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AND THE GENERAL BOARD
FOR THE ACADEMICAL YEAR 2012–13

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2013

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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 2012–13 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 2013 (which are also published in this issue) will be brought forward for consideration at the Discussion to be held on **21 January 2014**.

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Annual Report of the Council for the academical year 2012–13

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

The Chancellor

Lord Sainsbury of Turville has visited the University frequently over the year, including visits to Colleges and academic Departments, among them the Gurdon Institute, the Institute for Manufacturing, the Faculty of Economics, Judge Business School, and the Cavendish Laboratory. In addition to presiding at the Honorary Degrees Congregation and Guild of Benefactors Ceremony, he conducted the groundbreaking ceremony for the North West Cambridge site and spoke at the *Second seminar on Sultan Qaboos Scientific Chairs*. During the year he presented the final Chancellor's Medals for Outstanding Philanthropy, awarded to those who made significant gifts to the 800th Anniversary Campaign, to HM Sultan Qaboos bin Sai'd, to Dr Yusuf Hamied, and to Mr Harvey McGrath. Among the College visits he undertook, the Chancellor opened the McGrath Centre at St Catharine's College, presided at the 50th Anniversary of Fitzwilliam College, and visited Hughes Hall, Newnham College, and Clare Hall. He attended a briefing meeting on undergraduate admissions, and spoke at an event in London organized by the Gates Cambridge Scholars and the Bill and Melinda Gates Foundation.

The Vice-Chancellor

The Vice-Chancellor, Professor Sir Leszek Borysiewicz FRS, addressed the University on 1 October 2012 on *The scale of our ambition*, noting the University's growth particularly in the numbers of graduate students and postdoctoral researchers. He drew attention to the North West Cambridge development and commended it to the University as a bold and sophisticated means of fulfilling the University's responsibility to its staff and students and planning for future growth. He undertook many national and overseas engagements on the University's behalf, travelling to India, Singapore, the United States, Europe, the Middle East, and Australia. He gave the keynote speech at the Global University Summit in London in May 2013.

The Pro-Vice-Chancellors

The Council is grateful to Professor Steve Young, *EM*, Professor Lynn Gladden, *T*, Professor John Rallison, *T*, Professor Jeremy Sanders, *SE*, and Dr Jennifer Barnes, *MUR*, for their service as Pro-Vice-Chancellor through the academical year.

The Council and its committees

(i) *The Council: responsibilities and operation*

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 also performs such other executive and administrative duties as may be delegated to it by the Regent House or assigned to it by Statute or Ordinance.

The Council's Statement of Primary Responsibilities (annexed to this Report) is reviewed annually together with its Standing Orders, the Code of Practice for members of the Council, and the Statement of Corporate Governance.

The Council, during 2012–13, also adopted a statement setting out the role of the Council and of individual Council members as charity trustees.

The Council continues to discharge its responsibilities through ordinary regular meetings (eleven each year) and, as necessary, special meetings; scrutiny of business through the Business Committee, the Executive Committee, and other committees; and through receipt and approval of routine business by circulation. Business is monitored and managed through the regular consideration of work plans. The Council has continued to hold two strategic meetings a year, one in September and one in the spring. Most material considered by the Council is available to members and staff of the University on its website at <http://www.admin.cam.ac.uk/committee/council/>.

(ii) *Council membership*

The membership of the Council changed on 31 December 2012 in consequence of the biennial election of half of the membership.

The Nominating Committee for members of the Council in class (e), chaired by Mr John Shakeshaft, met on four occasions during the summer and early autumn of 2012 and brought forward recommendations to the Council. Graces were submitted to the Regent House on 24 October 2013. Dame Mavis McDonald was reappointed and Professor Shirley Pearce and Mr Mark Lewisohn were appointed by Grace¹ to membership in class (e) with effect from 1 January 2013. The latter replaced Dr Vanessa Lawrence who, as noted in last year's Report had decided not to put her name forward for reappointment, and Mr Dominic Casserley, who decided to step down owing to other commitments. The Council wishes to record its thanks for their contributions to the work of the Council.

An election in classes (a), (b), and (c) also took place. The membership until 31 December 2012 and from 1 January 2013 is attached as Annex A.

In accordance with the provisions in Ordinance, the Council reappointed Mr John Shakeshaft to chair the Audit Committee.²

(iii) *Routine reporting to the Council*

During 2012–13, the Council received a progress report on the North West Cambridge project at every meeting. Cambridge University Press and the Local Examinations Syndicate (Cambridge Assessment) report annually to the Council; the respective Chief Executive Officers and the Chairs of the Syndicates attend to present their reports and to answer questions. The Offices of External Affairs and Communications and of Development and Alumni Relations also report annually or more regularly as necessary.

(iv) *Review of IT infrastructure and support*

In 2010–11, the Council appointed a panel to undertake a review of IT infrastructure and support in the University under the chairmanship of Professor Sir Keith Burnett, Vice-Chancellor of the University of Sheffield. The review panel published its initial findings in October 2012³ and opened a period of consultation for discussion of its proposals. The recommendations of the final Report, as

¹ Graces 2, 3, and 4 of 24 October 2012.

² Regulation 1(a) for the Audit Committee, *Statutes and Ordinances*, p. 1031.

³ *Reporter*, 6282, 2012–13, p. 57.

revised by the Council following remarks made in Discussion, were approved by ballot in July 2013.⁴ The main changes are:

- the formation of the University Information Services (UIS), under the supervision of the Council, from a merger of the University Computing Service and the Management Information Services Division of the UAS;
- the establishment of a new University office of Director of Information Services, reporting to the Vice-Chancellor, as head of the UIS;
- the replacement of the current Information Strategy and Services Syndicate by an Information Services Committee, reporting jointly to the Council and the General Board.

The proposals will take effect from 31 March 2014 or such later date as the Director of Information Services takes up post in the University. In the meantime, a transition advisory group, working under the existing governance arrangements, will carry out preparatory tasks, including the drafting of an implementation plan for the Report's proposals.

(v) Review of the governance and management arrangements for sport within the University

The Council, at its meeting on 26 November 2012, agreed to establish a review committee to look at the governance, management, and funding of sport in the University. The committee, chaired by Professor Jeremy Sanders, Pro-Vice-Chancellor for Institutional Affairs, has reviewed background material, and received written and oral evidence. It has recently published a consultative report for the Council to review, with a view to discussion of that report during a period of consultation before submitting a final Report to the Council in 2014.⁵

(vi) Review of the statutory provisions and regulations for nominations and election to the Chancellorship

The Council, at its meeting on 18 February 2013, agreed to establish a committee to undertake a review of the statutory provisions and regulations for nominations and election to the Chancellorship. The committee, chaired by Sir Graeme Davies, has met on four occasions and will forward a Report to the Senate during the Michaelmas Term 2013.

