of the properties was used for University purposes as opposed to long-term property investment. The Acting Director of Estate Management agreed to collate the relevant financial information and produce a report to be received at the same time as the strategic review.

(b) Purchase of No. 2 Trumpington Street, Cambridge.

The Committee received Note FC(05)138 with Paper FC(05)167 a report by EMBS officers recommending the purchase of the freehold of No. 2 Trumpington Street, Cambridge. A map of the site was tabled.

The Committee noted that:

(i) the property had University property to the rear and on both sides;

(ii) the University had an option to purchase the property dating back to 1992;

(iii) the University had an obligation to provide six parking spaces on behalf of the freehold, this would continue in perpetuity should the property not be bought. Additionally a pedestrian right of way to the rear of the property existed which would conflict with the security plans for the surrounding University site. Purchase of the property would suppress the requirement to provide the parking spaces, enable the right of way to be extinguished and rationalisation of the surrounding properties (2a and 3 Trumpington Street); and

(iv) it was estimated that the cost of purchasing the freehold would be in the region of £500k, with further costs required to refurbish the property.

The Committee discussed the potential use of the building, whether it should be
The Committee agreed that the option to purchase should be exercised by the Officers should they be content with the valuation. If the valuation was significantly above the estimate the matter should be brought back to the Finance Committee.

(c) **Possible purchase of land at Histon.**

The Committee received Note FC(05)129 with Paper FC(05)156 a paper by EMBS on a possible purchase by the University of Cottenham Road, Abbey and Meadow Farms, Histon, Cambridge.

The Committee noted that a bid had been made by the University on the advice of EMBS due to the short timetable involved. In the event the University’s bid had been unsuccessful.

(d) **Convenience Store at West Cambridge.**

The Committee received Note FC(05)137 with Paper FC(05)166 a paper prepared by Andrew Gordon, the West Cambridge Site Development Manager, which set out the grounds for the provision of a proposed Convenience Store at West Cambridge.

The Committee noted that:

(i) this was a longstanding matter and the University had undertaken to provide facilities at West Cambridge;

(ii) it had not been possible to attract an outside commercial operator for the unit earmarked for the store and the University had investigated providing the facility itself;

(iii) an original maximum cost of £300k had been identified. However, the University Centre, which would operate the store, recommended that a small café facility be included in order to make the store more viable and due to the fact that the existing West’s facility, was full to overflowing at certain times. This had increased the cost to £525k in order to provide the required fitting out and extraction facilities needed for a café;

(iv) West’s was in a temporary building and was required to close once permanent facilities were in place; and

(v) the Officers had been working on the plans for some time but felt this was not a good investment.

The Committee felt that West Cambridge had not yet reached critical mass and the
convenience store facility would be more attractive to a commercial operator when it did. However, the Committee agreed that a store should be provided in principle. That being the case the Committee declined to approve the capital funding for the convenience store and a subsidy of £12k per year. However, the Committee recognised that the population at West Cambridge was without facilities and realised that some sort of subsidy may be required in the future. The Officers were asked to monitor the situation and come back with alternatives within the next two years.

The Committee also noted that the Citi4 bus route which currently served the West Cambridge site would cease in 2006. The PRC was considering whether to continue funding this, the cost would be in the region of £230k per year.

27. REPORTED AND STRAIGHTFORWARD BUSINESS

(a) Sealings.

The Committee received Note FC(05)125 with Paper FC(05)152 a list of sealings authorised by the Acting Treasurer under delegated authority since the previous meeting.

(b) Future Business.

The Committee received Note FC(05)136 and confirmed the flow of business.

(c) University Security Committee.

The Committee received Private and Confidential Note FC(05)126 with Paper FC(05)153 the Unconfirmed Minutes of a meeting of the University Security Committee held on 10 October 2005. The Committee agreed to note the information provided.

The Committee noted that the installation of an automatic cash machine in the William Gates Building had been declined, mainly due to the Computer Laboratory being unhappy with the arrangement.

(d) Planning and Resources Committee.

The Committee received Private and Confidential Note FC(05)127 with Paper FC(05)155 the Unconfirmed Minutes of a meeting of the Planning and Resources Committee held on 19 October 2005 and agreed to note the information provided.

(e) Fraud Response Protocol.

The Committee received Note FC(05)139 with Paper FC(05)168 the revised University’s Fraud Response Protocol, drafted by the Finance Division, and approved the revised protocol.

(f) Granta Backbone Network.
The Committee received Note FC(05)134 with Paper FC(05)164, the Report of the Granta Backbone Network Management Committee for 2004-05, and agreed to recommend to Council that it be published.

(g) University Centre.

The Committee received Note FC(05)135 with Paper FC(05)165 the Report and Accounts for the University Centre for the year ended 31 July 2005.

The Committee noted that staff at the Centre, other than the Manager, were known as ‘excluded classes’ and did not have the same terms and conditions as officers or assistant staff. Excluded classes would disappear once the single spine arrangements were implemented.

(h) Annual Statement of Accounts: The Fitzwilliam Museum.

The Committee received Note FC(05)128 with Paper FC(05)155 a summary statement of Accounts for the year to 31 July 2005, presented under Regulation 4(d) for the Syndicate. The Committee agreed to receive the statement and note the information provided.

(i) List of Sub-Committees.

The Committee received Note FC(05)131 with Paper FC(05)161 a list of Sub-Committees of the Finance Committee as from January 2006 and noted that those members whose names had been highlighted in bold were due to be reappointed or replaced. The Committee approves the proposals, noting the correction that Dr. Clark was its representative on the Financial Systems Management Committee.

The Director of Finance reported a number of corrections.

(j) Investment Management.

The Committee received Note FC(05)132 with Paper FC(05)162, Terms of Reference for the Investment Board and noted that these would now be passed to Council.

The Committee noted that the remaining internal member for the Investment Board would be put forward to Council. The Committee thanked Mr. Larkum for his willingness to serve.

28. Any Other Business

The Committee noted the results of the pay and grading ballot held the previous week. Graces 1 and 2 had been approved along with the remaining Graces as amended by the Council.

Vice-Chancellor
11 January 2006