

CAMBRIDGE UNIVERSITY REPORTER

No 6205

MONDAY 29 NOVEMBER 2010

VOL CXL No 9

ANNUAL REPORTS OF THE COUNCIL
AND THE GENERAL BOARD FOR THE ACADEMICAL
YEAR 2009–10

REPORTS AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 JULY 2010

CONTENTS

University Council: Annual Report, 2009–10	215
Annual Report of the General Board to the Council for the academical year 2009–10	219
Reports and Financial Statements for the year ended 31 July 2010	223



UNIVERSITY OF
CAMBRIDGE

Annual Reports of the Council and the General Board

Under the terms of Statute A, IV, 1(*d*) the Council is required to make an Annual Report to the Regent House, giving an account of its conduct of affairs during the past academical year; the General Board are required under Statute C, I, 1(*f*) to make a similar Report to the Council. The Council's Annual Report for the academical year 2009–10 is published below together with the General Board's Report. The two Reports, together with the University's Reports and Financial Statements for the year ended 31 July 2010 (which are also published in this issue) will be brought forward for consideration at the Discussion to be held on **25 January 2011**.

University Council: Annual Report, 2009–10

The COUNCIL begs leave to report to the University as follows:

Dame Alison Richard

1. The academical year 2009–10 was the seventh and final year of Dame Alison Richard's distinguished tenure as Vice-Chancellor. She has made many important contributions to the University, including vigorous participation in the Campaign, and the development of University financial and academic strategy. She proposed the establishment of the Investment Office and the Investment Board, and led or participated in many significant appointments in the University (Professors, Pro-Vice-Chancellors, and others). Within the Council she introduced annual reporting to the Council by the Vice-Chancellor, a valuable procedure, and proposed the Council's now established sequence of twice-yearly strategic meetings. She diligently chaired the Council, the General Board, the Finance Committee, and many other bodies. The Council records its and the University's thanks to Dame Alison.

High officers

2. The High Steward, Dame Bridget Ogilvie, and the Deputy High Steward, Lord Richardson of Duntisbourne, both retired from office in 2009, after dedicated service to the University. Dame Bridget had previously appointed Mrs Anne Lonsdale, formerly President of New Hall and a Pro-Vice-Chancellor, as Deputy High Steward. On the recommendation of the Nomination Board, Lord Watson of Richmond, *JE*, was elected High Steward. The University is fortunate in these appointments.

Major appointments

3. The Council was pleased to recommend the confirmation by Grace of the appointment of Professor Sir Leszek Borysiewicz, *W*, then Chief Executive of the Medical Research Council, to serve as Vice-Chancellor for seven years from 1 October 2010. The Council looks forward to working under the leadership of Sir Leszek, in what is clearly an exceptionally challenging period for the University. The Council is grateful to its Advisory Committee, chaired by the Master of Christ's, for its excellent work in searching for the new Vice-Chancellor.

4. Professor Andrew Cliff, Professor Ian Leslie, and Dr Kate Pretty, Pro-Vice-Chancellors for Human Resources, Research, and International Strategy, respectively, retired at the end of their maximum period of service. The Council is grateful for their service to the University. The Council appointed Dr Jennifer Barnes, Professor Lynn Gladden, and Professor Ian White as Pro-Vice-Chancellors from 1 January 2010, respectively with the portfolios International Strategy, Research, and Institutional Affairs.

Colleges

5. The Council congratulates Homerton College on the grant by Her Majesty The Queen of a Charter of Incorporation, and full College status within the University.

6. New Hall is now completing the final formal stages of adoption of its new title, Murray Edwards College, which recognizes the College's history and a major benefaction. The relevant University Statute change has already been made by the University on the recommendation of the Council.

Accountability and Audit

7. The first annual accountability exchange has taken place with HEFCE, which has indicated its continued opinion that its 'overall conclusion is that HEFCE is able to place reliance on the University of Cambridge's accountability information'.

8. Amendments to the constitution of the Audit Committee have been put forward by Report, in particular to strengthen the requirements for the quorum and to increase the number of co-opted members.

Governance and constitutional matters

9. The scoping study for a possible review of the Statutes, and Ordinances, chaired by Professor David Yates, Warden of Robinson College, was completed in the Spring of 2010. The Council accepted its conclusion that a review should take place, and put forward a Report to the University in the Easter Term 2010 proposing the initiation of a technical review process, on the lines proposed by the scoping group. The recommendation in this Report was approved by Grace. Accordingly, a Technical Advisory Group, also chaired by Professor Yates, has been established to monitor the work. It is planned that the task of proposing revisions to the Regent House should be completed by Easter 2012. The work of simplification and clarification would proceed through the issue of consultation papers, including drafts of suggested new statutes, and then by Report to the University.

The Council

10. The Council is defined by Statute A as the principal executive and policy-making body of the University, having general responsibility for the administration of the University, for the planning of its work, and for the management of its resources. It is declared to have power to take such action as is necessary for it to discharge these responsibilities. It is also to perform such other executive and administrative duties as may be delegated to it by the Regent House or assigned to it by Statute or Ordinance.

11. The Council initiated the process to appoint two external members of the Council to serve from 1 January 2011 to serve following the retirement from the Council of Lord Simon of Highbury (who is Deputy Chairman of the Council and Chair of the Remuneration Committee) and Mr Nigel Brown OBE (who chairs the Audit Committee). The Nominating Committee established by Ordinance was on this occasion chaired by Dr Vanessa Lawrence, a continuing external member of the Council. It submitted its recommendations to the Council in the Michaelmas Term 2010 and Mr Dominic Casserley and Mr John Shakeshaft have now been appointed by Grace.

12. Lord Simon and Mr Brown are the first external members of the Council to serve since that category of membership was introduced. The Council records its warm appreciation of their exceptional service to the Council and the University. The Council has also congratulated Mr Brown on his appointment as High Sheriff of Cambridgeshire.

13. The Council has adopted a Statement of Primary Responsibilities (annexed to this Report) and intends to review and adopt this annually, together with its Standing Orders, the Code of Practice for members of the Council, and the Statement of Corporate

Governance (which appears in the Financial Statements). These and other important material are collected in the new annual Handbook for members of the Council (available on the Council's website: <http://www.admin.cam.ac.uk/committee/council/>).

14. The Council has pursued its programme of strategic meetings, one in September and one in the spring. The Council continues to operate its internal processes through ordinary regular meetings (eleven each year, and special meetings when necessary), scrutiny of business through the Business Committee, the Executive Committee, and other committees, and through receipt and approval of routine business by circulation. The Council has set up a programme of meetings with the heads of institutions under its supervision. Most material considered by the Council is available on the website.

15. The Council's Nominations Committee and its Committee on the membership of Council committees have been brought together as a single Advisory Committee on the Membership of Council Committees and External Nominations.

Teaching and research

16. Teaching and research is the responsibility of the General Board and of the Schools, Faculties, and Departments under the supervision of the Board. The General Board reports annually to the Council. The Board's Report for 2009–10 is annexed to this Report. The Council does not attempt to summarize the Board's Report, but records with approval the development of the education and research programmes of the University, even in difficult times, and the commitment of the University to maintaining and indeed developing the highest academic standards both in teaching and in research.

17. Some developments should be specially singled out: the establishment of the Sainsbury Laboratory, for Plant Diversity and Development, located in the Botanic Garden, the review of teaching and research in the social sciences which is under consideration by the Board, and the General Board's review of the teaching and learning support services, which is the subject of consultation, discussion, and implementation (with changes of Ordinance where necessary).

18. The University has continued to contribute to national discussions about the future of research funding, particularly in connection with the future arrangement for the Research Assessment Exercise (RAE) or its successor (the Research Excellence Framework (REF)). It has recently been announced by Government that implementation of the REF is to be deferred for one year, and this means that the recent RAE results will inform funding for some time.

19. The funding of research in the University is currently a cause of concern, especially the falling rate of indirect cost recovery. As a consequence, the Resource Management Committee (RMC) has reviewed current procedures and concluded that they are over complex and lack sufficient incentives to maximize indirect cost recovery. The RMC is now developing a new simpler scheme which will give Schools greater flexibility and improve incentives to recover costs.

University employment

20. This is a challenging period for universities in connection with pension arrangements. National discussions have taken place about the Universities Superannuation Scheme (USS) and consultation with

members is now taking place. Discussions have been taking place within the University, initiated by the Pensions Working Group of the Finance Committee, about the Cambridge University Assistants Contributory Pension Scheme (for assistant staff). Consultation with members, as required by law, is expected to take place during 2010–11 once the agreed procedures for negotiating with the relevant trades unions have been completed.

21. Proposals for the revision of Statute U (the Statute about discipline, dismissal, and grievance procedures for 'academic staff', imposed on the University following the Education Reform Act 1988) were put to the Regent House after a long deliberative process. The Regent House rejected the proposals as put forward and the Council has since established a new working party, chaired by the Pro-Vice-Chancellor for Institutional Affairs, to consider grievance and discipline matters, and mediation arrangements, for staff generally, not just the 'academic staff' identified in Statute U. The Council hopes to be able to submit agreed proposals about these matters for approval in 2010–11.

University resources

Fees and student support

22. Public funding in the UK, including the public funding of higher education, particularly for teaching, is under huge pressure. A sequence of announcements has been made by the Government, and by HEFCE. The outlook for research funding, notwithstanding governmental intentions to protect research of high quality, is still a matter of concern. Future funding arrangements for teaching are even more uncertain, and potentially even more problematic, as the basic level of HEFCE T grant is withdrawn, to be replaced by the payment of fees by or on behalf of Home and EU Students from 2012–13. The Council expects that the financial year 2010–11 will be difficult, and that the financial years 2011–12 and 2012–13 will be more difficult. The Council has, through the Planning and Resources Committee, initiated planning to help the University through this difficult period, and is at present assuming that the situation for 2011–12 and the remainder of the planning period in relation to general University spending will be one of significant cash reduction. Schools and other budgetary authorities are being asked to plan on this assumption.

23. The independent review of fees and funding (particularly related to the position of Home and EU undergraduates), chaired by Lord Browne of Madingley has now reported (October 2010). Many submissions were made in the various stages of this review, including submissions from the University, which have been made available within the University, and from the Russell Group. The Government has made several announcements following the report and more are expected. Changes to the fee and student support system must not adversely affect the opportunity for students of high potential but limited means to benefit from Cambridge's opportunities (which preferably should be improved). The Council will seek to ensure, working with the Colleges, that Cambridge's present good arrangements for student support, in particular bursaries, are developed further.

24. It is imperative that in the University reductions in year to year funding should be carefully managed so that as far as possible damage is not inflicted unnecessarily on valuable academic programmes,

whether of teaching or research. It is also vital that the University continues to invest for the future, in buildings, equipment, and people, and that we should further diversify income streams so as to reduce vulnerability to fluctuating government funding. This does not mean that all existing activities or facilities should be kept, at least in their present form, but the University should take great care to ensure that when changes are made the full academic impact is properly evaluated and the changing situation kept under control. Crisis measures are to be avoided as far as possible.

25. The Council will report further to the Regent House about the resource and spending position of the University in the budget and allocations Report for 2011–12 which will be published in the Easter Term 2011.

26. Financial information about the University for 2009–10 is contained in the Financial Statements published with this Report.

27. One aspect of investing for the future is to keep under consideration the state of the University's academic estate, and at present attention is focused on new developments related to changes on the central sites, including the Old Press site and the New Museums site, for example the new building for Materials Science at West Cambridge, and the Humanities and Social Sciences building at 7 West Road. Work is being undertaken on a Capital Plan which will permit the University to assess the possible gap in funding between what may be immediately available, and what will be required for capital investment. How such a funding gap should be addressed is a matter for judgement: different approaches could be taken, for example funding through borrowing, funding through the use of University resources, or funding through the partial sale or lease of assets and premises. The Finance Committee of the Council is developing this work, which is being reported to the Council regularly. The Council is publishing a Report to the University seeking formal authority to borrow under carefully defined procedures, so that if the need for borrowing arises it is not necessary to seek specific authority on each occasion.

28. Arrangements have been made to allow investment in the Cambridge University Endowment Fund by Colleges and other charitable entities close to the University. This will allow access to the scale and diversification offered by the CUEF for smaller endowment funds. The Council has been pleased to note good performance of the Fund, reflecting the advice of the Investment Board, and the work of the Investment Office, and its Chief Investment Officer.

North West Cambridge

29. Development of North West Cambridge is not an ordinary University capital development, but rather a development process. The University secured agreement that the land in question be removed from Green Belt restrictions to meet strategic needs in the

University for affordable housing for qualifying members of staff, under-capacity for, particularly, postgraduate students in existing college accommodation, and predicted needs for new research space both as an extension of current University activities and in partnership with external organizations. A green paper has been published and has been discussed, and a full Notice in reply issued. A formal Report to the University is planned for 2011.

30. At present, preparatory work is being undertaken, rather than site work. The next formal step (other than procedures within the University) will be the submission of an outline planning application for the entire site in accordance with the approved Area Action Plan, which provides for up to 3,000 residential units (half of which would be for University and College employees), 2,000 accommodation units for Colleges, and 100,000 square metres of research space. The application is expected to be submitted in June or July 2011. Further modelling of traffic volumes is now required following the decision that the A14 improvement works will not now proceed. Some works in the project area will be the financial responsibility of the University (but not all because partnerships are anticipated). To the extent that University buildings for specifically University purposes are concerned, the ordinary University processes for approval apply. The capital costs, and indeed running costs, of these are to be assessed in the ordinary way through the assessment of capital projects. Other developments to be financed by the University, such as infrastructure and housing for the University, will require initial financing, although some such investment will be recovered from payments by other developers. Much of the development, especially the housing to be sold for private ownership, will be the responsibility of developers. The considerations attaching to the financing of the project are analogous to, but not exactly the same as, the considerations attaching to the Capital Plan referred to in the previous section. It is possible that borrowing may be the best way of financing some of the University's investment for North West Cambridge.

31. The Council will report to the University about the development of governance structures for the North West Cambridge project.

The Campaign

32. Despite the adverse world economic and financial situation, the £1 billion milestone for the Campaign for the University and the Colleges has been passed. The University is grateful to all individuals whose generous donations have made this possible. This is a remarkable achievement, and reflects outstanding levels of commitment by the University and the Colleges working in concert, in particular through the Campaign bodies, the Development Office, and the remarkable leadership of the outgoing Vice-Chancellor. The Campaign continues to its full term. The Council is considering future development and fund raising activities.

22 November 2010

L. K. BORYSIEWICZ, *Vice-Chancellor*
N. BAMPOS
R. J. BARNES
NIGEL BROWN
WILLIAM BROWN
M. R. CLARK
S. J. COWLEY

M. J. DAUNTON
A. M. DONALD
R. J. DOWLING
DAVID GOOD
CHRISTOPHER HUM
F. P. KELLY
VANESSA LAWRENCE

DEBBIE LOWTHER
R. MANSIGANI
MAVIS McDONALD
RACHAEL PADMAN
DAVID SIMON
S. WAKEFORD
JOAN M. WHITEHEAD

ANNEX

Statement of Primary Responsibilities of the Council (re-adopted September 2010)

The Council has adopted this Statement of Primary Responsibilities.