Governance and constitutional matters

(i) Review of the Statutes and Ordinances

Approval in principle to the proposed New Statutes, and the introduction of Special Ordinances, was given by Grace of the Regent House on 9 November 2012.⁶ A small number of further revisions were made in the light of consultation and review, and a final Report seeking substantive approval for the New Statutes was issued by the Council on 29 May. Following a Discussion, substantive approval (subject to approval of Her Majesty in Council) was given to the repeal of the existing Statutes and the enactment of the New Statutes by Grace on 12 July 2013.⁷ Draft Special Ordinances were also approved, conditional upon the enactment of the New Statutes. Approval of Her Majesty in Council of the New Statutes is expected in 2014.

A further Report concerning certain consequential amendments to the Ordinances was approved by the Regent House on 6 December 2013,⁸ in anticipation of (and conditional upon) receipt of approval of the New Statutes.

(ii) Grievance procedure in Statute U

The amendment of Chapter VI of Statute U and the adoption of a new Grievance Procedure for officers, which was approved by the Regent House on 27 July 2012⁹ and referred to in the Annual Report for 2011–12, became effective on the approval of Her Majesty in Council on 13 March 2013.

(iii) Electronic voting in ballots of the Regent House

In its last Annual Report, the Council reported that it had approved in principle a proposal for the introduction of electronic voting (with a retained provision for paper voting) in all ballots of the Regent House. A working group, chaired by the Principal of Homerton College, met during the Research Period and the Michaelmas Term of 2012 and brought forward a Report which the Council approved for publication at its meeting on 21 January 2013 and which was approved by Grace on 15 March 2013¹⁰ implementing electronic voting with effect from the promulgation of the Roll of the Regent House on 6 November 2013.

Accountability and audit

(i) Audit Committee membership

There were a number of changes in Audit Committee membership during the 2012–13 year. From 1 January 2013, Mr Nick Martin and Mr Mike Starkie stepped down as class (c) members and were replaced by Mr Peter Doyle, Chief Financial Officer for The Grosvenor Estate, and Ms Janet Legrand, Senior Elected Board Member of DLA Piper. Mr Bob Dowling, a member in class (b), was replaced by Mr Mark Lewisohn, Vice Chairman, Investment Banking, UBS Investment Bank; and Professor Lindsay Greer, a member in class (d), was replaced by Professor Nigel Slater, Head of the Department of Chemical Engineering and Biotechnology. The Council is grateful to all of these individuals, internal and external to the University, who give their time and expertise in support of the Audit Committee's work.

(ii) Cambridge University Press: Joint Oversight Group

In November 2012, senior officers of Cambridge University Press attended the Audit Committee for a discussion of the Press's strategy and its implementation. The Committee was informed of improvements in the provision of digital services and the development of the Press's relationship with Cambridge Assessment with the aim of identifying opportunities for collaboration in international markets. One of the most significant challenges for the Press is to maintain the right balance between implementing new systems to improve the internal operation of the organization and responding to the changing external environment so as to pursue the appropriate business strategy for the Press. Following this meeting the Audit Committee agreed that it was reassured that satisfactory internal controls were in place. It recommended that the Joint Oversight Group, which had been set up to oversee the changes taking place in the Press, be disbanded with effect from March 2013. Reporting now continues under a new standing agenda item with business brought forward as necessary by the Chair of Cambridge University Press Audit Committee, Professor Sarah Worthington.

⁴ Reporter, 6315, 2012–13, p. 678.

⁵ Reporter, 6328, 2013–14, p. 139.

⁶ Grace 1 of 31 October 2012.

⁷ Grace 2 of 3 July 2013.

⁸ Grace 1 of 27 November 2013.

⁹ Grace 1 of 18 July 2012.

¹⁰ Grace 1 of 6 March 2013.

(iii) Woolf Inquiry Report: Audit Committee Working Group

The Woolf Working Group, which had been formed to review the University's procedures against the recommendations of the Woolf Inquiry Report, submitted a report to the Audit Committee in March 2013. The Working Group had asked key representatives of the offices and committees in the University to review procedures in the four key areas covered by the Woolf Inquiry, namely ethics, graduate admissions, donations, and 'incidental links'. In each case, representatives had commented on the relevance of the Woolf recommendations for Cambridge. In conclusion, the Working Group was substantially reassured that the University's policies and procedures were effective and fit for purpose. The Audit Committee endorsed the Group's recommendations and commended them to Council.

One of those recommendations was that the role of the Council's Executive Committee should be expanded to act as an advisory body on questions relating to funding for University research and international activities (or for any other purpose), as well as for donations. The Executive Committee considered and agreed a revised title for the Committee in order to take account of this wider remit and approved terms of reference. The Council, at its meeting on 15 July 2013, approved the revised terms of reference and a proposal that the Executive Committee be renamed the Advisory Committee on Benefactions and External and Legal Affairs.

(iv) Transfer by the University of funds for educational purposes to the Colleges: protocol

As part of the overall process of seeking assurance on the Colleges' use of HEFCE funds, an annual meeting is held with representatives from the Colleges. Following this year's meeting, an informal workshop is to be held in September 2013 with representatives from the Bursars' Business Committee. The workshop will focus on exploring opportunities for collaboration between the University and the Colleges in the context of potential shared services and initiatives designed to provide better value for money for both.

(v) Policy against bribery and corruption

The Committee received an annual review of the University's policy against bribery and corruption. The review summarized the actions that had been taken to implement the policy across the University including details of reported bribery and fraud. Work is set to continue over 2013–14 to ensure that the subsidiaries adopt the University's Policy and to develop more specialized training for staff in the International Office and the Development Office.

(vi) Risk, emergency, and continuity management

Risk management is a standing item on the Audit Committee's agenda. In its last Annual Report the Council reported that it had approved a new emergency and continuity planning framework, emergency management policy, and an updated continuity planning policy. There had since been a significant review of emergency management arrangements and, as a result, revised emergency response plans at University and local level were approved by the Council, on the recommendation of the Risk Steering Committee, at its meeting on 26 November 2012. The new plans encompass both the emergency management and business continuity aspects of emergency response.

(vii) Three-year internal audit plan from 2013–14

At the meeting in July 2013, the Committee considered a new three-year internal audit plan effective from 2013–14. Key planned audits include the merger of MISD and UCS; cyber security; internationalization; change management (in relation to the transfer of the Medical Research Council and Cancer Research UK institutes); and the North West Cambridge project. The Audit Committee agreed that Deloitte's service levels are to be tested against other providers via a market testing exercise due to commence in Michaelmas Term 2013 in line with HEFCE recommendations that there should be regular reviews.

University resources*(i) Financial position and pressures*

The Council oversees planning and resource allocation matters through its Planning and Resources Committee (PRC), a joint Committee of the Council and the General Board. A significant proportion of the PRC's work during the course of the year is concerned with the preparation of the University Budget and five-year financial forecasts, which are reported in detail in the Report on the Financial Position of the University which also recommends annual allocations from the Chest. The Budget position for the coming five years is slightly favourable to the plan previously reported, due to a number of small variances. However, the overall position of the University remains finely balanced, with a projected surplus in 2016–17 of only £0.3m. There are a number of significant financial risks on the planning horizon including, for example, the forthcoming triennial valuation of the Universities Superannuation Scheme, the impact of the reform of state pensions, the outcome of the Research Excellence Framework, and possible levels of inflation on items such as pay, energy, and construction costs. Accordingly, the PRC has issued guidance for the next Planning Round which allows for a prudent 1% increase in allocations to institutions. An issue that concerns the PRC is the extent to which Chest-derived reserves, particularly in the Schools, continue to rise despite the challenging economic circumstances. They have agreed to work closely with Schools during the coming Planning Round to understand the reasons for this, and to ensure that reserves are proportionate to risks, and that risks are being managed at the appropriate organizational level in the University.

(ii) The Capital Plan

The PRC is also responsible for the University's capital planning, and for making allocations from the Capital Fund. It has been clear over the course of the previous academic year that the appetite for capital investment in buildings remains high, with major academic developments planned at West Cambridge, the Cambridge Biomedical Campus, the New Museums site, and the Old Addenbrooke's site. The ten year (to 2020–21) cumulative cost of projects currently in the Green Zone (that is, projects which have the highest level of approval that the PRC is able to give before consent is given to proceed) is £622m of which £330m is projected to be from the Capital Fund. Calls on the Fund outstrip its capacity. The Planning and Resources Committee will therefore continue to scrutinize closely the academic and business case for new buildings, and will review all projects currently in the Green Zone to ensure that opportunities for securing external funding have been fully explored. For example, the University has secured £21m in government funding from the UK Research Partnership Fund to construct the Maxwell Centre, an interdisciplinary centre on the West Cambridge site that will form closer links between the 'blue skies' research that takes place on the site and industry.

(iii) The cost of an undergraduate education at Cambridge

The Council continues to monitor, through the PRC, the cost of providing an undergraduate education at Cambridge. Following comments about the methodology for making the calculation, a working group has been established, with representation from the Cambridge University Students' Union, to continue to develop the method. Agreement has been reached on the treatment of University costs; the Group is now turning its attention to College costs and has invited representation from the Colleges. It will consider the costing of other types of student in due course.

(iv) Sustainability metrics

To assist in longer term strategic planning, a set of sustainability metrics has been developed covering the full range of the University's operations. These will allow the Council to track performance over time and make comparisons with cognate institutions where comparable data are available. The metrics are consistent with the proposals for a new annual sustainability assurance report (ASSUR) to HEFCE and are being further developed in that context.

(v) Cambridge University Endowment Fund (CUEF)

Long-term investments are held in the Cambridge University Endowment Fund (CUEF) managed by the Investment Office with oversight by the Council's Investment Board. The investments held in the CUEF are intended to support the University's current and future expenditure for the very long term out of the monthly distributions. Investments in the Fund are selected and combined to optimize the expected future long run total return bearing in mind the expected future volatility of the return. The Council receives an annual report about the performance of the CUEF through the Finance Committee. The investment return of the CUEF in the year to 30 June 2013 was 20% and the Fund had returned an annualized 8.3% growth in the five years since the Investment Office's managerial performance had been measured. These figures were favourable both to national and international benchmarks and to the Fund's own investment objectives (a long-term absolute return of RPI + 5.25%). The strong performance had also lowered the distribution rate as a percentage of the year-end fund unit value. The Council is pleased to note that these returns are being achieved within the parameters of acceptable risk.

Government policy and the national environment*(i) Government Spending Round 2013*

The government's Spending Round announcement was made on the 26 June 2013. The outcome for the Department for Business, Innovation and Skills (BIS) was less unfavourable than for some other government departments. The announcement relates only to 2015–16 and BIS has not yet outlined how any cuts might be implemented. The Council will continue to closely monitor the implications of the new funding regime. The Council welcomed the government's decision, following extended discussions with the sector, that the current budgets for the MRC and for medical education should not be moved into the Department of Health.

(ii) HEFCE's Financial Memorandum with Higher Education Institutions

The Council has noted the HEFCE's intention to consult on changes to the Financial Memorandum with Higher Education Institutions (HEIs) and will engage fully with the consultation process.

(iii) The Committee of University Chairs' (CUC) Governance Code of Practice

The CUC has also indicated that its Governance Code of Practice will be subject to consultation and revision over the forthcoming year. It is believed that the revisions will take account of the plurality of systems of governance within the sector and will be based on principles rather than prescription.

Teaching and research

Teaching and research are the responsibilities of the General Board and of the Schools, Faculties, and Departments. The General Board report annually to the Council. Their Report for 2012–13, annexed to this Report, comments in greater detail.

(i) Educational development

Amongst the developments described more fully in the General Board's Report, attention is drawn to the Board's approval of a Learning and Teaching Strategy for 2012–15 (<http://www.admin.cam.ac.uk/offices/education/strategy/strategy.pdf>). The Board's Education Committee's remit now encompasses all aspects of the University's educational provision, across all categories of student. Examples of the Committee's broader range of interests include: approval of a Code of Practice on Reasonable Adjustments in the teaching and examining of disabled students; scrutiny of the work of the Boards of Examinations, of Graduate Studies, and of Executive and Professional Education; the approval of additional non-member awards; and the examination arrangements for Master's degrees.

(ii) The Quality Assurance Agency (QAA)

The University was subject to a QAA Institutional Review in March 2013, the outcome of which was satisfactory. The QAA Report can be found on the Agency's website at <http://www.qaa.ac.uk/institutionReports/reports/Documents/RG1153-Cambridge.pdf>. The General Board have approved an action plan in response to the Review's recommendations (http://www.admin.cam.ac.uk/offices/education/reference/qaa_action_plan.pdf). The General Board also contributed to a QAA Consultation on a risk-based approach to future national quality assurance processes.