The principal responsibilities of the Council are defined by University Statute A, IV, 1 which reads:

(a) *The Council shall be the principal executive and policy-making body of the University. The Council shall have general responsibility for the administration of the University, for the planning of its work, and for the management of its resources; it shall have power to take such action as is necessary for it to discharge these responsibilities. It shall also perform such other executive and administrative duties as may be delegated to it by the Regent House or assigned to it by Statute or Ordinance.*

(b) *The Council shall have the right of reporting to the University. It shall advise the Regent House on matters of general concern to the University.*

(c) *The Council shall perform such duties in connection with financial matters as are assigned to it by Statute F, I.*

(d) *The Council shall make an Annual Report to the University, and shall initiate and submit a Grace for the approval of the Report by the Regent House.*

(e) *The Council shall have the power of submitting Graces to the Regent House and to the Senate. The procedure for the submission of Graces shall be prescribed by Ordinance.*

(f) *The Council shall oversee the work of all those institutions in the University which are placed under its supervision, and shall ensure that the University officers assigned to those institutions are satisfactorily performing the duties and fulfilling the conditions of tenure of their offices.*

Pursuant to these responsibilities the Council:

- through its Finance Committee, its Audit Committee, and the Planning and Resources Committee ensures the University's accountability for the proper use of public funds;
- supervises the financial position of the University through its statutory Finance Committee;
- arranges audit through its statutory Audit Committee;
- conducts legal business and ethical scrutiny, especially in respect of the acceptance of benefactions and investment responsibility, through its Executive Committee;
- discharges its responsibilities in relation to the University as an employer through the Human Resources Committee (HRC), a joint Committee with the General Board;
- develops University policy on the advice of the General Board and that of specialist advisory bodies;
- conducts planning and resource allocation through the Planning and Resources Committee (PRC) and the Resource Management Committee (RMC), both joint Committees with the General Board;
- deals with business about buildings and the University estate with the advice of the Buildings Committee (a joint Committee with the General Board which reports through the PRC), and on the advice of the Finance Committee;
- informs and advises the Regent House through Reports, Notices, and Graces, and through considering remarks made at Discussions;
- conducts the University's relations with Government, HEFCE, other national bodies, and local and regional bodies;
- supports and advises the Vice-Chancellor, and through him or her the team of Pro-Vice-Chancellors;
- supervises University institutions placed under its supervision, particularly through receiving reports, and also through the PRC and the HRC;
- through the Finance Committee exercises financial and some other supervision of Cambridge University Press, the Local Examinations Syndicate (Cambridge Assessment), University-owned companies, and some free-standing bodies such as the Cambridge scholarship trusts;
- pursuant to Act of Parliament, discharges responsibilities for the University Student Unions through its Student Matters Committee;
- makes (or recommends) senior appointments (including the Vice-Chancellor, Pro-Vice-Chancellors, the Registrar, and, through its Standing Appointments Committee established by Ordinance, Directors and other senior staff in the Unified Administrative Service);
- assures risk management, emergency management, and value for money surveillance;
- monitors the implementation of major projects, through special groups and the Information Strategy and Services Syndicate, and the North West Cambridge Strategy Committee;
- keeps University governance and similar matters under review;
- makes a statutory annual report to the University;
- monitors its own performance and effectiveness.

The Council has published the following statement (*Statutes and Ordinances*, p. 114):

NOTICE BY THE COUNCIL

Statement of intention

In carrying out their functions as the principal executive and policy-making body of the University the Council will consult the Regent House on questions of policy which in the Council's judgement are likely to prove controversial. They will do this by submitting a Grace to the Regent House for the approval of a provisional decision or statement of intention; where appropriate, such a Grace will allow for the expression of a preference between alternative options. The Council will give consideration to remarks made at any Discussion of such matters and to the outcome of any vote on them.

Annual Report of the General Board to the Council for the academical year 2009–10

1. Introduction

1.1. The General Board present this Annual Report on their activities during the academical year 2009–10.

1.2. The Board take this opportunity to record their thanks to Professor Dame Alison Richard for her outstanding contribution as Chair of the Board and in support of the Schools, Faculties, and other institutions during her tenure as Vice-Chancellor from 1 October 2003 to 30 September 2010.

1.3. The Board have devoted much attention to structural matters, in particular to the recommendations of the Review Committee which they established to consider the provision of teaching, learning, and research in the Social Sciences. The first report of that Committee was published in the *Reporter* (2009–10, p. 467). The Committee has taken forward each of the recommendations in that report in close consultation throughout with the Council of the School of the Humanities and Social Sciences.

1.4. The Board proposed the creation of a new institution, the Sainsbury Laboratory (*Reporter*, 2009–10, p. 490) to house a major expansion of research in plant diversity and development, most generously funded by Lord Sainsbury of Turville through the Gatsby Foundation. Recruitment to senior posts in the Laboratory is underway in readiness for its opening in January 2011.

2. University finance and planning

2.1. Throughout the Lent and Easter Terms the Board were closely engaged in the preparation of the Budget Report 2010 and the University's consideration of its response to the deteriorating but uncertain national funding environment. Measures to control the filling of vacancies introduced last year had, after an initial running in period, confirmed that budgets were being tightly managed, and the formalities were relaxed.

The withdrawal by HEFCE of the Historic Buildings Targeted Allowance, amounting to £4.3m, has further widened the gap between the cost of undergraduate education and the funding the University receives. Levels of composition fees over which the University already has discretion – principally those for students from outside the EU, and for all students on postgraduate-level taught courses – continue to be reviewed in the light of both the University's costs and, increasingly, the market levels set by our competitor universities. Through a general uplift in fee levels, and the extension of 'premium fees' to more courses there is a steady improvement in the University's projected income, at the cost of greater complexity in the fee structure. The recovery of indirect costs on non-Research Council grants is disappointingly low. New arrangements have been discussed by the Resource Management Committee for implementation in 2011.

2.2. Notwithstanding measures to control costs, maintain and diversify levels of income, including improving our performance in winning external funding, the Board are clear that the coming period and the advent of unprecedented cuts in public funding will be extremely challenging for the University. The University's excellence in research and its concentration in STEM subjects offers some degree of protection, nevertheless our response will necessitate continued close scrutiny of all activities with the intention of sustaining the high-quality teaching provision and

research excellence, at the heart of the University's activities, and the capacity to invest for the future.

3. Academic standards and quality assurance and enhancement

3.1. The Board, through their Education Committee, have responded to various national consultations about educational standards and future quality assurance arrangements, including those which arose from parliamentary and media concern about standards across the sector and perceptions of 'Classing inflation'. HEFCE consulted on future national quality assurance arrangements, including the assurance of standards, the future of the External Examining system, and public information. In their response, the Board emphasized the impossibility, in a diverse sector, of attempting to set a 'one size fits all' system with uniform, sector-wide academic standards, the importance of being clear about the needs of different external groups, and the need to avoid imposing additional costs on the sector. The QAA consulted on the future of its 'Academic Infrastructure' (the collective term given to institutional audits, the QAA's Code of Practice, its programme specifications and subject benchmark statements, and its Framework for Higher Education Qualifications). The Board's response distinguished between those elements of the Infrastructure which were useful in dealing with quality assurance matters locally and rejected those which were either redundant or of limited use to the academic community.

3.2. A response was sent to a Review Group, established by the Department for Business, Innovation and Skills (BIS), on Postgraduate Education, emphasizing the great importance of at least maintaining Ph.D. numbers and of concentrating numbers and the associated funding in universities with sufficient depth and breadth in their research environments. The Board expect significant developments in national agendas in the near future, including new requirements for more information for prospective students and their advisers, and for student 'charters', likely to cover such matters as employment prospects and the minimum teaching contact time students on particular courses can expect.

3.3. The Board approved a new Teaching and Learning Strategy for 2009–12 (*Reporter*, 2009–10, p. 260) and their Education Committee has agreed to implement that Strategy through Annual Work Plans. They met with Dr Rebecca Lingwood, the Director of the Institute of Continuing Education (ICE), and considered the Strategic Plan for the Institute. Good progress is being made in integrating the Institute's activities with the rest of the University. The Board were encouraged by the proposals for the potential contribution of ICE in the provision of subject-specific and more generic courses which might be offered to the University's full-time students and post-doctoral workers (whilst not duplicating provision offered elsewhere in the University).

3.4. As part of its response to recommendations from the QAA's last Audit, the Education Committee has, in consultation with the Senior Tutors' Committee, agreed a division of responsibilities between the University and the Colleges in ensuring that postgraduate students who supervise undergraduates are appropriately trained for that purpose.

3.5. The following institutions were the subject of the Board's Learning and Teaching reviews: the Faculties of Law, Music, and Philosophy; the Departments of Genetics and of History and Philosophy of Science; and Development Studies. Reports of reviews of the following institutions were considered and recommendations arising from them taken forward: the Faculties of Computer Science and Technology, of Law, and of Modern and Medieval Languages; the Clinical School; the Departments of Land Economy and of Plant Sciences; the Institute of Astronomy; the Research Centre for English and Applied Linguistics; and the Centre for Latin-American Studies. A review of the Cambridge-MIT Student Exchange Scheme was also considered as was a review, undertaken by the Council of the School of Arts and Humanities, on linguistics provision (with particular reference to the Department of Linguistics and the Research Centre for English and Applied Linguistics). The Board have agreed that, in future, Teaching and Learning reviews of institutions should include consideration of resources and 'value for money'. Following a successful pilot, the Board will be encouraging the inclusion of a student member on each Teaching and Learning Review Committee.

3.6. The Board were pleased that in the 2009 National Student Survey, which covered all final-year undergraduates, Cambridge achieved an overall satisfaction rate of 91%, the highest of all Russell Group universities. The Education Committee has sought explanations from those Faculties and Departments where satisfaction rates fell significantly below the University average. Comparable follow-up work has been undertaken by the Board of Graduate Studies in connection with the Postgraduate Research Experience Survey (PRES) where the results gave more cause for concern, in that Cambridge graduate students' expectations were, in a number of areas, met less well than the sector-wide average, particularly in relation to 'supervisory support and guidance'.

3.7. A number of the University's teaching programmes were subject to scrutiny by relevant professional, statutory, and regulatory bodies. During the year the Board received positive reports on: the Architecture Tripos and the Postgraduate Certificate in Professional Practices in Architecture by the Royal Institute of British Architects; the British Psychological Society's accreditation of relevant strands in the Faculty of Education's M.Phil. and M.Ed. programmes; and accreditation, by the Institute of Materials, Minerals and Mining, of Material Sciences and Metallurgy teaching in Parts II and III of the Natural Sciences Tripos.

4. Degrees, courses, and examinations

4.1. The Joint Report of the Council and the General Board on the requirements for the B.A. Degree by Honours, proposing that graduation with Honours should require successful completion of a Part II Honours examination, (*Reporter*, 2008–09, p. 1010) was approved and its recommendations took effect for students admitted from October 2010 onwards. The Board will be reporting in the Michaelmas Term 2010 on the future of the B.A. Ordinary Degree and Ordinary Examinations.

4.2. During 2009–10, the Council and the Board recommended a new degree of Doctor of Education and the reinstatement of the degree of Master of Music (*Reporter*, 2009–10, p. 74 and p. 281). The introduction

of a Part III in the Computer Science Tripos, as a new route to the M.Eng. Degree, was also approved (*Reporter*, 2009–10, p. 479).

4.3. Following their review of the Social Sciences, the Board established a Management Committee charged with proposing the introduction of a new Social Sciences Tripos with effect from 2012–13. The Committee, which includes representatives of all institutions in the School of the Humanities and Social Sciences as well as other institutions outside that School, has made good progress in determining the shape of such a Tripos.

4.4. New M.Phil. courses in Energy Technologies, in Music Studies, and in Scientific Computing have been approved. The M.Phil. courses in Ethnomusicology, Musical Composition, Musicology, and Statistical Science have been rescinded. New part-time M.St. programmes in Construction Engineering and in Sustainability Leadership have been approved. The M.Phil. course in Social Anthropological Research is to be converted to an M.Res. course in 2011.

4.5. As part of their programme of converting formerly 'local' awards to University awards, the Education Committee has approved proposals from the Faculties of Divinity and Education, the Cambridge Programme for Sustainable Leadership, and the Institute of Continuing Education. The Committee has also rationalized the titles for such awards to reflect the level of work required.

4.6. In response to a recommendation from the Office of the Independent Adjudicator (OIA), provision has now been included, in the University's review procedures for examination results, for considering representations relating to 'continuation' decisions, for example progression from the M.Phil. to the Ph.D. or from the third to the fourth year of integrated Master's courses (*Reporter*, 2009–10, p. 881).

5. Graduate education

5.1. The Annual Report of the Board of Graduate Studies (BGS) for 2009–10 will be published at a later date but the General Board take this opportunity to include a summary of key BGS business considered in 2009–10.

5.2. A substantial increase in the number of conditional offers made by Faculties and Departments for 2010–11 entry, presented considerable difficulties for the Colleges in accepting all those with offers. This increase was concentrated almost entirely in one-year courses. The Board of Graduate Studies approved a series of immediate measures in July 2010, aimed at enabling the University to fulfil its guarantee of College membership to all applicants meeting the other conditions for admission. M.Phil. closing dates were rigidly adhered to; special cases for consideration on the grounds of academic or English language results which were below the University's minimum, were not allowed for M.Phil. applicants; and no more M.Phil. offers were processed once maximum thresholds had been reached (determined by Planning Round data for number of places adjusted by an appropriate conversion ratio). A working group has been established by the Postgraduate Admissions Committee and the University and Colleges Joint Committee to examine the issues and propose remedies to achieve a better match between graduate admissions and capacity in Colleges.

5.3. The EPSRC has announced that it will no longer allow College fees for graduate students to be paid from research grants (although there will still be sufficient

flexibility within Doctoral Training Grants to allow College fees to be paid). The AHRC and ESRC have both confirmed that they will no longer make separate provision for College fees for awards commencing on or after 1 October 2011. Representations are being made jointly with the University of Oxford on this issue.

5.4. Following consultation with Degree Committees, the Board of Graduate Studies agreed that approval for graduate degrees should be devolved to Degree Committees. Implementation will be phased, with the approval of Master's level degrees being devolved first, with effect from 2010–11.

5.5. Following implementation of Tier 4 (students) of the Points Based Immigration System in February 2010, the Board of Graduate Studies agreed a model for monitoring a student's attendance. Monitoring will take place via ten contact points spread across the duration of a student's course, with responsibility for recording attendance resting either with the College or the institution concerned, depending on the contact point in question.

5.6. The Board of Graduate Studies Cambridge Supervision Reporting System was launched and well received. Ordinances were amended to require supervisors to report termly on their students. The BGS also agreed improvements for managing Ph.D. submissions. Candidates will be made aware of two deadlines: a three-year submission deadline and a four-year deadline for removal from the register. The Board of Graduate Studies approved guidelines for the operation of 'Fee for Course' procedures, which will be introduced for all students commencing on or after 1 October 2010 (*Reporter*, 2009–10, p. 816).

5.7. The Board of Graduate Studies approved a proposal to raise the minimum English language requirements for graduate admission for all courses in the Arts and Humanities and in the Humanities and Social Sciences. The Schools of the Biological Sciences, Clinical Medicine, the Physical Sciences, and Technology will undertake a consultation exercise to determine whether there is support for increasing language levels for their institutions' courses.

5.8. A major review of the online graduate studies prospectus has taken place, and a new website will be launched in September 2010, including a new funding search tool (GradFunds) to bring together University and Colleges funding information.

6. International activities

6.1. The appointment of a new Pro-Vice-Chancellor for International Strategy has encouraged the Board to begin development of a refocused strategy for the University's activities overseas which, while continuing to support activities where there is demonstrable widespread interest from Faculties and Departments, will become more selective in terms of prioritizing international partnerships and research collaborations, and in accommodating requests for incoming visits by overseas parties. In particular, the Board have approved a project, supported by external consultancy, to develop options for the University's future engagement with India.

6.2. The Board are giving particular attention to overseas educational activities undertaken or proposed by the institutions, especially those involving executive and professional education. Subject to further consultation with the Councils of the Schools, the Board anticipate recommending the establishment of a Board of Executive and Professional Education which

will, *inter alia*, develop and implement general principles and criteria (dealing with both benefits and risks) against which future proposals for University endorsement of overseas activity will be considered.

7. Establishment of new senior positions

7.1. As a result of generous benefactions the following Professorships were established:

- a Diane Middlebrook and Carl Djerassi Visiting Professorship of Gender Studies funded by Professor Carl Djerassi;
- a BP McKenzie Professorship of Earth Sciences funded by the British Petroleum Foundation through a donation to Cambridge in America;
- a Sir Arthur Marshall Visiting Professorship of Sustainable Design funded by the D. G. Marshall of Cambridge Trust;
- a Pembroke Visiting Professorship of International Finance funded by an anonymous donor;
- a Laing O'Rourke Professorship of Construction Engineering funded by Laing O'Rourke; and
- three Professorships in the Sainsbury Laboratory, funded by the Gatsby Foundation.

7.2. With the financial support from the British Heart Foundation, the Board proposed the establishment of a British Heart Foundation Professorship of Cardiovascular Medicine.

7.3. In addition, the following Professorships were established, supported on general University funds by the reallocation of recurrent funding within the Schools concerned:

- a Professorship of Pure Mathematics in the Department of Pure Mathematics and Mathematical Statistics;
- a Professorship of Ophthalmology in the Department of Clinical Neurosciences;
- a Professorship of Management Studies in Judge Business School;
- a Professorship of Mathematical Sciences in the Department of Applied Mathematics and Theoretical Physics;
- a Professorship of Demography in the Department of Geography;
- a Professorship of Old Age Psychiatry in the Department of Psychiatry;
- a Professorship of Photonic Systems and Displays in the Department of Engineering;
- a Professorship of Cellular Pathophysiology and Clinical Biochemistry in the Department of Clinical Biochemistry;
- a Professorship of Orthopaedic Surgery in the Department of Surgery; and
- a Professorship of Stem Cell Medicine in the School of Clinical Medicine.