(iii) Research

The Council was pleased to note that, notwithstanding the financial climate, research income has grown by 8% compared to 2011–12, with a particularly strong contribution from EU-funded research, which is up by 18%. This is further evidence of the quality of the University's research and the commitment of Principal Investigators across the University.

Preparations for the University submission to the 2013 Research Excellence Framework, led by the Pro-Vice-Chancellor (Research), have required the engagement of the academic community throughout the University towards the submission deadline of 29 November 2013.

In the area of compliance, the implementation of the rapidly evolving policy on Open Access gained momentum (<https://www.openaccess.cam.ac.uk>). In July 2013 HEFCE confirmed that compliance with the UK Concordat to Support Research Integrity (published in July 2012) will become compulsory for HEIs as a condition of grant funding. This will require additional work both centrally and in Departments to provide the necessary assurance.

The Research and International Strategy Offices work closely together to support the University's major

international research partnerships. During 2012–13 there has been a particular focus on relationships in Singapore, India, Africa, and Brazil. The Cambridge CARES programme on the Singapore CREATE Campus was formally launched in April 2013.

University employment

(i) *Changes to the Cambridge University Assistants' Contributory Pension Scheme (CPS)*

Following the publication of the Notice regarding these proposals on 24 October 2012,¹¹ the Grace to approve the changes was passed on 2 November 2012.¹² The changes to the CPS were implemented on 1 January 2013.

(ii) *Equality initiatives*

The Equal Pay Review 2012 was completed and reviewed by the Council at its meeting on 26 November 2012. There has been some improvement in gender equality in relation to pay, but progress remains slow. New recommendations have been agreed and are being progressed.

The University developed the Senior Gender Equality Network, engaging over 140 senior colleagues and culminating in the identification of priority issues and actions for implementation. These were presented to the Vice-Chancellor and the Network members in June 2013 and will be taken forward under the governance of the Gender Equality Group in 2013–14.

Work to achieve Athena SWAN Awards has increased significantly and in November 2012 the University submitted a successful renewal of its Bronze Award. Departments were also supported in their submissions, resulting in Chemistry, Engineering, Materials Science and Metallurgy, and Veterinary Medicine gaining Bronze Awards and Clinical Medicine gaining a Silver Award.

The University also received funding from EPSRC to undertake a number of new gender initiatives. These included: the delivery of a series of personal and professional development workshops for women staff; skills-based sessions on mentoring to support the University's CV Scheme; provision of 'Emerging Leaders', a development programme for researchers; piloting a new Returning Carers Scheme to support academic staff returning to research following a career break for caring responsibilities; and undertaking staff surveys as part of Athena SWAN submissions.

(iii) *Review of various elements of pay and reward arrangements*

A sub-committee chaired by the Pro-Vice-Chancellor (Institutional Affairs) was set up in Lent Term 2012 to review aspects of senior Pay and Reward in response to significant changes in the external employment market that were affecting the University's capacity to recruit and retain senior academic and academic-related staff.

A consultation paper was published in Michaelmas Term 2012 and a consultation exercise conducted. A revised Report on amendments to the Second Joint Report on the Pay and Grading Scheme for non-clinical staff was published in Lent Term 2013 and final recommendations approved by the Regent House on 31 May 2013.¹³

The main changes, which will be implemented with effect from 1 January 2014, are:

- The scale of stipends for the University Senior Lectureship will be extended by two contribution points with an associated contribution reward scheme.

- The scale of stipends within each band of Grade 12 will be extended (bands 1–3 by two points, band 4 by six points).
- Market supplements to be replaced with:
 - Advanced Contribution Supplements (for Academic staff);
 - Market Pay (primarily for other staff categories).

Cambridge Assessment and Cambridge University Press

(i) *Cambridge Assessment (CA)*

The Council annually receives a report from Cambridge Assessment. The Chair of the Local Examinations Syndicate and the Chief Executive of Cambridge Assessment and Chairman of OCR attended the Council's meeting on 15 July 2013. They reported that the educational landscape was changing rapidly, and technology innovations were leading to an increase in the digitization and personalization both of learning content and assessment. Cambridge Assessment's revenue was also impacted by the volatility of national policy on qualifications. The market environment remained competitive. There was, however, a continuing growth in demand for English language learning and international education and for specialist expertise to support educational reform programmes in developing countries. In responding to this, CA would: continue to invest in international growth; take measures to stabilize its UK general qualifications activity; increase collaboration with CUP and exploit the competitive benefits of the Cambridge brand; continue the programme to upgrade its IT systems; increase investment in technology; and work towards moving its offices into a single site operation co-located with CUP's Shaftesbury Road site.

Developments in the reporting period included new joint branding with CUP for Cambridge English and the establishment of an Admissions Testing Service. The turnaround time for the delivery of results had been reduced and there had been an increased frequency of sessions. Cambridge International Examinations had experienced an increased UK uptake of IGCSE and Pre-U. CIE had also increased contract work, including advising governments on curriculum reform. A new office in Singapore had been opened.

The Council was pleased to note that the future growth forecast remained strong. Revenue for the 2012–13 financial year had increased over the previous year and there was a good surplus from trading. 30% of the annual operating surplus is transferred to the University and applied for capital purposes.

(ii) *Cambridge University Press (CUP)*

The Council annually receives a report from Cambridge University Press. The Chair of the Press Syndicate and the Chief Executive of CUP attended the Council's meeting on 17 June 2013. They reported that significant progress had been made across a whole range of the Press's activities in the past year. In particular, there had been an improvement in the financial management, information, and controls systems; governance arrangements had also been enhanced through the establishment of an Operating Board and by reinforcing the Press's Audit Committee (see p. 159). An English Language Teaching (ELT) and Education Publishing Committee had been set up to work in parallel with the existing Academic Publishing Committee. CUP's relationship with the University represented a significant

¹¹ *Reporter*, 6282, 2012–13, p. 55.

¹² Grace 1 of 24 October 2012.

¹³ Grace 2 of 22 May 2013.

competitive advantage. With the advent of new digital distribution channels and devices, the expectations of academic and learning professionals were changing, but publishing markets remained weak and uncertain. Over the forthcoming two years, CUP would seek to: accelerate digital transformation and innovation; further build on relationships with Cambridge Assessment and the University; drive efficiency with a view to increasing significantly the overall surplus by 2015–16; complete the next phase of the renewal of the back office systems; and foster a more innovative and responsive culture.

Notwithstanding a challenging financial climate, sales increased by around 7% with growth in each of the three main activities: academic books and journals; English Language Teaching; and education (content for schools). 30% of net surplus is returned annually to the University.

North West Cambridge

Following a resolution to grant outline planning consent for the overall site by Cambridge City Council and South Cambridgeshire District Council in August 2012, negotiations were undertaken with those authorities and Cambridgeshire County Council to secure the section 106 planning agreement, which deals with social and other issues arising from the development. This was agreed and signed in February 2013 and the planning consent legally secured, subject to the approval of site-wide conditions and Reserved Matters Applications for the various elements of the project.

In October 2012 a Report was submitted to the Regent House on the proposal for the development and a First Phase comprising some 530 'key worker' residential units for qualifying University and College staff, approximately 300 post-graduate accommodation units, development sites for approximately 500 units for market sale to residential developers, and the local centre with shops, a supermarket, doctors' surgery, and community facilities.¹⁴ A ballot on the Report was held in January 2013, the result of which was 1,499 in favour of the proposal and the First Phase and 73 against.

Subsequently architects have been appointed through a competitive process to design the various University buildings and landscape to RIBA Stage D, with other professional consultants. The infrastructure, landscape, and building designs are in the course of being submitted to the local authorities for approval.

Development

(i) Development and alumni relations milestones

Organizational structures and leadership

In 2012, the Council agreed to a major investment in scaling-up Cambridge University Development Office (CUDO) and Cambridge Alumni Relations Office (CARO)'s operations and in bringing their development, alumni relations, and communications operations into closer alignment with each other and with the University's

Schools and Non-School Institutions. This followed recommendations from external consultants commissioned to advise on the University's next phase of fundraising and the organizational structures necessary to support its ambitions to exceed the £1.2 billion raised through the 800th Anniversary Campaign.

The CUDO/CARO restructure was formally implemented from 1 May 2013, following a 90-day staff consultation period, and is now complete. The new organization will be called Development and Alumni Relations (DAR). Alison Traub, the new Executive Director of Development and Alumni Relations, arrived in post in June 2013; appointments have since been made of the Chief Operating Officer and to five new senior management posts; recruitment of the Director of Principal Gifts, and of new senior Schools-based fundraising roles, is in progress.

Code of Practice

The new Code of Practice for a Collaborative Fundraising Model for Collegiate Cambridge was agreed between Colleges and the University in June 2013, and is now in effect. Its implementation is governed by the Joint Committee on Development (JCD), which is now chaired jointly by the Vice-Chancellor and the Chair of the Colleges' Committee.

(ii) Philanthropy and alumni engagement

New funds raised for the University through the Development Office (CUDO) and Cambridge in America (CAm) during 2012–13 were £51.6 million, as of 31 July 2013. This was an increase of 59% on last year's £32.5 million for the University from CUDO and CAm. This figure includes only new cash and pledges secured in this financial year. The number of gifts over £1 million increased by 75%, to fourteen, up from eight in the previous year.

Overall philanthropic income received from CUDO and CAm for the University in 2012–13 was £55.5 million; this includes all cash received during the year, including instalments against new and previous years' pledges. This represents an increase of 37% over the previous year's total philanthropic cash flow for support of the University.

A new e-communication, *Philanthropy News*, circulated to over 500 development and alumni relations professionals within the Colleges and University, was launched to share information and best practice.

The Alumni Relations Office (CARO) continued to expand its alumni engagement, reaching more than 200,000 alumni and supporters with its print communication, *CAM* magazine, and a regular audience of more than 130,000 through the monthly e-bulletin and mailings in conjunction with Departments. A new programme of international alumni events, Global Cambridge, was launched in collaboration with the Colleges and other University Departments. The Alumni Festival (formerly the Alumni Weekend) now sits under the Global Cambridge banner as its leading UK element.

25 November 2013 L. K. BORYSIEWICZ, *Vice-Chancellor*
N. BAMPOS
JEREMY CADDICK
STEPHEN J. COWLEY
ATHENE DONALD
I. M. LE M. DU QUESNAY
NICHOLAS GAY
DAVID GOOD

ANDY HOPPER
RICHARD JONES
FIONA KARET
F. P. KELLY
MARK LEWISOHN
REBECCA LINGWOOD
MAVIS MCDONALD
ROSALYN OLD

SUSAN OOSTHUIZEN
FLICK OSBORN
RACHAEL PADMAN
SHIRLEY PEARCE
JOHN SHAKESHAFT
JEAN THOMAS
I. H. WHITE
A. D. YATES

¹⁴ *Reporter*, 6282, 2012–13, p. 59.

ANNEX A
COUNCIL MEMBERSHIP 2012–13

The Chancellor and the Vice-Chancellor

To 31 December 2012

Elected as Heads of Colleges

Prof. Anthony David Yates, *R*
Sir Christopher Hum, *CAI*

Elected as Professors or Readers

Prof. David Samuel Harvard Abulafia, *CAI*
Prof. Dame Athene Margaret Donald, *R*

Elected as members of the Regent House

Dr Richard James Barnes, *EM*
Mr Robert John Dowling, *SID*
Dr David Arthur Good, *K*
Dr Rachael Padman, *N*

External members

Dr Vanessa Vivienne Lawrence
Dame Mavis McDonald (*Deputy Chair*)

Student members (to 30 June 2013)

Mr Charles Bell, *Q*
Ms Rosalyn Old, *R*
Mr Sam Wakeford, *TH*

Secretary: The Registry

To 31 December 2014

Prof. Francis Patrick Kelly, *CHR*
Prof. Robert David Lethbridge, *F*

Prof. Nicholas John Gay, *CHR*
Prof. Andrew Hopper, *TH*

Dr Nick Bampos, *TH*
Dr Stephen John Cowley, *SE*
Mr Ian Mark Le Mercier Du Quesnay, *N*
Dr Susan Marian Oosthuizen, *W*

Mr Mark Lewisohn, *CHR*
Mr John Shakeshaft, *T*

Student members (from 1 July 2013)

Mr Richard Jones, *JN*
Ms Rosalyn Old, *R*
Ms Felicity Osborn, *JN*

To 31 December 2016

Prof. Ian Hugh White, *JE*
Prof. Anthony David Yates, *R*

Prof. Dame Athene Margaret
Donald, *R*
Prof. Fiona Eve Karet

The Reverend Jeremy Lloyd
Caddick, *EM*
Dr David Arthur Good, *K*
Dr Rebecca Julie Lingwood, *HO*
Dr Rachael Padman, *N*