7.4. The Board proposed the establishment of a single-tenure Professorship of Medicine for Sir Leszek Borysiewicz to be held concurrently with the office of Vice-Chancellor.

7.5. The Board were pleased to recommend the designation of the Professorship of Botany, as a Regius Professorship, to mark the visit to the University by HM The Queen and the Chancellor in November 2009.

8. Research policy and research assessment

8.1. Research activity grew in 2009–10 compared to 2008–09, in particular:

- research income grew by 3% in the main through grants from UK charities and overseas sponsors

other than the European Commission. The Research Councils and UK charities continued to be the main sponsors generating 45% and 28%, respectively, of the University's total research income; and

- the value based on 100% full economic costing (fEC) of the applications and contracts submitted to the funders increased by 9% to £1.4 billion. However, it is of concern that based on the applications submitted between 2007–08 and 2008–09, the success rate in the number of applications has fallen over these years.

Over the past year, central 'pump-priming' support for strategic initiatives and networks has been further developed with Energy joining the Cambridge Conservation Initiative, the Cambridge Infectious Disease Initiative, and Neurosciences.

8.2. The HEFCE announced that the Research Excellence Framework (REF) is to be delayed by a year to allow sufficient time to develop fully the proposals for the use of metrics in the quality assessment process in Science, Technology, Engineering, and Medicine (STEM) subjects and for the introduction of 'impact' as a quality indicator to replace 'environment', as used in recent RAEs. REF submissions will now need to be made in late 2013 with results announced in December 2014.

8.3. The Faculty of English and the Department of Physics participated in a REF Pilot Exercise on impact, which required a number of case studies and an overall statement to support a claim for excellence. The exercise was conducted within a very limited timescale and the Board are grateful to these two institutions for the considerable effort that they put in to this exercise.

8.4. In the light of the experience gained from participating in this Pilot Exercise the Research Policy Committee concluded that the University would benefit considerably from each Faculty and Department being asked to work up an impact case study at this stage. The Committee intend to launch this exercise in the Michaelmas Term 2010, once the University has received feedback and examples of good practice from the HEFCE.

8.5. The Research Policy Committee has engaged in pre-planning for the REF, mindful that Faculties and Departments are concerned to make an early start on their preparations. During the year a number of Departments within STEM subjects were invited to participate in a trial of an electronic bibliometrics system and this will be rolled out across the full University during the forthcoming year. Meanwhile, experience of the last RAE has led the Committee to encourage Schools to ensure that the University is well represented on REF subject sub-committees. The Board welcomed the news that HEFCE has invited Dame Professor Anne Dowling, Department of Engineering, to chair one of the four overarching main REF committees.

9. Human Resources

9.1. The Human Resources Committee reports jointly to the Council and the General Board. The major items of business considered by the Board

included:

- The Combined Equality Scheme on Race, Disability, and Gender
- The Second Equal Pay Report
- Implementation of the Market Supplement Review Process
- Implementation of on-line learning for staff
- Introduction of a new internships scheme
- Publication of the Behavioural Attributes Framework to support career pathways
- Acknowledgement of the need to manage costs and future risks associated with the CPS Pension Scheme.

In addition, the Board has taken a close interest in the setting up of the Gender Equality Group to take forward action arising from the current and previous Equal Pay Reports. The Board set up a group to review the Senior Academic Promotions procedure and the Board expect to publish consultative proposals in the current academic year.

10. Health and safety

10.1. Robust management of health and safety remains embedded at the core of the overall operation of the University. This is overseen by the Board at both strategic and operational level through the Health and Safety Executive Committee and Consultative Committee for Safety. Planned, cooperative visits by the various Enforcement Authorities have continued at the same frequency as previous years and it is satisfying to note that no enforcement action has been taken. Maintaining a close and trusted working relationship with the authorities is key to positive, proactive, and a 'risk-focused' safety management across the University.

10.2. The Health and Safety Office and Occupational Health Service completed the first stage of a phased merger to create the Occupational Health and Safety Service, with the goal of improving legislative compliance, fulfilment of statutory obligations and enhanced service provision within the available budget. The process takes into consideration operational restructuring, accommodation requirements, and budgetary constraints whilst supporting the overall University strategy towards the concept of combined staff/student services.

11. Teaching and Learning Support Services

11.1. The Implementation Group to consider the recommendation of the Board's Review of Teaching and Learning Support Services has continued to meet. In particular proposals have been approved for the incorporation of the Centre for Applied Research in Educational Technologies (CARET) within the University Library (*Reporter*, 2009–10, p. 996). The Board have also agreed to recommend that the Language Centre should become part of the School of Arts and Humanities; formal proposals will be the subject of a Report in the Michaelmas Term 2010. Good progress has been made, through the University Librarian and the Council of the School, towards the closer integration of Faculty Libraries in the Humanities and Social Sciences and the University Library.

3 November 2010

L. K. BORYSIEWICZ, *Vice-Chancellor*
N. BAMPOS
WILLIAM BROWN
H. A. CHASE
PHILIP FORD

SIMON FRANKLIN
ANDREW GAMBLE
C. A. GILLIGAN
DAVID GOOD
MARIA HELMLING

RACHAEL PADMAN
J. RALLISON
JEREMY SANDERS
PATRICK SISSONS
JOSHUA WARD

Reports and financial statements for the year ended 31 July 2010

	Pages
FINANCIAL REVIEW	224
CORPORATE GOVERNANCE	229
MEMBERS OF THE COUNCIL	230
STATEMENT OF PUBLIC BENEFIT	231
STATEMENT OF INTERNAL CONTROL	232
STATEMENT OF RESPONSIBILITIES OF THE COUNCIL	232
INDEPENDENT AUDITORS' REPORT TO THE COUNCIL	233
STATEMENT OF PRINCIPAL ACCOUNTING POLICIES	235
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT	238
NOTE OF CONSOLIDATED HISTORICAL COST RESULT	238
CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	239
BALANCE SHEETS	240
CONSOLIDATED CASH FLOW STATEMENT	241
NOTES TO THE ACCOUNTS	242

FINANCIAL REVIEW

Preliminary

The commentary that follows is intended to give the readers of the financial statements an overview of the finances and operations of the full University group including Cambridge Assessment and Cambridge University Press. It should be read in conjunction with the Annual Report of the Council and the Annual Report of the General Board to the Council for the academical year 2009–10, which are published alongside these financial statements. The financial position of the teaching and research activities of the University may be seen more clearly in the Financial Management Information published in the *Reporter*. Further detailed information about the finances and operations of Cambridge Assessment and Cambridge University Press is given in the annual reports of those entities which are also published.

Scope of the Financial Statements

The consolidated financial statements cover the teaching and research activities of the University, its subsidiary companies which undertake activities which for legal or commercial reasons are more appropriately carried out by limited companies, Cambridge Assessment and Cambridge University Press and their subsidiary companies and joint ventures, the Gates Cambridge Trust, and certain other Trusts (the 'Associated Trusts').

Cambridge Assessment and Cambridge University Press are constituent parts of the corporation known as the Chancellor, Masters, and Scholars of the University of Cambridge. Cambridge Assessment's primary work is the conduct and administration of examinations in schools and for persons who are not members of the University. Cambridge University Press is the printing and publishing house of the University dedicated to printing and publishing for the advancement of knowledge, education, and learning worldwide.

The Gates Cambridge Trust and the Associated Trusts are separately constituted charities. They are deemed to be subsidiary undertakings of the University since the University appoints the majority of the trustees of each Trust. The purposes of the Gates Cambridge Trust and the Associated Trusts are to support the University by enabling persons from outside the United Kingdom to benefit from education in the University by the provision of scholarships and grants and otherwise.

Mission

The mission of the University of Cambridge is to contribute to society through the pursuit of education, learning, and research at the highest international levels of excellence.

Its principal activities are teaching and learning, research, stewardship of collections and ancient buildings, and the activities of Cambridge Assessment and Cambridge University Press.

Funding

The sources of income of the University are:

- The Government, which through the Higher Education Funding Council for England (HEFCE) provides a block grant for teaching and a grant determined by the quality and volume of research through the Research Assessment Exercise last carried out in 2008.
- Students through fees charged for instruction and facilities.
- Research income from publicly funded Research Councils, charitable foundations, and through collaborations with the private sector.
- Benefactions and donations for current use.
- Investment income from our accumulated endowment.
- Income from services provided to external customers, including the customers of Cambridge Assessment and Cambridge University Press.
- A small but increasing income from commercialization of intellectual property.

Accounting for endowment and investment income

The main investment pool generating endowment and investment income is the Cambridge University Endowment Fund (CUEF). The CUEF is managed on a total return basis, such that the amount distributed for budgetary expenditure is determined by a formula which has regard to the total return reasonably to be expected in the long term. The CUEF's portfolio is invested to maximize total investment return and a substantial proportion of the underlying investments yield little or no income in the form of dividends, interest, and rents. In the year ended 31 July 2010, distributions by the CUEF exceeded the income received from its underlying investments by £40m (2009: £26m), the balance of the distributions being funded by drawing on long-term capital growth. The investment performance of CUEF is discussed below.

In these financial statements total endowment and investment income includes the income from CUEF's underlying investments rather than the distributions made by the CUEF. The impact is that endowment and investment income is £40m less than it would have been had it been based on distribution, with a corresponding increase in capital gains. For the individual trust funds and other endowment funds which have invested capital in the CUEF the distribution remains available as income.

Financial performance for the year

The consolidated results for the year ended 31 July 2010 are summarized in Table 1 below.

Table 1

	2009–10 £m	2008–09 £m <i>Restated</i>	Change %
Income	1,190	1,134	+ 4.8%
Expenditure	(1,191)	(1,156)	+ 3.1%
Deficit on continuing operations before donations of heritage assets	(1)	(22)	
Donations of heritage assets	3	1	
Surplus/(deficit) on continuing operations	2	(21)	
Transfer from restricted endowments	18	19	
Surplus for the year retained within general reserves	20	(2)	
Net assets	2,415	2,163	+ 11.7%

Corresponding figures including the element of Endowment Fund distributions funded out of long-term capital growth, as explained above, are:

	2009–10 £m	2008–09 £m <i>Restated</i>
Income	1,230	1,160
Surplus for the year retained within general reserves	60	24

This consolidated position is built up from the University's three main segments: its core academic activities and the assessment and publishing activities carried out by Cambridge Assessment and Cambridge University Press respectively. Within the group there are a number of intra-group transactions, principally the financial and other support for the University's academic activities made by both Cambridge Assessment and the Press. Table 2 gives segmental information.

Table 2

(Deficit)/surplus on continuing operations

	Income £m	Expenditure £m	Surplus/ (deficit) £m
Results by segment			
Education and research	719	754	(35)
Cambridge Assessment	266	231	35
Cambridge University Press	223	217	6
Eliminations			
Financial support to the University from			
Cambridge Assessment	(15)	(15)	–
Cambridge University Press	(3)	(3)	–
Pension scheme and other adjustments	–	7	(7)
	1,190	1,191	(1)

The education and research activities of the University group were at a deficit after accounting for investment income as described above. Funding Council funding was flat overall, although there was a small increase in the value of the recurrent grant. Tuition fees increased after the final transition of Home/EU undergraduates paying fees at the higher rate of £3,225 a year and increased fees in certain masters courses. Income from sponsored research increased by 3%, with charity-sponsored research making up for level income from Research Councils. Staff costs increased with additional pension costs but other expenditure was constrained in anticipation of a future challenging funding position.

Cambridge Assessment is the University's international exams group. Its mission is to promote educational excellence. It pursues this by researching, developing, and delivering qualifications to more than eight million learners in over 160 countries each year. Cambridge Assessment offers these qualifications through three exam boards: Oxford Cambridge and RSA Examinations (OCR), University of Cambridge International Examinations (CIE), and University of Cambridge ESOL Examinations (English for Speakers of Other Languages). In 2009–10 income from its examination and assessment services increased by 12% to £260m, with particularly strong growth in its international activities. Substantial investment in information technology for the delivery and administration of assessment services has been maintained and is now planned to intensify further.

Cambridge University Press's mission is to further through publication the University's objective of advancing learning, knowledge, and research worldwide. The Press is organized into two main streams: Academic publishing

of books and journals; and Cambridge Learning, comprising school books and English Language Teaching materials. It operates world-wide. Over 2009–10 the positive performance trend of recent years was maintained despite difficult economic conditions in certain markets. Overall income increased despite the strategic decision to cease printing activities for third-party customers made in 2008–09, and the Press's operations generated a surplus of £6m. The Press plans to continue to invest in growth and in the opportunities presented by a rapidly developing technological landscape, whilst at the same time controlling its costs.

Change in financial position

Table 3 below gives the movement in net assets showing the capital flows into the group, analysed into its three main segments, and the impact of changes in the values of investment assets.

Table 3

Movement in net assets

	Education and research £m	Cambridge Assessment £m	Cambridge University Press £m	University Assistants Pension scheme £m	Total £m
Net assets at 31 July 2009 (<i>restated</i>)	2,129	181	36	(183)	2,163
(Deficit)/surplus on continuing operations	(35)	35	6	(7)	(1)
Donations of heritage assets	3	–	–	–	3
Currency adjustments	–	–	6	–	6
New endowment capital	48	–	–	–	48
External funding for capital expenditure	37	–	–	–	37
Actuarial loss on retirement benefits	–	(1)	(1)	(6)	(8)
Increase in investment values	158	9	–	–	167
Other items	1	–	(1)	–	–
Net assets at 31 July 2010	2,341	224	46	(196)	2,415

Capital receipts included £48m for endowments and £60m to support the building programme. Favourable investment markets and sound investment management led to a major increase in the market values of the University's endowment and other long-term investment assets, however the pension schemes' deficit increased.

Capital expenditure programme

During the past decade the University's estate has been improved by a programme of large-scale refurbishments and through construction of new buildings on the West Cambridge, Sidgwick Avenue, Addenbrooke's, and Tennis Court Road sites. In 2009–10 the University group invested £107m in tangible fixed assets of which £87m was in respect of the University's academic activities. The Sainsbury Laboratory building for plant science was the largest individual investment and is now nearing completion. Expenditure continued on a number of other major projects including the University Library extension, 7 West Road, and the Hauser Forum and the new building for Materials Science, both at the West Cambridge site. Cambridge Assessment continued to invest in its information technology systems and its warehousing facility.

The majority of capital expenditure for academic activities is funded by external sources: Funding Council capital streams, donations for buildings, and equipment costs funded by research grants. The University is considering its approach to funding its investment in its physical infrastructure in the context of the uncertainty of the level of future Funding Council capital grants. In particular the University continues to review options for the renewal of the central sites, notably the New Museums Site, and is developing a more integrated approach in its plans for capital expenditure.

Endowment and investment performance

The University group's investment assets are significant. Although investment income provides only a small percentage of the operating budget of the University's academic activities, it supports posts and activities and gives important financial assistance to students. The investment assets are managed in three principal pools:

(i) Cambridge University Endowment Fund (CUEF)

The majority of fixed asset investments and endowment assets are invested in the CUEF, which is managed by the University's Investment Office with the advice and oversight of the Investment Board. The CUEF is managed on a total return basis with a long-term investment objective of RPI plus 5.25%. The amount distributed for budgetary expenditure is determined by a formula based on underlying capital values combined with factors which smooth the rate of spending changes from year to year, allowing a degree of certainty for planning purposes.

Arrangements were made during the year to permit Colleges and other charities linked with the University to invest in the CUEF, to gain from its scale, diversification, and professional management. Two Colleges had made such investments shortly before the year-end.

As at 31 July 2010 the CUEF had a market value of £1,141m (2009: £956m). The increase is a result of net new funds invested during the year, strong investment performance, less the amounts distributed for spending on operations.

The performance of the CUEF is measured to a 30 June year-end in order to utilize more accurate valuation and benchmark information and to allow comparisons with similar endowment investment funds. The investment performance of the CUEF was 19.2% over the twelve months to 30 June 2010, which was considered very satisfactory. As at 30 June 2010 the actual asset allocation was global equities 55%, equity long-short 9%, private investments 2%, absolute return including hedge funds 12%, credit 6%, real assets including property 13%, and fixed income including cash 3%.