Dame Mavis McDonald
Professor Shirley Pearce CBE

ANNEX B
STATEMENT OF PRIMARY RESPONSIBILITIES

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 Advisory Committee on Benefactions and External and Legal Affairs;

- 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 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, either through him or her or directly, the 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 Council Committee for the Supervision of the Student Unions;
- makes (or recommends) senior appointments (including the Vice-Chancellor, Pro-Vice-Chancellors, the Registry and, through its Standing Appointments Committee established by Ordinance, Directors and other senior staff in the Unified Administrative Service;
- monitors 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 Syndicate for the West and North West Cambridge Estates;
- through the work, initially, of the Transition Advisory Group and, once established, the Information Services Committee, monitors the provision of IT infrastructure and support;
- 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*, 2013, 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 academic year 2012–13

The GENERAL BOARD beg leave to report to the University as follows:

1. Introduction

1.1 The General Board present this Annual Report on their work for the academic year 2012–13.

1.2 The Board draw particular attention to the following major tasks undertaken during the year:

- (a) A broadly successful outcome to the Quality Assurance Agency's Institutional Review of the University (paragraph 3.1 below).
- (b) Preparations for the 2014 Research Excellence Framework (paragraph 6.1 below).
- (c) The incorporation into the University of the CRUK Cambridge Institute and the MRC Institutes in Cancer Cells and in Applied Epidemiology (paragraph 7.4 below).
- (d) Pay and Grading for non-clinical staff (paragraph 9.4 below).

2. Academic standards and quality assurance and enhancement

2.1 The Board approved a new Learning and Teaching Strategy for 2012–15 (<http://www.admin.cam.ac.uk/offices/education/strategy/strategy.pdf>). The Strategy aims to develop a more integrated approach to student policy with a focus on: equality and diversity issues; encouraging interdisciplinarity; support for international students; review of the University's examination review and student complaints procedures; and setting clear expectations by, and of, students through the development of the Student Gateway and other web-based information.

2.2 The Board's Code of Practice on Reasonable Adjustments for Disabled Students (http://www.admin.cam.ac.uk/offices/education/support/reasonable_adjustments.pdf) has been implemented during the year, with the first tranche of cases considered for alternative modes of assessment.

2.3 As indicated in last year's Annual Report, the remit of the Board's Education Committee has been broadened to cover all categories of students and all education-related business requiring central consideration. For example, the Committee has considered matters as diverse as University transcripts, Fitness to Practice Medicine, the publication of past examination papers, and the results of various national student surveys. As a consequence of its extended remit, the Education Committee has established a number of sub-committees to advise it on specific matters. These include a Teaching and Learning Sub-Committee (a joint committee with the Senior Tutors' Committee) to consider issues relating to the education of undergraduate and taught Master's students; and a Standing Committee on Student Mobility to develop a strategic approach to (incoming and outgoing) undergraduate and graduate student mobility. An application has been submitted for renewal of the University's Erasmus Charter for 2014–20: the result of the application will be known in December 2013. The Council's Report on the future of the Management Committee for the University Health Services and its sub-groups (*Reporter*, 6302, 2012–13, 20 March 2013, p. 431) led to the establishment of a new University Committee on Health and Wellbeing, which will report to the Board through the Education Committee.

2.4 The work of the Teaching and Learning Services Steering Group has carried on with nine grants of a total value of £99k being made in the year to support innovation

in teaching. This Group is overseeing a project for the University-wide installation of Moodle to replace CamTools.

2.5 The Board have considered the University's position in relation to Open Access On-line provision and the developments elsewhere of Massive Open On-line Courses (MOOCs). A discussion forum was established to test opinion across the University. External developments in this area will continue to be closely monitored but at this stage the General Board, through a Working Group under the Chairmanship of the Pro-Vice-Chancellor (Education), have agreed as a first priority to promote a more coherent presentation of what the University and the Colleges presently offer to the wider public through various social media.

2.6 As part of the Board's rolling programme of Learning and Teaching Reviews, the following institutions were reviewed in 2012–13: the Faculties of Divinity and of Education; and the Departments of Anglo-Saxon, Norse, and Celtic; Biochemistry; Chemical Engineering and Biotechnology; Veterinary Medicine; and Zoology; and the Institute of Continuing Education. During the year the Education Committee considered responses to reviews of the following institutions: the Faculty of Asian and Middle Eastern Studies; the Departments of Chemistry and of Earth Sciences; the Institutes of Continuing Education and of Criminology; and the Language Centre. The Education Committee has also reviewed the review process itself and concluded that whilst current procedures remain satisfactory, Faculties and Departments should be given more guidance on the preparation of their submissions to avoid unnecessary work falling on them.

2.7 Projects to be taken forward during 2013–14 include reviews of: examination arrangements for Master's degrees and the borrowing of papers for examinations in those degrees; and the General Board's Code of Practice for Research Students, including the first-year registration process for intending Ph.D. students.

3. External scrutiny/stakeholder engagement

3.1 Much of the Board's and the Education Committee's attention was devoted to the Institutional Review conducted by the Quality Assurance Agency (QAA). A Self-Evaluation document (http://www.admin.cam.ac.uk/cam-only/offices/education/consultations/qaa_sed2012.pdf) was submitted to the QAA in December 2012. The QAA Review Team visited the University in January and March 2013 when meetings were held with a variety of groups. The resulting Report (<http://www.qaa.ac.uk/InstitutionReports/reports/Documents/RG1153-Cambridge.pdf>) found that the University's academic standards met UK expectations for professional standards, and that UK expectations relating to the quality of student learning opportunities, the information about those opportunities, and the enhancement of the opportunities were met. Amongst the activities commended by the Reviewers were the accessibility of library resources, Cambridge's provision in research skills training, and the support provided by the Careers Service and the Disability Resource Centre. The Reviewers also made a number of recommendations regarding future action, including external involvement in the course approval process, the quality of published information, and integrated arrangements for supporting international students. Those recommendations and the Board's responses can be found at http://www.admin.cam.ac.uk/offices/education/reference/qaa_action_plan.pdf. The Board are grateful to those staff and students

who met the QAA Reviewers for their constructive engagement with the Review. The Education Committee also responded to QAA Consultations on a more risk-based approach to future reviews and to various Chapters of the Agency's revised UK Quality Code.

3.2 As is customary, a number of teaching programmes were subject to scrutiny by professional, statutory, and regulatory bodies. Positive reports were received following scrutiny by: RIBA (concerning the Architectural Studies Tripos); the Institute of Engineering and Technology (in respect of the Computer Science Tripos); and the Institute of Physics (concerning Physics courses in the Natural Sciences Tripos and the M.Sc. Degree).

3.3 In the 2012 National Student Survey, 92% of Cambridge respondents declared their overall satisfaction with the quality of their courses, compared with a sector average of 85% and a Russell Group average of 87%. On the other hand, the results of the 2012 Postgraduate Taught Experience Survey revealed overall satisfaction rates which were lower for Cambridge than the national and Russell Group rates. The Education Committee is concerned by the disparity and is actively exploring with Faculties and Departments the reasons for the different satisfaction rates between undergraduates and taught postgraduates, particularly in the areas of assessment and student feedback, and what action should be taken.

4. Degrees, courses, and examinations

4.1 The Board promoted the necessary legislation to allow the Faculty Boards concerned discretion as to whether Preliminary Examinations should be compulsory. It has also reviewed the desirability or otherwise of two-year Part II options in Triposes which also have a one-year Part II, the outcome being that the two-year option be dispensed with unless a strong case for retention is approved. On the recommendation of the Board of Graduate Studies, the necessary regulatory changes have been approved to enable Degree Committees to assume responsibility for determining the results of examinations for the Certificate of Postgraduate Study and for certain Diplomas, mirroring arrangements already in place for the M.Phil. Degree. The Board of Graduate Studies are consulting Degree Committees about comparable future arrangements for the Ph.D. Degree.

4.2 The Board, through their Education Committee, approved substantial changes to Part IA of the Classical Tripos. A new M.St. programme in History was approved. Changes were made to the General Regulations for the M.St. Degree including the introduction of an 'exit' award for candidates unable to complete the requirements of the Degree, and transferring responsibility for admissions to the Strategic Committee for the Institute of Continuing Education. The M.Phil. examination in Russian Studies was rescinded (with provision being subsumed within the M.Phil. in European Literature and Culture). The M.St. programme in Historic Environment and the Diploma in Modern Languages were rescinded. Changes to the B.Th. were approved, including the removal of the Qualifying Examination.

4.3 The Board have oversight over 'non-member' awards (*Statutes and Ordinances*, p. 579). A number of new programmes were approved, including in Ecological Monitoring and Conservation, Philosophy, International Relations, English Literature, History of Art, Physical Sciences, and Evolutionary Biology. The Board were pleased to note the wider range of University institutions now involved in such programmes. A number of other non-member programmes were rescinded or suspended.

5. International activities

5.1 The International Strategy Office continued to support Schools, Faculties, and Departments in developing strategic collaborations with international partners, especially in India, Africa, and China. That Office and the University Research Office have jointly hosted visits to enable Principal Investigators to identify funding and collaborative research opportunities with Brazil and Europe. Further partnerships in the Far East, India, the USA, and Africa are underway.

5.2 In June 2013, agreement was reached between the European Commission, the European Parliament, and Member States on the new EU Framework Programme for Research and Innovation, 'Horizon 2020'. Under the agreement, the 'Excellent Science' pillar receives an increased percentage of the total programme funding, with significantly increased budgets for the European Research Council and Marie Curie Actions. The agreement represents a positive outcome for Cambridge and other research-intensive universities, and reflects concerted engagement with the institutions of the European Union and the UK government by the Vice-Chancellor and the Pro-Vice-Chancellor for International Strategy.

5.3 A paper on International Engagement was endorsed by the Board in June 2013, following extensive consultation by the International Strategy Committee. Specific questions and recommendations arising from the paper will be considered during 2013–14. At the Board's suggestion, the Committee will increase the frequency of its meetings to address strategic aspects of the University's international engagement.

6. Research

6.1 The Board received regular reports on the preparations for the University's submission to the Research Excellence Framework (REF), under the oversight of the REF Policy Committee (a sub-committee of the Research Policy Committee). Additional central resources were provided to support those preparing the returns to the 32 Units of Assessment (UoAs) comprising the University's submission, particularly the preparation of impact case studies. Additional funding of £6m was provided to the Schools for measures (primarily the accelerated filling of vacancies) to maximize the volume and enhance the quality of the University's submission. The University's submission will include over 2,100 staff, some 7,500 publications, and almost 250 impact case studies and will be made in the second half of November 2013. The results will be published in December 2014 and used in the calculation of the QR component of HEFCE recurrent grant from 2015–16. The Board are grateful to all those, in Faculties, Departments and the central offices, for their contribution to the preparation of the University's submission.

6.2 Strategic Research Initiatives and Networks build on the University's research strengths by linking together a critical mass of expertise from across the Schools in major thematic areas, with the aim of promoting cross-disciplinary collaboration, increasing the University's influence on national and international research policy, and providing a platform for large-scale funding applications, and international research partnerships. Award of Initiative or Network status by the Board's Research Policy Committee is initially for a period of three years, subject to annual review, and usually includes funds to support a co-ordinator role and associated activities. The current Initiatives are Infectious Diseases, Neuroscience, Stem Cells, Cancer, Energy, Global Food Security, Conservation, and Language Sciences. The current Networks are Digital Humanities,

Sensors, Nanoforum, Immunology, Metabolic Disorders, Psychometrics and Public Health (<http://www.cam.ac.uk/research/research-at-cambridge/strategic-research-initiatives-networks>). In January 2013, the Research Policy Committee appraised the first four Initiatives (awarded in 2010). In view of their diverse achievements and ambitious further goals, the Committee agreed that Initiatives would be eligible for renewal of status and funding for a second period of three years. Limiting Initiatives to six years will allow for new areas of strategic interest to be supported in a rolling programme. In May 2013, the Research Policy Committee issued a call for expressions of interest for two further Initiatives. Ten proposals were received and four selected to submit full applications to the Committee in the Michaelmas Term 2013.

6.3 The Open Access agenda has developed rapidly during the year, following the government's acceptance of almost all the recommendations of the June 2012 Finch Report. In July 2012 RCUK announced its new Open Access policy, which requires all Research Council-funded articles submitted for publication after 1 April 2013 to be published in journals that meet their Open Access requirements; subsequently, RCUK clarified that there would be a five-year transition period to full compliance. Meanwhile, the Wellcome Trust have strengthened their stance on Open Access, the European Commission have incorporated Open Access requirements into 'Horizon 2020', and there are similar initiatives in development at other European and US funders. Funder and publisher policies are still evolving and the University is working with the Russell Group to raise issues of concern. In autumn 2012, RCUK announced that the University would receive a one-off allocation to support the transition to Open Access and then an annual block grant from April 2013 to support the payment of publication charges relating to Research Council-funded research. An Open Access Project Board has been established to ensure that the University is compliant with funder mandates for Open Access. Aware of the distinct concerns of the different academic communities, there is extensive consultation with the Schools, Faculties, Departments, and individual academics throughout the project. The University's Open Access policy framework has been published (<https://www.openaccess.cam.ac.uk>) and a central helpdesk system has been established to advise researchers. In March 2013, the University responded to a HEFCE consultation about the role of Open Access in the post-2014 REF exercise. In July 2013, HEFCE set out its final proposals and opened a consultation period until the end of October 2013. Input is being sought from the Schools to inform the University's response.