(ii) The Gates Cambridge Trust

As at 31 July 2010 the Gates Cambridge Trust had assets of £160m (2009: £148m). The Trust's investments pool has been managed separately through its own investment committee and external investment adviser. Since the year-end the majority of the assets of the Gates Cambridge Trust have been invested in the CUEF.

(iii) Money market investments

The majority of the University and Group current asset investments are invested in the deposit pool. This pool is managed by the Finance Division according to guidelines on diversification, exposure, and credit quality agreed by the Finance Committee and subject to external advice. The investments are principally short-term deposits with banks and similar institutions.

Staff costs and pensions

Staff costs constitute the greater part of the University's expenditure, and pension costs and liabilities remain of great materiality and concern.

The staff costs attributable to the University's education and research activities increased because of higher pension contributions, a full year following nationally agreed general increase in salaries of 5% as at 1 October 2008, and a general increase of 0.5% made in 2009. Posts are being held vacant where possible in anticipation of funding constraints. The staff costs for Cambridge Assessment and the Press increased in line with their business growth.

The pension schemes to which the University is exposed are facing growing pressure from factors such as uncertainty over future investment returns, improving life expectancy, and salary levels. The University's principal scheme is the Universities Superannuation Scheme (USS) a very large multi-employer scheme. As at the last triennial valuation at 31 March 2008 the USS was sufficiently funded on the technical provisions basis, but an informal update as at 31 March 2010 reduced the funding level to 91%. Proposals have been made to adjust benefits for new joiners of the scheme and to make certain other changes in order that the scheme remains affordable and sustainable. The deficit of the USS is not reflected in the University's balance sheet but is a major exposure for the University.

The other main scheme, the Cambridge University Assistants' Contributory Pension Scheme (CPS), is similarly affected by investment performance, actuarial assumptions, and salary increases. The employer's contribution is currently 23.7% of pensionable pay. The full triennial valuation carried out using the CPS trustees' assumptions as at 31 July 2009 indicated that the CPS had a deficit of £139m and was 67% funded. The University will make deficit-recovery contributions to the scheme of £14.6m a year for fifteen years commencing August 2011. The University will be discussing proposals with its staff to ensure that the CPS too remains attractive but also affordable and sustainable.

Cambridge University Press has a number of schemes in the UK and United States, and certain actions have been taken to contain liabilities in respect of future service. A full triennial valuation of the schemes is being carried out for funding purposes, and it is expected that a plan to recover a material deficit will be needed.

The CPS and the Press's schemes, being single-employer schemes, are included in the financial statements following Financial Reporting Standard 17 (FRS 17). The total pension liability under FRS 17 has increased from £258m to £274m, of which £77m relates to the Press's schemes. Over the year asset values increased by more than had been assumed, but the increased valuation of liabilities more than offset this gain.

Development and fundraising

The Cambridge 800th Anniversary Campaign, which commenced in 2005, has now achieved a milestone of £1 billion raised across the University and Colleges.

During 2009–10 £48m was added to University's endowments, with further donations received for capital expenditure and as expendable gifts. The benefits of development and fundraising are long-term, strengthening Cambridge's financial security for posterity at a time of intensifying global competition and uncertainty, and cannot be expected to improve significantly the finances of the University in the short term.

North West Cambridge

Work continues to develop long-term proposals for the University's land at North West Cambridge to provide housing for staff and students together with provision for future academic and research accommodation. The Council expects to make detailed proposals in the course of 2010–11.

Subject to University and other approvals and depending on the form of the first phase and market conditions, the earliest date for delivery of a first phase of development is likely to be late 2014.

The funding outlook

The Government's plans for reforms to higher education and student finance, in response to Lord Browne's proposals, and the outcome of the Comprehensive Spending Review (CSR) have been made public. The science budget is to be held at flat cash for the next four years which is likely to represent a cut in real terms over the period.

However, the University's overall position will only become clear once the full detail of the Government's proposals and of the CSR have been provided.

The implications for the University regarding research funding should be broadly manageable provided that current actions continue in mitigating the impact through improving grant application success rates, maintaining research volume, and maintaining recovery of the indirect cost of research. However the situation with undergraduate funding and the HEFCE Teaching grant is less clear.

In the University's other areas of activity Cambridge Assessment continues to invest for growth and the Cambridge University Press is focusing on operating at a surplus to generate the funds to allow it to make the necessary investments in its activities.

Principal risks and uncertainties affecting the long-term financial position

The principal risks the University must address are the long-term ability to maintain and develop its research funding, to attract the best staff and students, and to maintain and renew its physical facilities. The activities of Cambridge Assessment and the Press are subject to the pressures of international competition, and they must balance the need to generate sufficient net income to ensure that they thrive with the need to support the University's core academic activities whenever possible.

The key financial uncertainties and risks are:

- The full extent and impact on Cambridge of Government funding cuts on teaching and research funding and on capital funding streams.
- Reductions in Research Council funding, and the significant contributions made to indirect costs by Research Council-sponsored research.
- Funding by charities and foundations of sponsored research and capital projects.
- Movements in investment markets reducing the value of the endowment and other investment assets.
- The increasing costs of pension provision.
- An uncertain economic and financial environment putting additional pressure on donations for endowment, capital expenditure, and for current use.
- The economic success of Cambridge Assessment and the Press, which operate in challenging international markets. Cambridge Assessment provides an increasingly important, but vulnerable, source of unrestricted funding for the University.

In conclusion

The University group's operations were broadly at break-even in 2009–10, largely due to the hard work on cost control in the education and research activities of the University and the excellent financial performance of Cambridge Assessment. Viewed on a 'distribution basis' for investment income, as described above, the operating surplus was £39m or around 3% of total income.

The University's diverse sources of income help accommodate changes in economic conditions or policy. However the cuts to Government funding, even though balanced to some extent by likely flexibility on fee levels, make the outlook challenging.

Professor STEVE YOUNG
Senior Pro-Vice-Chancellor

CORPORATE GOVERNANCE

1. The following statement is provided by the Council to enable readers of the financial statements to obtain a better understanding of the arrangements in the University for the management of its resources and for audit.

2. The University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty, and leadership) and within the general principles of the Guidance to Universities which has been provided by the Committee of University Chairmen and its 'Guide for Members of Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland'. Further information is given at paragraph 9 below.

Under the Statutes, the Governing Body of the University is the Regent House which comprises the resident senior members of the University and the Colleges, together with the Chancellor, the High Steward, the Deputy High Steward, and the Commissary. Subject to the Regent House, the Council of the University is the principal executive and policy-making body of the University, with general responsibility for the administration of the University, for the planning of its work, and for the management of its resources. The membership of the Council includes four external members, one of whom chairs the Audit Committee (see paragraph 7 below). The Statutes provide for the appointment of a Deputy Chairman of the Council, normally one of the external members, to take the chair as necessary or when it would be inappropriate for the Vice-Chancellor to do so, in particular in relation to the Vice-Chancellor's own accountability. The General Board of the Faculties is responsible, subject to the Regent House and to the responsibilities of the Council, for the academic and educational policy of the University.

3. The University is an exempt charity and is subject to regulation by the Higher Education Funding Council for England. The members of the University Council are the charity trustees and are responsible for ensuring compliance with charity law.

4. The Council is advised in carrying out its duties by a number of Committees, including the Planning and Resources Committee, the Finance Committee, the Audit Committee, the Remuneration Committee, the Investment Board, and the Risk Steering Committee. The Planning and Resources Committee is a joint committee of the Council and the General Board. Its responsibilities include the development and oversight of the University's Strategic Plan, and the preparation of the University's budget. The Finance Committee is chaired by the Vice-Chancellor and advises the Council on the management of the University's assets, including real property, monies, and securities, and on the care and maintenance of all University sites and buildings. The Audit Committee governs the work of the Internal and External Auditors, reporting on these matters directly to the Council. The Remuneration Committee is chaired by an external member of Council and advises the Council on the remuneration of senior staff in the University. The Investment Board, which has a majority of external members, advises the Council on the management of the University's investment assets. The Risk Steering Committee is responsible to the Council for the identification of the major corporate risks and their management.

5. The Vice-Chancellor is, *de facto*, the principal academic and administrative officer of the University. Under the terms of the Financial Memorandum between the University and the Higher Education Funding Council for England the Vice-Chancellor is the Accountable Officer of the University.

6. Under the Statutes, it is the duty of the Council to exercise general supervision over the finances of all institutions in the University other than the University Press (which is governed by the Council and the Press Syndicate through separate statutory arrangements); to keep under review the University's financial position and to make a report thereon to the University at least once in each year; to recommend bankers for appointment by the Regent House; to prepare and publish the annual accounts of the University in accordance with UK applicable accounting standards such that the accounts give a true and fair view of the state of affairs of the University.

7. It is the duty of the Audit Committee to keep under review the effectiveness of the University's internal systems of financial and other controls; to advise the Council on the appointment of external and internal auditors; to consider reports submitted by the auditors, both external and internal; to monitor the implementation of recommendations made by the internal auditors; to satisfy themselves that satisfactory arrangements are adopted throughout the University for promoting economy, efficiency, and effectiveness; to establish appropriate performance measures and to monitor the effectiveness of external and internal audit; to make an annual report to the Council, the Vice-Chancellor, and the Higher Education Funding Council for England; to receive reports from the National Audit Office and the Higher Education Funding Council for England. Membership of the Audit Committee includes as a majority five external members (including the chair of the Committee), appointed by the Council with regard to their professional expertise and experience in comparable roles in corporate life.

8. There are Registers of Interests of Members of the Council, the General Board, the Finance Committee and the Audit Committee, and of the senior administrative officers. Declarations of interest are made systematically at meetings.

9. The University is a self-governing community whose members act in accordance with the seven principles of public life (see paragraph 2 above) and in pursuit of the objectives and purposes of the University as set out in its Statutes. The University complies with most but not all of the voluntary Governance Code of Practice published in November 2004 by the Committee of University Chairmen. In particular the Vice-Chancellor is chair of the

Council, which does not have a majority of external members, and the Council is subject to the statutory authority of the Regent House. The University has no immediate plans to change these arrangements, which have proved reliable over many years in enabling the University to achieve its academic objectives.

Members of the Council during the year ended 31 July 2010

The Chancellor and the Vice-Chancellor

Elected as Heads of Colleges

Prof. William Brown
Prof. Martin Daunton
Sir Christopher Hum
Prof. Frank Kelly

Elected as Professors or Readers

Prof. David Abulafia
Prof. Ross Anderson
Dr Michael Clark
Prof. Athene Donald

Elected as members of the Regent House

Dr Nick Bampos
Dr Richard Barnes
Dr Stephen Cowley
Mr Robert Dowling
Dr David Good
Ms Deborah Lowther
Dr Rachael Padman
Dr Joan Whitehead

Members in class (e) (external members)

Mr Nigel Brown OBE
Dr Vanessa Lawrence CB
Dame Mavis McDonald
Lord Simon of Highbury

Student members 2009–10

(to 30 June 2010)
Mr Thomas Chigbo
Ms Julia Li
Mr David Lowry

(from 1 July 2010)

Mr Anthony Andrews
Mr Rahul Mansigani
Mr Sam Wakeford

The Chancellor, members in class (e) (external members), Student members, Sir Christopher Hum, and Ms Deborah Lowther are not employees of the University. The other members of the Council are employees of the University. No member of the Council receives payment for serving as a member of the Council.

STATEMENT OF PUBLIC BENEFIT

The University is an exempt charity subject to regulation by the HEFCE under the Charities Act 2006. The University reports annually on the ways in which it has delivered charitable purposes for the public benefit.

The Council, in reviewing the University's activities in this regard, has taken into account the Charity Commission's guidance on public benefit. The Council is satisfied that the activities of the University as described in these Reports and Financial Statements, and in the Annual Report of the Council, fully meet the public benefit requirements.

The Mission of the University

The Mission of the University is 'to contribute to society through the pursuit of education, learning, and research at the highest international levels of excellence'. The University makes a significant contribution, through these activities, directly and most obviously to the advancement of education, research, and dissemination of knowledge.

Research

The University is widely recognized as one of the leading research universities in the world both in terms of quality and in terms of scope and breadth. Research is undertaken at the highest level across a wide range of areas. The University takes seriously its obligations to disseminate and make publicly accessible the outcomes of its academic research activities through publication, teaching, conferences, consultancy and other knowledge transfer, and outreach activities. It therefore offers public benefit through the continued advancement of knowledge across the sciences, medicine, arts, humanities, culture, and heritage.

A substantial proportion of the research undertaken in the University across the fields of clinical medicine, biomedicine, physics of medicine, and engineering leads directly to the advancement of health and the saving of lives. Research is also carried out in the area of sustainability, environmental protection, and improvement.

Research work in the University is focused at local, national, and international levels. The products of this research have a wide-ranging influence through the advancement of understanding and its application in scientific and technological advances, and through informing public debate on policy. The impact of the University's research extends to governments, public sector bodies, and charities.

Education

The University's research activities feed directly into its teaching at every level. Around 18,000 students, of whom 12,000 are undergraduates, pursue courses across a wide range of disciplines. The quality of the education (and, as importantly, the educational experience) which the University provides is consistently recognized by the University's status at or near the top of national and international rankings.

The University is committed to admitting students of the highest intellectual potential, irrespective of social, racial, religious, financial or other considerations. The University ensures that individuals from all backgrounds can benefit from the opportunities afforded by a first-rate education and are not unreasonably excluded from those opportunities by the charging of fees. The University ensures that bursaries are available where necessary and outreach activities are undertaken to improve participation by under-represented groups. Financial support is provided to students from overseas through University funds and by trusts associated with the University.

The University is aware that there are significant variations in the educational opportunities, information, and support available to individuals. It therefore invests significant resource and effort into its access and widening participation activities. The University encourages applications from people with disabilities and from mature students.

For the wider community a broad range of lectures, seminars, and courses provide the opportunity for members of the wider public to share in the University's educational provision. The University's Institute of Continuing Education offers short non-credit courses, residential, and summer schools.

The University is committed to equipping those who participate in its educational programmes with the highest quality of teaching and pastoral, infrastructural, and academic support. It is fundamental to the University's mission that its students are personally, academically, and professionally equipped to contribute positively to society. In this regard, the quality and depth of their student experience benefits them directly but also benefits the societies to which they will contribute, through their participation in the workforce and as informed and questioning citizens.

The wider applications of the University's commitment to disseminating knowledge

The University's publishing house the Cambridge University Press contributes to the University's commitment to make publicly accessible the outcomes of academic research activities in Cambridge and from across the world by publishing peer reviewed academic material and other educational publications. Through Cambridge Assessment the University develops and delivers a range of widely used and respected examinations, benefiting the UK and world-wide community by offering internationally recognized qualifications, raising aspirations, and transforming lives.

STATEMENT OF INTERNAL CONTROL

1. The Council is responsible for maintaining a sound system of internal control that supports the achievement of policies, aims, and objectives, while safeguarding the public and other funds and assets for which the Council is responsible, in accordance with the Statutes and Ordinances and the Financial Memorandum with the HEFCE.
2. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims, and objectives; it therefore provides reasonable but not absolute assurance of effectiveness.
3. The system of internal control is designed to identify the principal risks to the achievement of policies, aims, and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively, and economically. This process was in place for the year ended 31 July 2010 and up to the date of approval of the financial statements, and accords with HEFCE guidance.
4. The Council is responsible for reviewing the effectiveness of the system of internal control. The following processes have been established:
 - (a) The Council meets eleven times throughout the year to consider the plans and strategic direction of the University.
 - (b) The Council receives periodic reports from the Chairman of the Audit Committee concerning internal control and the minutes of all meetings of the Audit Committee.
 - (c) The Council's Risk Steering Committee oversees risk management. The Council receives periodic reports from the Chairman of the Risk Steering Committee and the minutes of all meetings of the Risk Steering Committee.
 - (d) The Audit Committee receives regular reports from the internal auditors, which include the internal auditors' independent opinion on the adequacy and effectiveness of the University's system of internal control and risk management, together with recommendations for improvement. Each meeting of the Audit Committee receives a report from the Chairman of the Risk Steering Committee.
 - (e) The University (primarily through the officers of the Risk Steering Committee) provides briefings (either on a one-to-one basis or in relevant groupings) to those who own or manage central or school level risks.
 - (f) A system of indicators has been developed for the University's key risks.
 - (g) A robust risk prioritization methodology based on risk ranking and cost-benefit analysis has been established.
 - (h) A University-wide risk register is maintained as are registers at School level.
 - (i) Key risks have been assigned to risk owners and risk reporting channels established.
5. The Council's review of the effectiveness of the system of internal control is informed by the work of the internal auditors Deloitte LLP.
6. The Council's review of the effectiveness of the system of internal control is also informed by the work of the senior officers and the risk owners within the University, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

STATEMENT OF THE RESPONSIBILITIES OF THE COUNCIL

1. Under the University's Statutes it is the duty of the Council to prepare and to publish the annual accounts of the University in accordance with UK applicable accounting standards such that the accounts give a true and fair view of the state of affairs of the University.
2. The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University.
3. In preparing the financial statements the Council is required to:
 - (a) select suitable accounting policies and then apply them consistently;
 - (b) make judgements and estimates that are reasonable and prudent;
 - (c) state whether applicable accounting standards have been followed;
 - (d) prepare the financial statements on a going concern basis unless it is inappropriate to presume that the University will continue to operate;
 - (e) ensure that income has been applied in accordance with the University's Statutes and Ordinances, and its Financial Memorandum with the HEFCE and the funding Agreement with the Training and Development Agency for Schools; and
 - (f) safeguard the assets of the University and take reasonable steps to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF THE UNIVERSITY OF CAMBRIDGE

We have audited the financial statements of the University of Cambridge and its group for the year ended 31 July 2010 which comprise the Consolidated income and expenditure account, the Note of consolidated historical cost result, the Consolidated statement of total recognised gains and losses, the Group and University Balance sheets, the Consolidated cash flow statement, the Statement of principal accounting policies and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

Respective responsibilities of the Council and auditors

The Council's responsibilities for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice—Accounting for Further and Higher Education, applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Responsibilities of the Council.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Council of the University in accordance with the Statutes and Ordinances of the University and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice—Accounting for Further and Higher Education, the Accounts Direction issued by the Higher Education Funding Council for England and United Kingdom Generally Accepted Accounting Practice.

We report to you whether in our opinion, funds from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the Statutes and Ordinances of the University and where appropriate with the financial memorandum with the Higher Education Funding Council for England (HEFCE) and with the funding agreement with the Training and Development Agency for Schools.

We also report to you if, in our opinion, the information given in the Financial Review is not consistent with those financial statements, the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Financial Review, the Corporate Governance Statement (incorporating the members of the Council during the year ended 31 July 2010), the Statement of the Responsibilities of the Council and the Statement of Public Benefit and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. This other information comprises only the Financial Review, the Corporate Governance Statement (incorporating the members of the Council during the year ended 31 July 2010), the Statement of the Responsibilities of the Council and the Statement of Public Benefit.

We also review the statement of internal control and comment if the statement is inconsistent with our knowledge of the University and the group. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the University's corporate governance procedures or its risk and control procedures. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and with the HEFCE Accountability and Audit Code of Practice contained in the Financial Memorandum 2008/19. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and University's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- i. the financial statements give a true and fair view of the state of the group's and the University's affairs at 31 July 2010, and of the group's income and expenditure, recognised gains and losses, and statement of cash flows for the year then ended;
- ii. the financial statements have been properly prepared in accordance with the Statement of Recommended

- Practice–Accounting for Further and Higher Education, the Accounts Direction issued by the Higher Education Funding Council for England and United Kingdom Generally Accepted Accounting Practice;
- iii. in all material respects, funds from the Higher Education Funding Council for England and the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received; and
 - iv. in all material respects, income has been applied in accordance with the Statutes and Ordinances of the University and funds provided by HEFCE have been applied in accordance with the financial memorandum (2008/19) with the Higher Education Funding Council for England and any other terms and conditions attached to them and funds from the Training and Development Agency for Schools have been applied in accordance with the funding agreement with the Training and Development Agency for Schools.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cambridge
22 November 2010

The maintenance and integrity of the University of Cambridge's website is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and the Statement of Recommended Practice: Accounting for Further and Higher Education (the SORP).

The income and expenditure account includes captions additional to those specified by the SORP in order to present an appropriate overview for the specific circumstances of the University.

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified in respect of the treatment of investments and certain operational properties which are included at valuation.

Basis of consolidation

The consolidated financial statements include the University and its subsidiary undertakings including the Gates Cambridge Trust and other Associated Trusts. Details of the subsidiary undertakings included are given in note 31. Intra-group transactions and balances are eliminated on consolidation.

The Gates Cambridge Trust is a separately constituted exempt charity which is accounted for as a subsidiary undertaking of the University since the University appoints the majority of its trustees. The purposes of the Gates Cambridge Trust are to support the University by enabling persons (to be known as 'Gates Cambridge Scholars') from any part of the world outside the United Kingdom to benefit from education in the University by provision of scholarships and grants and otherwise. These purposes cannot be changed without the consent of the settler, The Bill & Melinda Gates Foundation. The assets of the Gates Cambridge Trust are therefore not available for the general purposes of the University.

The Associated Trusts are similarly constituted exempt charities with purposes primarily to provide support to enable students ordinarily resident or domiciled in countries outside the United Kingdom to benefit from education in the University. The assets of the Associated Trusts are therefore not available for the general purposes of the University.

The consolidated financial statements do not include the accounts of the 31 Colleges in the University ('the Colleges'), each of which is an independent corporation. Transactions with the Colleges are disclosed in note 33.

The consolidated financial statements do not include the accounts of Cambridge University Students Union or of the Cambridge University Graduate Union, as these are separate bodies in which the University has no financial interest and over whose policy decisions it has no control.

Recognition of income

Recurrent grant

Recurrent grant is received from the Higher Education Funding Council for England (HEFCE) and the Training and Development Agency for Schools. Recurrent grant is recognised as income in the period to which it relates.

Restricted grant income

Grants are received for restricted purposes, principally from HEFCE and research sponsors. Restricted grants are recognised as income to the extent that relevant expenditure has been incurred.

Charitable donations

Charitable donations are recognised on receipt or where there is certainty of future receipt and the value can be measured reliably. The accounting treatment of a donation depends on the nature and extent of restrictions specified by the donor. Donations with no substantial restrictions are recognised as income in the income and expenditure account. Donations which are to be retained for the future benefit of the University, and other donations with substantially restricted purposes, other than for the acquisition or construction of tangible fixed assets, are recognised in the statement of total recognised gains and losses as new endowments.

Capital grants and donations

Grants and donations are received for the purposes of funding the acquisition and construction of tangible fixed assets. In the case of depreciable assets these are credited to deferred capital grants when the related capital expenditure is incurred and released to income over the expected useful life of the respective assets in line with the depreciation policy. Grants and donations of, or for the acquisition of, freehold land or heritage assets, which are non-depreciable assets, are credited to the income and expenditure account in the year of acquisition.

Academic fees

Tuition fees for degree courses are charged to students by academic term. Income is recognised for academic terms falling within the period. For short courses, fees are charged in advance for the entire course and income is recognised to the extent that the course duration falls within the period.

Examination and assessment services

Income from examination-based assessments is recognised when services are rendered and substantially complete. Income from qualifications not based on examination sessions is recognised in proportion to the number of modules achieved by candidates. This represents a change to the accounting policy adopted in previous years, as disclosed in note 11.

Publishing and printing

Income is recognised on delivery of the goods to the customer.

Other income

Income is received from a range of activities including residences, catering, conferences, and other services rendered. Income is recognised on the exchange of the relevant goods or services.

Endowment and investment income

All investment income is credited to the income and expenditure account in the period in which it is earned. Income from restricted endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to restricted endowments.

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Where foreign branches of Cambridge University Press (CUP) accounting in foreign currencies operate as separate businesses, all their assets and liabilities are translated into sterling at year-end rates and the net effect of currency adjustments is taken directly to reserves. Otherwise, monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates and translation differences are taken to the income and expenditure account.

Tangible fixed assets*Land and buildings*

Operational land and buildings are included in the financial statements at their 1994 valuation with subsequent additions at cost. On the adoption of Financial Reporting Standard (FRS) 15 (Tangible fixed assets), the University followed the transitional provision to retain the book value of land and buildings, which were revalued on 1 August 1994 by AK Rodgers, Chartered Surveyor, but not to adopt a policy of revaluations of these properties in the future.

No depreciation is provided on freehold land or on assets in construction. Freehold buildings are written off on a straight line basis over their estimated useful lives, which are between 15 and 50 years, and leasehold properties are written off over the length of the lease.

Equipment

Equipment costing less than £30,000 per individual item is written off in the year of purchase. All other equipment is capitalised and depreciated so that it is written off on a straight line basis over its estimated useful life of between four and ten years.

Heritage assets

The University holds and conserves a number of collections, exhibits, artefacts, and other assets of historical, artistic or scientific importance. In accordance with FRS 15 and FRS 30 (Heritage assets), heritage assets acquired before 1 August 1999 have not been capitalised, since reliable estimates of cost or value are not available on a cost-benefit basis. Acquisitions since 1 August 1999 have been capitalised at cost or, in the case of donated assets, at expert valuation on receipt. In line with the accounting policy in respect of equipment, the threshold for capitalising assets is £30,000. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material. As encouraged by FRS 30, the University has chosen to apply the requirements of this standard in advance of its effective date.

Intangible fixed assets: goodwill

Goodwill arises on consolidation and is based on the fair value of the consideration given for the subsidiary and the fair value of its assets at the date of acquisition. Goodwill is amortised over its estimated economic life of between five and ten years on a straight line basis. Where there is impairment in the carrying value of goodwill, the loss is included in the results of the period.

Investments

Fixed asset investments and endowment assets are included in the balance sheet at market value, except for investments in subsidiary undertakings which are stated in the University's balance sheet at cost and eliminated on consolidation. Properties held for investment purposes are valued annually on the basis of estimated open market values on an existing use basis by Knight Frank or, in the case of local non-operational properties, by chartered surveyors employed by the University. Marketable securities are valued at midmarket valuation on 31 July. Non-marketable securities, including investments in spin-out companies, are included at valuation by the Council. Current asset investments are included in the balance sheet at the lower of cost and net realisable value.

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value after making provision for slow moving and obsolete items.

Endowment funds

Endowment funds are classified under three headings:

Where the donor has specified that the fund is to be permanently invested to generate an income stream for the general purposes of the University, the fund is classified as an unrestricted permanent endowment.

Where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied for a restricted purpose, the fund is classified as a restricted permanent endowment.

Where the donor has specified a particular objective other than the acquisition or construction of tangible fixed assets, and that the University must or may convert the donated sum into income, the fund is classified as a restricted expendable endowment.

Pension costs

The University contributes to a number of defined benefit pension schemes and accounts for the costs in relation to these schemes in accordance with FRS 17 (Retirement benefits).

Where the University is unable to identify its share of the underlying assets and liabilities in a scheme on a reasonable and consistent basis, it accounts as if the scheme were a defined contribution scheme, so that the cost is equal to the total of contributions payable in the year.

For other defined benefit schemes, the assets of each scheme are measured at fair value, and the liabilities are measured on an actuarial basis using the projected unit method and discounted at an appropriate rate of return. The University's share of the surplus or deficit of the scheme is recognised as an asset or liability on the balance sheet. The current service cost, being the actuarially determined present value of the pension benefits earned by employees in the current period, and the past service cost are included within staff costs. Endowment and investment income includes the net of the expected return on assets, being the actuarial forecast of total return on the assets of the scheme, and the interest cost being the notional interest cost arising from unwinding the discount on the scheme liabilities. All changes in the pension surplus or deficit due to changes in actuarial assumptions or differences between actuarial forecasts and the actual out-turn are reported in the statement of total recognised gains and losses.

Segmental reporting

The University operates in a number of different classes of business. For the purpose of segmental reporting as required by Statement of Standard Accounting Practice 25 (Segmental reporting), classes of business have been identified by reference to the nature of activity, the nature of funding and the management organisation.

Consolidated income and expenditure account for the year ended 31 July 2010

		Year ended 31 July 2010	Year ended 31 July 2009 <i>Restated</i>
	<i>Note</i>	£m	£m
Income			
Funding body grants	<i>1</i>	205	205
Tuition fees and education contracts	<i>2</i>	102	92
Research grants and contracts	<i>3</i>	268	260
Examination and assessment services	<i>4</i>	260	231
Publishing and printing services		222	207
Other income	<i>5</i>	115	111
Endowment and investment income	<i>6</i>	18	28
		<hr/>	<hr/>
Total income		1,190	1,134
Expenditure			
Staff costs	<i>7</i>	544	512
Other operating expenses	<i>8</i>	567	581
Depreciation	<i>8</i>	67	62
Interest and other finance costs	<i>8</i>	13	1
		<hr/>	<hr/>
Total expenditure	<i>8</i>	1,191	1,156
Deficit on continuing operations before donations of heritage assets			
		(1)	(22)
Donations of heritage assets			
	<i>13</i>	3	1
Surplus / (deficit) on continuing operations after donations of heritage assets			
	<i>9, 10</i>	2	(21)
Transfer from restricted endowments			
	<i>24</i>	18	19
Surplus / (deficit) for the year retained within general reserves			
	<i>25</i>	20	(2)

The income and expenditure account is in respect of continuing activities.

Note of consolidated historical cost result for the year ended 31 July 2010

		Year ended 31 July 2010	Year ended 31 July 2009 <i>Restated</i>
	<i>Note</i>	£m	£m
Surplus / (deficit) on continuing operations		2	(21)
Realisation of gains on disposal of fixed asset investments	<i>25</i>	41	17
Depreciation on revaluation element of tangible fixed assets	<i>25</i>	6	6
		<hr/>	<hr/>
Historical cost surplus for the year		49	2

Additional information:

Total income and surplus retained in reserves as stated above do not include the element of Cambridge University Endowment Fund distributions funded out of long-term capital growth, as described in note 6, amounting to £40m (2009: £26m). The corresponding figures including this element are:

	Year ended 31 July 2010	Year ended 31 July 2009
	£m	£m
Total income on a distribution basis	1,230	1,160
	<hr/>	<hr/>
Surplus for the year retained within general reserves on a distribution basis	60	24

Comparative figures have been restated in respect of a change of accounting policy for income recognition as described in note 11.

Consolidated statement of total recognised gains and losses for the year ended 31 July 2010

	<i>Note</i>	Year ended 31 July 2010	Year ended 31 July 2009 <i>Restated</i>
		£m	£m
Surplus / (deficit) on income and expenditure account		2	(21)
Increase / (decrease) in market value of investments			
Endowment assets	<i>24</i>	79	(81)
Fixed asset investments	<i>14, 25</i>	88	(16)
New endowment capital	<i>24</i>	48	47
Gain arising on foreign currency translation	<i>25</i>	6	4
Actuarial loss	<i>25</i>	(8)	(94)
Total recognised gains / (losses) relating to the year		215	(161)
Prior year adjustment (see note 11)		(19)	
Total gains since the last annual report		196	

Reconciliation

Opening reserves and endowments as previously stated	1,675
Total gains since the last annual report	196
Closing reserves and endowments	1,871

Balance sheets as at 31 July 2010

	<i>Note</i>	Group 31 July 2010 £m	<i>Group 31 July 2009 Restated</i> £m	University 31 July 2010 £m	<i>University 31 July 2009</i> £m
Fixed assets					
Intangible assets	12	3	4	1	3
Tangible assets	13	1,100	1,063	1,095	1,055
Investments	14	518	450	382	332
		1,621	1,517	1,478	1,390
Endowment assets	15	912	804	741	648
Current assets					
Stocks and work in progress	16	59	48	48	36
Debtors	17	244	207	249	217
Investments					
University	18	239	173	195	124
Held on behalf of others	18	18	4	231	156
Cash at bank and in hand		38	25	17	7
		598	457	740	540
Creditors: amounts falling due within one year	19	(421)	(335)	(576)	(419)
Net current assets		177	122	164	121
Total assets less current liabilities		2,710	2,443	2,383	2,159
Creditors: amounts falling due after more than one year	20	(6)	(7)	(5)	(6)
Pension liabilities	21	(274)	(258)	(77)	(74)
Other retirement benefits liability	22	(15)	(15)	(15)	(15)
Total net assets		2,415	2,163	2,286	2,064
Represented by:					
Deferred capital grants	23	543	506	543	506
Endowments					
Expendable endowments	24	319	286	150	131
Permanent endowments	24	593	518	591	517
	24	912	804	741	648
Reserves					
General reserves	25	739	674	806	746
Operational property revaluation reserve	25	139	145	139	145
Fixed asset investment revaluation reserve	25	81	33	57	19
	25	959	852	1,002	910
Reserves and endowments		1,871	1,656	1,743	1,558
Minority interest in subsidiary undertakings		1	1	–	–
Total		2,415	2,163	2,286	2,064

Comparative figures have been restated in respect of a change of accounting policy for income recognition as described in note 11.

The financial statements on pages 235 to 258 were approved by the Council on 22 November 2010 and signed on its behalf by:

Professor Sir Leszek Borysiewicz
Vice-Chancellor

Lord Simon of Highbury
Member of Council

Andrew Reid
Director of Finance

Consolidated cash flow statement for the year ended 31 July 2010

	<i>Note</i>	Year ended 31 July 2010	Year ended 31 July 2009
		£m	£m
Net cash inflow from operating activities	26	55	14
Returns on investments and servicing of finance	27	18	35
Capital expenditure and financial investment	27	(66)	(69)
Cash inflow / (outflow) before use of liquid resources and financing		<u>7</u>	<u>(20)</u>
Management of liquid resources:			
Increase in short-term deposits	28	9	(6)
Financing	27	(2)	–
Increase / (decrease) in cash in the year		<u>14</u>	<u>(26)</u>

Reconciliation of net cash flow to movement in net funds

Increase / (decrease) in cash		14	(26)
Cash outflow from liquid resources		(9)	6
Movement in net funds in the year		<u>5</u>	<u>(20)</u>
Net funds at 1 August		41	61
Net funds at 31 July	28	<u>46</u>	<u>41</u>

NOTES TO THE ACCOUNTS

	2010 £m	2009 £m
1 Funding body grants		
Higher Education Funding Council for England (HEFCE)		
Recurrent grant	179.7	175.1
Specific grants	8.1	12.1
Deferred capital grant released in year (note 23)		
Equipment	4.2	5.4
Buildings	10.6	9.7
HEFCE total	202.6	202.3
Training and Development Agency for Schools		
Recurrent grant	2.7	2.9
	205.3	205.2
2 Tuition fees and education contracts		
Full-time home / EU students	46.3	41.6
Full-time overseas (non-EU) students	42.5	38.4
Part-time course fees	7.9	7.0
Research Training Support Grants	5.3	4.8
	102.0	91.8
3 Income: research grants and contracts		
Research councils	111.1	112.5
UK based charities	77.8	72.1
Other bodies	78.8	75.6
	267.7	260.2
Total research grants and contracts income excludes £5.0m (2009: £5.7m) deferred capital grants receivable in the year but includes £7.3m (2009: £7.8m) released from deferred capital grants to match the depreciation charge on the related equipment—see note 23.		
4 Examination and assessment services		<i>Restated</i>
Examination fees	245.5	218.9
Other examination and assessment services	14.3	12.3
	259.8	231.2
Comparative figures have been restated on the basis of the accounting policy adopted in 2009–10 for the recognition of income as described in note 11.		
5 Other income		
Other services rendered	26.4	26.4
Health and hospital authorities	16.0	16.0
Residences, catering and conferences	7.5	8.5
Arts & Humanities Research Council museum grant	–	1.8
University companies	18.0	15.4
Released from deferred capital grants (note 23)	8.3	7.8
Unrestricted donations	14.0	13.1
Rental income	6.5	6.1
Sundry income	18.4	16.3
	115.1	111.4

NOTES TO THE ACCOUNTS (continued)

	2010	2009
	£m	£m
6 Endowment and investment income		
Income from expendable endowment asset investments	9.1	9.6
Income from permanent endowment asset investments	24.7	24.0
Income from fixed asset investments	16.3	15.5
Other investment income	7.7	4.4
	57.8	53.5
Less Cambridge University Endowment Fund distributions funded out of long-term capital growth.	(39.7)	(25.8)
	18.1	27.7

The University operates a unitised fund, the Cambridge University Endowment Fund (CUEF), for long-term investment in respect of individual restricted endowments and other balances, and by other group undertakings. The CUEF is managed on a total return basis and invests in asset classes some of which generate little or no income. Distributions are made to unit-holding funds according to a formula which has regard to the total return reasonably to be expected in the long term, in proportion to the number of units held. Investing funds receive distributions as income. In the year ended 31 July 2010, distributions by the CUEF exceeded income received in the year by the CUEF from its underlying investments by £39.7m (2009: £25.8m), the balance of the distributions being funded by drawing on long-term capital growth.

7 Staff costs	2010	2009
	£m	£m
Wages and salaries	425.9	417.3
Social security costs	36.3	36.0
Pension costs (note 30)	82.0	58.9
	544.2	512.2
Remuneration of the Vice-Chancellor	2010	2009
	£000	£000
Remuneration excluding employer's pension contributions	249	246
Employer's pension contributions	–	–
	249	246

Remuneration of higher paid staff

Remuneration for this purpose excludes employer's pension contributions except to the extent these result from the sacrifice of an element of pay. The numbers in each band have been analysed by segment (see note 10).

	Education and research		Assessment	2010
	Clinical	Non-Clinical	and Press	Total
£100,001–£110,000	20	34	9	63
£110,001–£120,000	11	31	5	47
£120,001–£130,000	4	14	7	25
£130,001–£140,000	8	5	3	16
£140,001–£150,000	12	4	4	20
£150,001–£160,000	10	5	2	17
£160,001–£170,000	7	2	1	10
£170,001–£180,000	5	1	1	7
£180,001–£190,000	3	–	–	3
£190,001–£200,000	5	3	2	10
£200,001–£210,000	4	–	–	4
£210,001–£220,000	1	–	–	1
£220,001–£230,000	1	–	–	1
£230,001–£240,000	–	–	–	–
£240,001–£250,000	–	1	–	1
£250,001–£260,000	–	–	–	–
£260,001–£270,000	–	–	1	1
£270,001–£280,000	–	–	–	–
£280,001–£290,000	–	–	–	–
£290,001–£300,000	–	1	–	1
£300,001–£310,000	–	–	–	–
£310,001–£320,000	–	–	1	1
£320,001–£330,000	–	–	–	–
£330,001–£340,000	–	1	–	1

The above statistics include additional payments to employees of the University on behalf of NHS bodies.

NOTES TO THE ACCOUNTS (continued)**8 Analysis of expenditure by activity**

	Staff costs £m	Other operating expenses £m	Depreciation £m	Interest payable £m	2010 Total £m	2009 Restated £m
Academic departments	188.8	36.3	8.0	–	233.1	222.5
Academic services	22.1	12.5	0.2	–	34.8	32.8
Payments to Colleges (see note 33)	–	39.5	–	–	39.5	37.7
Research grants and contracts	122.5	92.2	7.3	–	222.0	215.4
Other activities:						
Examination and assessment services	68.8	136.6	10.4	–	215.8	203.2
Publishing and printing services	69.9	135.3	4.3	5.0	214.5	206.5
Other services rendered	9.5	13.9	0.1	–	23.5	26.2
University companies	5.2	11.1	0.1	–	16.4	19.7
Residences, catering and conferences	3.0	7.2	0.1	–	10.3	11.9
Other activities total	156.4	304.1	15.0	5.0	480.5	467.5
Administration and central services:						
Administration	34.0	6.0	2.2	–	42.2	44.0
General educational	2.3	37.8	0.1	–	40.2	38.7
Staff and student facilities	3.7	0.6	–	–	4.3	4.1
Development office	2.9	3.5	–	–	6.4	5.6
Other	–	0.9	–	–	0.9	3.0
Administration and central services total	42.9	48.8	2.3	–	94.0	95.4
Premises	12.4	33.7	34.2	–	80.3	83.5
Pension cost adjustments for CPS (see note 30)	(0.9)	–	–	7.9	7.0	0.6
Total per income and expenditure account	544.2	567.1	67.0	12.9	1,191.2	1,155.4

The depreciation charge has been funded by:

Deferred capital grants (note 23)	30.4
Revaluation reserve (note 25)	6.0
General income	30.6
	<u>67.0</u>

Other operating expenses include:

2010	2009
£000	£000

Auditors' remuneration

Audit fees payable to the University's external auditors	521	246
Other fees payable to the University's external auditors	18	179
Audit fees payable to other firms	52	228

Payments to trustees

Reimbursement of expenses to two external members of Council	1	1
--	---	---

These amounts include related irrecoverable VAT.

9 Surplus / (deficit) on continuing operations

2010	2009
£m	£m
	<i>Restated</i>

The surplus / (deficit) on continuing operations after donations of heritage assets for the year is made up as follows:

University's deficit for the year	(3.0)	(2.4)
Surplus generated by subsidiary undertakings and transferred to the University under gift aid	5.2	1.2
Surplus / (deficit) dealt with in the accounts of the University	2.2	(1.2)
Group level adjustments re defined benefit schemes	(6.9)	(5.7)
Surplus / (deficit) retained in subsidiary undertakings	6.7	(13.2)
	<u>2.0</u>	<u>(20.1)</u>

NOTES TO THE ACCOUNTS (continued)**10 Segmental reporting**

The group consisting of the University and its subsidiary undertakings has three principal classes of activity:

Education and research	
Assessment	Examination and assessment services, carried out by the University of Cambridge Local Examinations Syndicate and subsidiary undertakings, collectively known as Cambridge Assessment.
Press	Publishing and printing services, carried out by the Cambridge University Press Syndicate and subsidiary undertakings

Income, result for the year and net assets at the year end are attributable to the three segments as follows:

	Segment total income	Inter-segment income	Income from third parties	(Deficit) / surplus	Net assets
	£m	£m	£m	£m	£m
Year ended 31 July 2010					
Education and research	718.9	17.9	701.0	(31.2)	2,341.1
Assessment	265.4	–	265.4	34.5	224.4
Press	223.2	–	223.2	5.7	45.7
	1,207.5	17.9	1,189.6	9.0	2,611.2
Unallocated re Contributory Pension Scheme	–	–	–	(7.0)	(196.4)
Group	1,207.5	17.9	1,189.6	2.0	2,414.8
Year ended 31 July 2009					
Education and research	720.2	24.5	695.7	(24.2)	2,128.6
Assessment (<i>restated</i>)	236.8	–	236.8	9.0	181.6
Press	209.2	2.1	207.1	0.6	35.2
	1,166.2	26.6	1,139.6	(14.6)	2,345.4
Unallocated re Contributory Pension Scheme	(5.0)	–	(5.0)	(5.7)	(183.0)
Group (<i>restated</i>)	1,161.2	26.6	1,134.6	(20.3)	2,162.4

11 Prior year adjustment

The University has changed its accounting policy for the recognition of income in respect of certain examination and assessment services. In previous years income from qualifications not based on examination sessions was recognised on the basis of work completed, measured with reference to the proportion of the total costs incurred by Cambridge Assessment at the reporting date. The policy has been reviewed and such income is now recognised in proportion to the number of modules achieved by candidates. The University believes that this new policy gives a fairer presentation of the Group's results and balance sheet.

Comparative figures have been restated to reflect the revised accounting policy. The effect of the prior year adjustment on the result for the year is as follows.

	2010	2009
	£m	£m
Surplus / (deficit) for the year under previous accounting policies	0.5	(14.8)
Impact of change in accounting policy	1.5	(5.3)
Surplus / (deficit) on continuing operations after donations of heritage assets as restated	2.0	(20.1)
The effect of these changes on net assets is as follows:	Group	Group
	2010	2009
	£m	£m
Increase in deferred income included in current liabilities	(17.4)	(18.8)
Reduction in net assets	(17.4)	(18.8)
Net assets under previous accounting policies	2,432.2	2,181.2
Net assets as restated	2,414.8	2,162.4

NOTES TO THE ACCOUNTS (continued)

12 Intangible fixed assets: goodwill and others		Group 2010 £m	Group 2009 £m	University 2010 £m	University 2009 £m
Opening balance		3.5	3.8	3.2	3.5
Additions / (disposals) in the year		0.9	1.2	(1.0)	1.2
Amortisation charge for the year		(1.3)	(1.8)	(1.3)	(1.5)
Currency adjustments		(0.1)	0.3	–	–
Closing balance		3.0	3.5	0.9	3.2

13 Tangible fixed assets	Land and buildings £m	Assets in construction £m	Equipment £m	Heritage assets £m	2010 Total £m	2009 Total £m
Group						
Cost or valuation						
At 1 August	1,108.7	69.0	240.8	31.0	1,449.5	1,371.1
Additions at cost	0.6	80.4	23.0	3.7	107.7	84.6
Transfers	50.5	(54.9)	4.4	–	–	–
Disposals	(3.2)	(0.3)	(17.4)	–	(20.9)	(12.1)
Currency adjustments	0.2	–	0.1	–	0.3	5.9
At 31 July	1,156.8	94.2	250.9	34.7	1,536.6	1,449.5
Depreciation						
At 1 August	217.9	–	168.5	–	386.4	330.2
Charge for the year	37.3	–	29.7	–	67.0	61.7
Elimination on disposals	(0.6)	–	(16.7)	–	(17.3)	(7.0)
Currency adjustments	–	–	0.1	–	0.1	1.5
At 31 July	254.6	–	181.6	–	436.2	386.4
Net book value						
At 31 July	902.2	94.2	69.3	34.7	1,100.4	1,063.1
At 1 August	890.8	69.0	72.3	31.0	1,063.1	1,040.9
University						
Cost or valuation						
At 1 August	1,104.5	68.9	222.7	31.0	1,427.1	1,344.6
Additions at cost	2.6	80.0	21.0	3.7	107.3	85.1
Transfers	50.5	(54.6)	4.1	–	–	–
Disposals	(1.4)	(0.3)	(14.9)	–	(16.6)	(8.1)
Currency adjustments	0.2	–	–	–	0.2	5.5
At 31 July	1,156.4	94.0	232.9	34.7	1,518.0	1,427.1
Depreciation						
At 1 August	215.6	–	156.8	–	372.4	312.7
Charge for the year	37.5	–	27.3	–	64.8	61.9
Elimination on disposals	(0.2)	–	(14.3)	–	(14.5)	(3.4)
Currency adjustments	–	–	–	–	–	1.2
At 31 July	252.9	–	169.8	–	422.7	372.4
Net book value						
At 31 July	903.5	94.0	63.1	34.7	1,095.3	1,054.7
At 1 August	888.9	68.9	65.9	31.0	1,054.7	1,031.9

Land and buildings includes land totalling £80.5m (2009: £81.0m) which is not depreciated.

The net book value of land and buildings at the year end on a historical cost basis would be: Group £763.0m (2009: £745.6m); University £764.3m (2009: £743.7m). All other tangible fixed assets are stated at cost less accumulated depreciation.

The cost to the group of freehold buildings and assets in construction consists of the cost incurred by the University less the surplus recorded in the accounts of Lynxvale Limited, a subsidiary undertaking, and eliminated on consolidation.

NOTES TO THE ACCOUNTS (continued)

13 Tangible fixed assets (continued)

Heritage assets

The University holds and conserves certain collections, artefacts and other assets of historical, artistic or scientific importance. Most of these are housed in the University's nationally accredited museums and collections and in its libraries, providing a valuable research and educational resource locally, nationally and internationally as well as an unrivalled opportunity to present the University's work to a wide audience. Other collections are held in academic departments or are on display as public art. Major collections include those held by the University Library, a legal deposit, the Botanic Garden and the Fitzwilliam Museum.

In respect of its major collections, the University's practice, in accordance with the national accreditation standards, is: to preserve, conserve and manage the objects in its care; to augment the collections where appropriate and within the resources available; to enable and encourage access to and use of the collections for teaching and research; and to enable wide access to and engagement with the collections by members of the public.

As stated in the statement of principal accounting policies, heritage assets acquired since 1 August 1999 have been capitalised. The majority of assets held in the University's collections were acquired before 1 August 1999; because reliable estimates of cost or valuation are not available for these on a cost-benefit basis they have not been capitalised. As a result the total included in the balance sheet is partial.

Additions for the current and previous four years were as follows:	2010	2009	2008	2007	2006
	£m	£m	£m	£m	£m
Acquisitions purchased with specific donations	1.7	–	0.4	1.0	0.8
Value of acquisitions by donation	1.8	0.7	8.3	2.6	2.1
Total acquired by, or funded by, donations	3.5	0.7	8.7	3.6	2.9
Acquisitions purchased with University funds	0.2	–	0.3	0.3	0.3
Total acquisitions capitalised	3.7	0.7	9.0	3.9	3.2

14 Fixed asset investments

	Group	Group	University	University
	2010	2009	2010	2009
	£m	£m	£m	£m
Opening balance	450.1	369.5	331.7	283.8
Net additions in the year	18.9	122.1	13.7	75.5
Distributions (see note 6)	(39.7)	(25.8)	(34.8)	(23.6)
Increase / (decrease) in market value of investments	88.5	(15.7)	71.0	(4.0)
Closing balance	517.8	450.1	381.6	331.7
Represented by:				
Property	74.8	61.1	64.0	55.3
Securities	391.1	316.6	264.0	215.2
Money market investments	0.5	53.2	20.0	50.6
Investments in subsidiary undertakings	–	–	1.8	1.2
Investment in spin-out companies (see note 31)	9.7	7.3	2.9	1.9
Cash in hand and at investment managers	39.0	10.6	26.3	7.4
Investments in joint ventures	2.7	1.3	2.6	0.1
	517.8	450.1	381.6	331.7

15 Endowment assets

Long-term investments				
Property	55.2	55.7	48.6	42.6
Securities	727.7	587.6	580.1	456.0
Money market investments	53.9	141.6	53.5	132.2
Loan to subsidiary undertaking	–	–	–	2.5
Cash in hand and at investment managers	61.8	15.2	55.2	15.0
	898.6	800.1	737.4	648.3
Investment in spin-out companies (see note 31)	3.8	2.0	3.8	0.1
Short-term deposits	8.3	–	–	–
Bank balances	1.0	1.7	–	–
	911.7	803.8	741.2	648.4

Included in the Group's endowment assets is £160.2m (2009: £147.8m) relating to the Gates Cambridge Trust. The use of these assets is restricted to supporting the University by enabling persons from any part of the world outside the United Kingdom to benefit from education in the University by the provision of scholarships and grants and otherwise. The assets of the Gates Cambridge Trust are therefore not available for the general purposes of the University.

NOTES TO THE ACCOUNTS (continued)

16 Stocks and work in progress	Group 2010 £m	Group 2009 £m	University 2010 £m	University 2009 £m
Goods for resale	44.9	38.6	35.0	28.4
Work in progress	13.5	8.9	12.7	7.7
Other stocks	0.2	0.3	–	–
	58.6	47.8	47.7	36.1
17 Debtors				
Research grants recoverable	62.4	56.0	62.4	56.0
Amounts due from subsidiary undertakings	–	–	48.1	43.6
Debtors re examination and assessment services	68.2	53.0	48.8	44.7
Debtors re publishing and printing	67.7	57.6	52.2	42.1
Other debtors	45.3	40.3	37.9	30.2
	243.6	206.9	249.4	216.6
18 Current asset investments				
Property	1.1	0.1	12.5	7.2
Securities	12.5	1.2	145.4	75.5
Money market investments	242.2	158.4	253.5	186.0
Short-term deposits	–	17.4	–	11.7
Cash in hand and at investment managers	1.2	–	14.5	–
Other	0.1	–	0.1	–
	257.1	177.1	426.0	280.4
Representing:				
University	239.2	173.5	195.0	124.6
Held on behalf of subsidiary undertakings, Colleges and other associated bodies (see note 19)	17.9	3.6	231.0	155.8
	257.1	177.1	426.0	280.4
Current asset investments include investments held on behalf of subsidiary undertakings, Colleges and other associated bodies. The book value of these investments is included in creditors due within one year.				
19 Creditors: amounts falling due within one year		<i>Restated</i>		
Bank overdraft	1.9	3.0	1.7	1.6
Current portion of long-term bank loan	1.1	–	0.6	–
Research grants received in advance	78.2	77.0	78.2	77.0
Amounts due to subsidiary undertakings	–	–	31.9	5.5
Creditors re examination and assessment services	94.1	75.9	35.4	36.3
Creditors re publishing services	53.1	47.2	44.7	36.6
Other creditors	174.5	128.5	152.4	106.3
Investments held on behalf of subsidiary undertakings, Colleges and other associated bodies (see note 18)	17.9	3.6	231.0	155.8
	420.8	335.2	575.9	419.1
Comparative figures have been restated in respect of a change of accounting policy as described in note 11.				
20 Creditors: amounts falling due after more than one year				
Amounts due to subsidiary undertakings	–	–	0.1	0.1
Bank loans	5.4	6.2	5.4	6.2
Loan from minority interest	0.3	1.0	–	–
	5.7	7.2	5.5	6.3

NOTES TO THE ACCOUNTS (continued)

21 Pension liabilities

The pension liabilities have been measured in accordance with the requirements of FRS 17 and relate to the defined benefit schemes disclosed in note 30.	Group	Group	University	University
	2010	2009	2010	2009
	£m	£m	£m	£m
Opening balance	258.0	158.0	74.4	43.3
Movement in year:				
Current service cost including life assurance	24.7	17.5	2.6	0.6
Contributions	(27.3)	(20.8)	(4.1)	(4.6)
Other finance (income) / cost	11.6	7.9	3.6	2.9
Currency adjustments	(0.8)	0.7	(0.8)	0.7
Actuarial loss recognised in statement of total recognised gains and losses	8.2	94.7	1.5	31.5
Closing balance	274.4	258.0	77.2	74.4

22 Other retirement benefits liability

<i>Group and University</i>	2010	2009
	£m	£m
The liability has been measured in accordance with the requirements of FRS 17 and relates to unfunded post-retirement medical and insurance schemes.		
Opening balance	14.7	14.8
Movement attributable to the year:		
Benefits paid less current service cost	0.2	(0.2)
Gain on curtailment	–	(2.6)
Contributions	(0.2)	(0.2)
Other finance cost	0.9	0.9
Currency adjustments	0.1	2.2
Actuarial recognised in statement of total recognised gains and losses	(0.6)	(0.2)
Closing balance	15.1	14.7

23 Deferred capital grants

<i>Group and University</i>	Funding	Research	Other	2010	2009
	Council	Grants	Grants	Total	
	£m	£m	£m	£m	£m
Balance 1 August					
Buildings	167.7	–	314.3	482.0	458.6
Equipment	8.6	14.1	0.8	23.5	31.8
	176.3	14.1	315.1	505.5	490.4
Grants received					
Buildings	12.5	–	47.5	60.0	40.2
Equipment	2.9	5.0	–	7.9	6.4
	15.4	5.0	47.5	67.9	46.6
Released to income and expenditure					
Buildings – for depreciation	(10.6)	–	(7.9)	(18.5)	(16.8)
Equipment – for depreciation	(4.2)	(7.3)	(0.4)	(11.9)	(13.8)
Equipment – on disposals	–	–	–	–	(0.9)
	(14.8)	(7.3)	(8.3)	(30.4)	(31.5)
Balance 31 July					
Buildings	169.6	–	353.9	523.5	482.0
Equipment	7.3	11.8	0.4	19.5	23.5
	176.9	11.8	354.3	543.0	505.5

NOTES TO THE ACCOUNTS (continued)**24 Endowments**

<i>Group</i>			2010	2009
	Expendable £m	Permanent £m	Total £m	Total £m
Balance 1 August	286.3	517.5	803.8	857.0
New endowments received	29.3	18.5	47.8	46.5
Income receivable from endowment asset investments	9.1	24.7	33.8	33.6
Expenditure	(30.8)	(21.5)	(52.3)	(52.6)
Net transfer (to) / from income and expenditure account	(21.7)	3.2	(18.5)	(19.0)
Increase / (decrease) in market value of investments	25.2	53.4	78.6	(80.7)
Balance 31 July	319.1	592.6	911.7	803.8
Capital	310.4	522.9	833.3	735.8
Unspent income	8.7	69.7	78.4	68.0
Balance 31 July	319.1	592.6	911.7	803.8
Representing:				
	Expendable £m	Permanent £m	2010 Total £m	2009 Total £m
Trust and Special Funds:				
Professorships, Readerships and Lectureships	32.0	289.1	321.1	277.7
Scholarships and bursaries	18.2	78.7	96.9	83.0
Other	68.1	217.4	285.5	250.9
Gates Cambridge Trust	160.2	–	160.2	147.8
Specific donations	36.4	–	36.4	33.2
Examination Board restricted funds	4.2	–	4.2	3.9
General endowments	–	7.4	7.4	7.3
Group total	319.1	592.6	911.7	803.8
<i>University</i>				
	Expendable £m	Permanent £m	2010 Total £m	2009 Total £m
Balance 1 August	130.8	517.6	648.4	681.3
New endowments received	26.3	18.6	44.9	42.5
Income receivable from endowment asset investments	4.3	24.6	28.9	29.0
Expenditure	(21.1)	(20.9)	(42.0)	(41.3)
Net transfer (to) / from income and expenditure account	(16.8)	3.7	(13.1)	(12.3)
Increase / (decrease) in market value of investments	9.7	51.3	61.0	(63.1)
Balance 31 July	150.0	591.2	741.2	648.4
Capital	141.3	520.9	662.2	580.4
Unspent income	8.7	70.3	79.0	68.0
Balance 31 July	150.0	591.2	741.2	648.4

NOTES TO THE ACCOUNTS (continued)**25 Reserves**

<i>Group</i>	General reserves £m	Operational Fixed asset property investment revaluation revaluation reserve reserve £m £m		2010 Total £m	2009 Total £m <i>Restated</i>
		revaluation reserve £m	revaluation reserve £m		
Balance 1 August					
As previously stated	692.6	145.2	32.9	870.7	973.3
Prior year adjustment (see note 11)	(18.8)	–	–	(18.8)	(13.5)
Restated opening balance	673.8	145.2	32.9	851.9	959.8
Surplus / (deficit) retained for the year	20.1	–	–	20.1	(1.3)
Actuarial loss	(7.6)	–	–	(7.6)	(94.5)
Transfer in respect of depreciation on revalued operational properties	6.0	(6.0)	–	–	–
Transfer in respect of disposals of fixed asset investments	40.9	–	(40.9)	–	–
Gain arising on foreign currency translation	5.9	–	–	5.9	3.6
Increase / (decrease) in market value of investments	–	–	88.5	88.5	(15.7)
Balance 31 July	739.1	139.2	80.5	958.8	851.9
Reserves are reduced by the net liabilities in respect of retirement benefits					
Reserves before net liabilities in respect of retirement benefits	1,028.6	139.2	80.5	1,248.3	1,124.6
Effect of pension liability (see note 21)	(274.4)	–	–	(274.4)	(258.0)
Effect of liability for other retirement benefits (see note 22)	(15.1)	–	–	(15.1)	(14.7)
Reserves balance at 31 July	739.1	139.2	80.5	958.8	851.9

University

	General reserves £m	Operational Fixed asset property investment revaluation revaluation reserve reserve £m £m		2010 Total £m	2009 Total £m
		revaluation reserve £m	revaluation reserve £m		
Balance 1 August	746.1	145.2	18.5	909.8	933.0
Surplus retained for the year	15.3	–	–	15.3	11.1
Actuarial loss	(0.9)	–	–	(0.9)	(31.3)
Transfer in respect of depreciation on revalued operational properties	6.0	(6.0)	–	–	–
Transfer in respect of disposals of fixed asset investments	33.0	–	(33.0)	–	–
Gain arising on foreign currency translation	6.3	–	–	6.3	1.0
Increase / (decrease) in market value of investments	–	–	71.0	71.0	(4.0)
Balance 31 July	805.8	139.2	56.5	1,001.5	909.8
26 Reconciliation of consolidated operating deficit to net cash inflow from operating activities				2010 £m	2009 £m <i>Restated</i>
Deficit on continuing operations before donations of heritage assets				(1.6)	(20.8)
Depreciation of fixed tangible assets				67.0	61.7
Amortisation of goodwill				1.3	1.8
Surplus on disposal of tangible fixed assets				(1.2)	(0.6)
Deferred capital grants released to income				(30.4)	(30.6)
Investment income				(18.1)	(27.7)
Interest payable				12.9	0.5
Pension cost less contributions payable (see note 21)				(2.6)	(3.3)
Other retirement benefits – cost less contributions payable (see note 22)				–	(2.1)
Currency adjustments				5.1	1.8
				32.4	(19.3)
Increase in stock				(10.8)	(2.1)
Increase in debtors				(36.7)	(11.4)
Increase in creditors				69.9	46.7
Net cash inflow from operating activities				54.8	13.9

Comparative figures have been restated in respect of a change of accounting policy as described in note 11.

NOTES TO THE ACCOUNTS (continued)**27 Cash flows**

	2010	2009
	£m	£m
Returns on investments and servicing of finance		
Endowment and investment income received	18.1	35.6
Interest paid	(0.4)	(0.5)
	<hr/>	<hr/>
Net cash inflow from returns on investments and servicing of finance	17.7	35.1
 Capital expenditure and financial investment		
Purchase of tangible fixed assets	(103.7)	(92.3)
Acquisition of goodwill and other intangible fixed assets	(0.9)	(1.2)
Donations for buildings and other deferred capital grants received	69.7	46.6
Proceeds of disposal of tangible fixed assets	4.8	4.7
Net purchase of long-term investments (excluding investments held on behalf of others)	(84.0)	(73.1)
New endowments received	47.8	46.5
	<hr/>	<hr/>
Net cash outflow from capital expenditure and financial investment	(66.3)	(68.8)
 Financing		
Issue of share capital to minority interest	–	1.0
Repayment of long-term loans	(1.5)	(0.8)
	<hr/>	<hr/>
Net cash (outflow) / inflow from financing	(1.5)	0.2

28 Analysis of the balances of cash and bank overdraft

	Group	Group	University	University
	2010	2009	2010	2009
	£m	£m	£m	£m
Bank overdrafts	(1.9)	(3.0)	(1.7)	(1.6)
Bank balances held directly by trust funds	1.0	1.7	–	–
Cash at bank and in hand	38.6	25.2	17.3	7.1
	<hr/>	<hr/>	<hr/>	<hr/>
	37.7	23.9	15.6	5.5
Add short term deposits:				
Endowment asset investments	8.3	–	–	–
Current asset investments (excluding those held on behalf of related parties and other associated bodies)	–	17.4	–	11.7
	<hr/>	<hr/>	<hr/>	<hr/>
Net funds	46.0	41.3	15.6	17.2

29 Capital commitments

	2010	2009
	£m	£m
Commitments contracted at 31 July	96.4	138.6
	<hr/>	<hr/>
Authorised but not contracted at 31 July	–	10.6

Of the capital expenditure committed at 31 July 2010, approximately 58% (2009: 81%) will be funded by specific grants and donations.

NOTES TO THE ACCOUNTS (continued)

30 Pension schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the Cambridge University Assistants' Contributory Pension Scheme (CPS). Cambridge University Press operates two defined benefit schemes for its UK staff, the Press Contributory Pension Fund (PCPF) and the Press Senior Staff Pension Scheme (PSSPS). Employees covered by the schemes are contracted out of the State Second Pension. The assets of the schemes are held in separate trustee-administered funds. The USS and the CPS are not closed, nor is the age profile of their active membership rising significantly. The PCPF and the PSSPS have been closed to new members.

The schemes are defined benefit schemes which are valued every three years using the projected unit method, by professionally qualified actuaries, the rates of contribution payable being determined by the trustees on the advice of the actuaries.

Universities Superannuation Scheme (USS)

The University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reliable basis and therefore, as required by FRS 17 (Retirement Benefits) accounts for the scheme as if it were a defined contribution scheme.

The latest actuarial valuation of the scheme was at 31 March 2008 and was the first valuation for this scheme to require the calculation of technical provisions in accordance with the Pensions Act 2004. The assumptions that have the most significant effect on the result of the valuation were as follows:

Investment returns per annum	6.40%
Salary scale increases per annum	4.30%
Pension increases per annum	3.30%
Mortality – equivalent life expectancy for members reaching retirement age of 65:	
Males	88
Females	90

At the valuation date, the value of the assets of the scheme was £28,842.6m and the value of the scheme's technical provisions was £28,135.3m. The assets were therefore sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2010 the actuary has estimated that the funding level had fallen from 103% to 91%. Compared to the previous twelve months, the funding level improved from 74% (as at 31 March 2009) to 91%. This estimate was based on the funding level at 31 March 2008, as noted above, adjusted to reflect the scheme's actual investment performance over the two years and changes in market conditions. The next formal triennial actuarial valuation is due as at 31 March 2011.

The contribution rate payable by the University in the year ended 31 July 2010 was 16% of pensionable pay. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

Cambridge University Assistants' Contributory Pension Scheme (CPS)

The CPS was established under the authority of the Universities of Oxford and Cambridge Act 1923. It is a registered pension scheme for the purposes of Finance Act 2004. The active members of the scheme are employees of the University and its subsidiary undertakings.

Triennial valuation of the scheme

A full triennial valuation of the scheme was carried out by the actuary for the trustees of the scheme for funding purposes as at 31 July 2009. The results showed the actuarial value of the scheme's assets as £275.9m. These were insufficient to cover the scheme's past service liabilities of £414.7m and as a result the scheme had a deficit of £138.8m and was 67% funded. The joint contribution rate was set at 29.7% of pensionable pay from 1 August 2009. From 1 August 2011 to 31 July 2025 the joint contribution rate has been set at 26.3% of pensionable pay together with additional fixed contributions totalling £14.6m per annum.

NOTES TO THE ACCOUNTS (continued)**30 Pension schemes (continued)****CPS: Pension costs under FRS 17**

For accounting purposes the scheme's assets are measured at market value and liabilities are valued using the projected unit method and discounted using the gross redemption yield for corporate AA rated bonds. The valuation uses market-based assumptions and asset valuations, and represents a current valuation. It does not impact on the joint contribution rate set by the trustees of the scheme. The principal assumptions used by the actuary were:

	2010	2009
Discount rate	5.40%	6.00%
Expected rate of return on scheme assets at beginning of year	6.90%	7.10%
Rate of increase in salaries	4.05%	4.45%
Rate of increase in pensions in deferment	3.30%	3.70%
Rate of increase in pensions in payment	3.30%	3.70%
Age at retirement:		
Males – active	63	63
Males – deferred	61	61
Females – active	61	61
Females – deferred	60	60
Mortality – equivalent life expectancy for members reaching retirement age:		
Males	85	85
Females	89	88

The following results were measured in accordance with the requirements of FRS 17, based on the assumptions summarised above:

	Present value of defined benefit obligation		Fair value of scheme assets		Net liability recognised in the balance sheet	
	2010	2009	2010	2009	2010	2009
	£m	£m	£m	£m	£m	£m
Opening	(458.7)	(405.5)	275.9	290.8	(182.8)	(114.7)
Current service cost	(22.0)	(16.7)	–	–	(22.0)	(16.7)
Employer contributions	–	–	22.9	16.1	22.9	16.1
Expected return on scheme assets	–	–	19.9	21.1	19.9	21.1
Contributions by members	(0.5)	(3.2)	0.5	3.2	–	–
Interest cost	(27.8)	(26.1)	–	–	(27.8)	(26.1)
Actuarial (losses) / gains	(22.1)	(21.3)	15.8	(41.2)	(6.3)	(62.5)
Benefits and expenses paid	14.6	14.1	(14.6)	(14.1)	–	–
Closing defined benefit obligation	(516.5)	(458.7)	320.4	275.9	(196.1)	(182.8)

The amounts recognised in the income and expenditure account were as follows:

	2010	2009
	£m	£m
In staff costs: current service cost	22.0	16.7
In endowment and investment income:		
Expected return on pension scheme assets	19.9	21.1
Interest on pension scheme liabilities	(27.8)	(26.1)
	(7.9)	(5.0)

Amounts for the current and previous four years were as follows:

	2010	2009	2008	2007	2006
	£m	£m	£m	£m	£m
Defined benefit obligation	(516.5)	(458.7)	(405.5)	(372.5)	(374.6)
Plan assets	320.4	275.9	290.8	313.9	276.8
Deficit at the balance sheet date	(196.1)	(182.8)	(114.7)	(58.6)	(97.8)
Experience (losses) / gains for the year on plan liabilities	7.1	3.9	(1.3)	(4.1)	(7.2)
Experience (losses) / gains for the year on plan assets	15.8	(51.2)	14.9	5.8	22.2

The above results have been recognised in the consolidated balance sheet. The University is, however, unable to identify its own share of the underlying assets and liabilities in the scheme, as distinct from that attributable to subsidiary undertakings, on a reasonable and consistent basis. For the University itself, therefore, pension costs are accounted for as if the CPS were a defined contribution scheme, and the University's own balance sheet does not include a pension liability in respect of the CPS.

NOTES TO THE ACCOUNTS (continued)

30 Pension schemes (continued)

Cambridge University Press UK defined benefit schemes (PCPF and PSSPS)

Triennial valuation of the schemes

Full triennial valuations of the schemes were carried out by the actuary for the trustees of the schemes for funding purposes as at 1 January 2007.

Pension costs under FRS 17

For accounting purposes the schemes' assets are measured at market value and liabilities are valued using the attained age method and discounted using the gross redemption yield for corporate AA rated bonds. The valuations use market-based assumptions and asset valuations, and represent current valuations. They do not impact on the joint contribution rates set by the trustees of the schemes. The actuary has updated the 2007 valuations to 31 July 2009 and 31 July 2010 for the purposes of the University's financial statements. The principal assumptions used by the actuary for both schemes were:

	2010	2009
Discount rate	5.40%	6.00%
Expected rate of return on scheme assets at beginning of year	6.30%	6.03%
Rate of increase in salaries – schemes are now on frozen current salary basis	0.00%	0.00%
Rate of increase in pensions in deferment	3.30%	3.70%
Rate of increase in pensions in payment	3.30%	3.70%
Mortality – equivalent life expectancy for members at age 65:		
Males	87	87
Females	90	90

The following results were measured in accordance with the requirements of FRS 17, based on the assumptions summarised above. The results for the two schemes have been amalgamated.

	Present value of defined benefit obligation		Fair value of scheme assets		Net liability recognised in the balance sheet	
	2010	2009	2010	2009	2010	2009
	£m	£m	£m	£m	£m	£m
Opening	(208.6)	(192.3)	139.8	151.4	(68.8)	(40.9)
Current service cost	(2.2)	(2.2)	–	–	(2.2)	(2.2)
Employer contributions	–	–	3.6	3.7	3.6	3.7
Expected return on scheme assets	–	–	8.8	9.1	8.8	9.1
Contributions by members	(0.4)	(0.4)	0.4	0.4	–	–
Interest cost	(12.4)	(12.1)	–	–	(12.4)	(12.1)
Actuarial (losses) / gains	(8.3)	(8.6)	8.5	(17.8)	0.2	(26.4)
Benefits and expenses paid	8.6	7.0	(8.6)	(7.0)	–	–
Closing defined benefit obligation	(223.3)	(208.6)	152.5	139.8	(70.8)	(68.8)

The amounts recognised in the income and expenditure account were as follows:	2010	2009
	£m	£m
In staff costs: current service cost	2.2	2.2
In endowment and investment income:		
Expected return on pension scheme assets	8.8	9.1
Interest on pension scheme liabilities	(12.4)	(12.1)
	(3.6)	(3.0)

Amounts for the current and previous four years were as follows:	2010	2009	2008	2007	2006
	£m	£m	£m	£m	£m
Defined benefit obligation	(223.2)	(208.6)	(192.3)	(181.4)	(174.9)
Plan assets	152.4	139.8	151.4	163.1	149.1
Deficit at the balance sheet date	(70.8)	(68.8)	(40.9)	(18.3)	(25.8)
Experience losses for the year on plan liabilities	(8.3)	(8.6)	(5.3)	(3.8)	(0.4)
Experience (losses) / gains for the year on plan assets	8.5	(17.8)	(18.5)	5.2	8.3

NOTES TO THE ACCOUNTS (continued)

30 Pension schemes (continued)

The University also has a smaller number of staff in other pension schemes, including the National Health Service Pension Scheme (NHSPS), the Cambridge University Press Defined Benefit Plan (CUPDBP, for US staff) and the RSA Examinations Board scheme (RSAEBS). Pension costs relating to CUPDBP and RSAEBS are accounted for in accordance with FRS 17 as applied to a defined benefit scheme and the related pension liability is included in the consolidated balance sheet (see note 21). Further disclosures are not given as the balances and movements are not material.

	2010	2009
	£m	£m
The total pension cost for the year (see note 7) was:		
USS: contributions	52.0	36.8
CPS: charged to income and expenditure account	22.0	16.0
PCPF: charged to income and expenditure account	2.0	1.7
PSSPS: charged to income and expenditure account	0.6	0.7
NHSPS: contributions	1.8	1.7
CUPDBP: charged to income and expenditure account	–	0.5
RSAEBS: charged to income and expenditure account	0.1	0.2
Contributions to other pension schemes	3.5	1.3
	82.0	58.9

31 Principal subsidiary and associated undertakings and other significant investments

The following undertakings were wholly-owned subsidiary undertakings throughout the year ended 31 July 2010. Except where stated, the accounting reference date is 31 July and the undertaking is a company registered in England and Wales.

Name	Notes	Principal activity
Cambridge Enterprise Limited		Consultancy and commercial exploitation of intellectual property
IFM Education and Consultancy Services Limited		Consultancy and commercial exploitation of intellectual property
Cambridge Investment Management Limited		Investment management
Cambridge Programme for Sustainability Leadership (Australia)	a	Sustainability leadership programmes
Cambridge University Technical Services Limited		Consultancy and commercial exploitation of intellectual property
Challenge Fund Trading Company Limited		Providing funds to promote the transfer of research to business
Fitzwilliam Museum Enterprises Limited	b	Publication of fine art books and sale of museum merchandise
JBS Executive Education Limited		Corporate education services
Lynxvale Limited		Provision of construction and development services
The Cambridge Foundation	c	Fund raising
Associated Trusts	c	
Cambridge Overseas Trust	}	Provision of scholarships, grants and other support for the education of overseas students in the University
Cambridge Commonwealth Trust		
Gates Cambridge Trust		
Cambridge European Trust		
Malaysian Commonwealth Studies Centre in Cambridge		
Cambridge Assessment subsidiary undertakings		
Cambridge Assessment Overseas Limited		Overseas office services
Cambridge Examinations Inc	d	Examination services
Fundacion UCLES		Examination services
Mill Wharf Limited		Training and consultancy
Oxford and Cambridge International Assessment Services Limited		Assessment services
Oxford Cambridge and RSA Examinations		Examination and assessment services
RSA Examinations Board		Assessment services
Sandonian Properties Limited		Property holding
The West Midlands Examinations Board		Examination services

NOTES TO THE ACCOUNTS (continued)**31 Principal subsidiary and associated undertakings and other significant investments (continued)**

Cambridge University Press subsidiary undertakings	e	
Cambridge Archive Editions Limited		Publishing
Cambridge Global Grid for Learning Limited		Electronic educational publishing
Cambridge Knowledge (China) Limited	f	Representative office
Cambridge Printing Services Limited		Printing services
Cambridge University Press (Greece) EPE	g	Representative office
Cambridge University Press (Holdings) Limited		Holding company
Cambridge University Press India (Private) Limited	h	Publishing and distribution
Cambridge University Press Japan KK	i	Representative office
Cambridge University Press South Africa (Proprietary) Limited	j	Publishing and distribution
Cambridge-Hitachisoft Educational Solutions PLC	k	Electronic educational publishing
Editorial Edicambridge Cia Ltda	l	Representative office
ELT Trading Limited	m	Publishing
United Publishers Services Limited	f	Distribution

- a Cambridge Programme for Sustainability Leadership (Australia) is incorporated in Australia and has an accounting reference date of 30 June for commercial reasons. The effect of this is not material to the consolidated accounts.
- b Fitzwilliam Museum Enterprises Limited has an accounting reference date of 31 January for commercial reasons. The effect of this is not material to the consolidated accounts.
- c The Cambridge Foundation and the Associated Trusts are exempt charities established by trust deeds.
- d Cambridge Examinations Inc is a United States non-stock non-profit corporation.
- e Cambridge University Press subsidiary undertakings have an accounting reference date of 30 April for commercial reasons.
- f Cambridge Knowledge (China) Limited and United Publishers Services Limited are incorporated in Hong Kong.
- g Cambridge University Press (Greece) EPE is incorporated in Greece.
- h Cambridge University Press India Private Limited is a 51% subsidiary incorporated in India.
- i Cambridge University Press Japan KK is incorporated in Japan.
- j Cambridge University Press South Africa (Proprietary) Limited is incorporated in South Africa.
- k The University holds 60% of the issued share capital in Cambridge-Hitachisoft Educational Solutions PLC.
- l Editorial Edicambridge Cia Ltda is incorporated in Ecuador.
- m ELT Trading Limited is incorporated in Mexico.

The University has interests in a number of spin-out companies formed to exploit intellectual property rights or inventions. These are included at valuation in fixed asset investments (see note 14) and endowment assets (note 15). In some cases the University's interest amounts to 20% or more of the share capital, and these companies are listed below. As the University does not exercise a significant influence over these investments and they are not intended to be held for the long-term, they are not accounted for as associated undertakings. Other undertakings where the University's investment amounts to 20% or more are also listed below. These are not accounted for as associated undertakings as the effect on the financial statements would not be material.

Name	% interest	Principal Activity
Ampika Limited	40	Commercial exploitation of intellectual property
Bluegnome Limited	21	Commercial exploitation of intellectual property
Cambridge Flow Solutions Limited	25	Commercial exploitation of intellectual property
Cambridge in America	22	Fund raising
Cambridge Lab-on-Chip Limited	32	Commercial exploitation of intellectual property
Enval Limited	24	Commercial exploitation of intellectual property
Green PB Limited	20	Commercial exploitation of intellectual property
Inotec AMD Limited	22	Commercial exploitation of intellectual property
Microbial Technics Limited	23	Commercial exploitation of intellectual property
Sphere Fluidics Limited	54	Commercial exploitation of intellectual property
Sure Laboratories Limited	20	Commercial exploitation of intellectual property
The CRISP Consortium Limited	45	Commercial exploitation of intellectual property
Vivamer Limited	58	Commercial exploitation of intellectual property

NOTES TO THE ACCOUNTS (continued)

32 Related party transactions

In accordance with FRS 8 the University is not required to disclose the transactions and balances between its group undertakings, which have been eliminated on consolidation.

33 Colleges

There are 31 Colleges, each of which is an independent corporation with its own property and income. The individual audited accounts of the Colleges, in a form specified by the University, are published in the *Cambridge University Reporter*.

During the year payments were made by the University from HEFCE funding in respect of the College fees of publicly-funded undergraduates of £39.5m (2009: £37.7m). These payments are included as "Payments to Colleges" in note 8 above. The University also made payments in respect of the College fees of postgraduate students totalling £3.4m (2009: £3.5m). These payments are included in other operating expenses. Other operating expenses also include £4.2m (2009: £3.2m) in respect of payments to the Isaac Newton Trust, a charitable trust established by Trinity College, as contributions to a bursary scheme for students of the University.

The Cambridge Foundation distributed third party donations to the Colleges totalling £3.8m (2009: £5.1m). The payments are not included in the consolidated income and expenditure account.

During the year the University provided printing, network and other services to the Colleges for which the Colleges paid a total of £2.6m (2009: £3.5m), and the Colleges provided accommodation, catering and other services to the University for which the University paid a total of £7.1m (2009: £6.5m).

During the year the Colleges made donations to the University totalling £3.3m (2009: £4.1m) which were credited to specific endowments.

Arrangements were made during the year to permit Colleges to invest in the CUEF. Current asset investments include £13.1m held on behalf of two Colleges at the year end (see note 18).

Colleges fund	2010	2009
	£000	£000
Balance at 1 August	23	2
Contributions received from Colleges	3,514	3,513
Interest earned	2	8
Payments to Colleges	(3,514)	(3,500)
	<hr/>	<hr/>
Balance at 31 July included in creditors	25	23

The Colleges Fund is administered by the University on behalf of the Colleges, who make all contributions to and receive all allocations from the Fund. The transactions on the Colleges Fund are not included in the income and expenditure account.

34 DIUS / HEFCE Access funds

	2010	2009
	£000	£000
Access to Learning Fund allocation	178	143
Interest earned	–	3
	<hr/>	<hr/>
Disbursed to students	(178)	(146)
	<hr/>	<hr/>
Balance unspent at 31 July	–	–

Access to Learning Fund grants are available for students: the University acts only as agent. The grants and related disbursements are therefore excluded from the income and expenditure account.



The *Cambridge University Reporter* appears on Wednesdays during Term. Special Numbers are also published from time to time.

Editorial

Notices for publication in the *Reporter* should be sent to the Editor, Cambridge University Reporter, Secretariat, The Old Schools, Cambridge, CB2 1TN (tel. 01223 332305, fax 01223 332332, email reporter.editor@admin.cam.ac.uk). Copy should be sent as early as possible in the week before publication; short notices will be accepted up to **4 p.m. on Thursday** for publication the following Wednesday. Inclusion is subject to availability of space.

Subscriptions

Details of termly subscription rates and charges for individual copies may be obtained from the University Press Bookshop, 1 Trinity Street, Cambridge, CB2 1SZ (tel. 01223 333333, fax 01223 332954, email bookshop@cambridge.org). Orders should be placed at the Bookshop.