6.4 Research income grew by 8% compared with 2011–2012, much of which is attributable to grants from UK Charities and the European Commission. The Research Councils and UK Charities continued to be the University's main sponsors, generating 38% and 28% respectively of the total research income received. Research Council income fell again this year by 5%, whereas that supported by the European Commission rose by 18% compared to the previous year. The incorporation of the CRI and MRC Units into the University resulted in an increase in awards made to the University of £36.8m and additional income of £12.7m. Overall, new awards to the University increased by 8% to £427m and the value of applications and contracts (based on 100% full economic costing) submitted by the University to all funders increased to £1.62 billion, compared to £1.54 billion in 2011–12.

6.5 The University's new fEC costing tool for research grant applications, X5, developed in partnership with the

University of Oxford, was implemented in April and May 2013. It replaced the pFACT system, which was phased out by August 2013. Plans are now progressing to implement a project to undertake a comprehensive review of University systems and procedures in support of research grant and contract activities. Following a Research Councils audit in November 2012, the University was awarded a Substantial (Level 1) Assurance for grants administration and management, and a Satisfactory (Level 2) Assurance for compliance with TRAC methodology.

6.6 Work has continued in implementing a University-wide facilities and equipment database in support of the Research Councils Efficiencies and Effectiveness programme. The database now holds information on over 4,000 items in the University, with almost 2,000 available for sharing. Data from the SES-5 consortium of universities (Oxford, Imperial, UCL, and Southampton) are expected to be viewable in the Cambridge database from October 2013. Further work will continue next year in assessing the impact of the database in facilitating new opportunities for increased collaborations and utilization of existing assets. The sector has also created a national portal of information on equipment available for use.

6.7 In July 2013, HEFCE confirmed that compliance with the UK Concordat to Support Research Integrity (published in July 2012) will become compulsory for HEIs as a condition of grant funding. RCUK expects that all individuals in the communities that it supports will abide by the Concordat, and institutions will be required to provide assurance through new questions to be added to RCUK's normal assurance mechanisms.

6.8 The Research Ethics Committee provided its first annual report to the Board in the Michaelmas Term 2012, and the Board approved a University Policy on the Ethics of Research Involving Human Participants and Personal Data, together with a Research Ethics Review Appeals Procedure.

7. Finance and planning

7.1 The Board oversee Planning and Resource Allocation matters through the Planning and Resources Committee (PRC), a joint Committee of the Council and the General Board. A significant proportion of the Committee's work during the course of the year is concerned with the preparation of the University Budget and five-year financial forecasts, which are reported in detail in the Report on the Financial Position of the University, which also recommends annual allocations from the Chest (*Reporter*, 6308, 2012–13, p. 555). The Budget position for the coming five years is ahead of the plan previously reported, due to a number of small variances. However, the overall position of the University remains finely balanced, with a projected surplus in 2016–17 of only £0.3m. There are a number of significant financial risks on the planning horizon including, for example, the level of contributions to USS, the impact of reform of state pensions, the outcome of the REF, and possible levels of inflation on items such as pay and energy. Accordingly, the PRC has issued guidance for the next Planning Round which allows for a prudent 1% increase in allocations to institutions. An issue which concerns the Board is the extent to which Chest-derived reserves in Schools continue to rise despite the challenging economic circumstances. The Board are particularly concerned that Schools should not be unduly constraining academic activity in order to manage risks which would be better managed at the centre. Reaching a better shared understanding of the appropriate level and location of reserves has, accordingly, been set as a priority for the coming Planning Round.

7.2 The PRC is also responsible for the University's capital planning, and for making allocations from the Capital Fund. It has been clear over the course of the previous academical year that the appetite for capital investment in buildings remains high, with major academic developments planned at West Cambridge, the Cambridge Biomedical Campus, the New Museums site, and the Old Addenbrooke's site. The total projected costs of projects currently in the Green Zone over the current ten-year period is c. £622m of which £393m is projected to be from the Capital Fund. The majority of projects are for new teaching and research accommodation within academic institutions. Developments on the New Museums site include a proposed Student Services Centre, which the Council and the Board consider a key development in further improving the services provided to students by the central University. The University has secured £21m in government funding from the UK Research Partnership Fund to construct the Maxwell Centre, an interdisciplinary centre on the West Cambridge site which will form closer links between blue skies research and Industry.

7.3 The Board continues to monitor, through the PRC, the cost of providing an undergraduate education at Cambridge. Following initial difficulties in establishing a reliable methodology for making the calculation, a working group has been established, including representation from CUSU, to continue to develop the method. Agreement has been reached on the treatment of University costs, and the group is now turning its attention to College costs, and now includes representation from the Colleges.

7.4 The Board, through the PRC, approved the incorporation of the MRC Epidemiology and Cancer Units, and the CRUK Cambridge Institute as University Institutions within the School of Clinical Medicine. As well as enhancing the research base of the School, these represent important strategic acquisitions for the University.

7.5 Following submission of a Report by a Review Committee (published on 24 October 2012), a Joint Report of the Council and the General Board on IT Infrastructure and Support was published on 20 March 2013. Its principal recommendations concerned the merger of the University Computing Service and the Management Information Services Division to form a new institution (University Information Services); the establishment of a new University Office, Director of Information Services, to head the new institution; and the replacement of the current Information Strategy and Services Syndicate by an Information and Services Committee. Following Discussion of the Report, certain of its recommendations were amended, and the amended proposals were approved. The Board regard the unification of the organizations and governance of the University IT support as a major achievement. They expect to work closely with the new Information Services Committee, when established, in taking this development forward.

8. Establishment of new senior positions

8.1 As the result of various benefactions, the Board proposed the establishment of a John Harvard Professorship in the Arts, Humanities, and Social Sciences.

8.2 With the support of the Medical Research Council and the Royal Society, the Board proposed the establishment of a MRC Research Professorship of Epidemiology in the Faculty of Clinical Medicine, and of a Royal Society Research Professorship of Earth Sciences in the Department of Earth Sciences.

8.3 The following Professorships were established, or re-established, supported by Trusts or through general University funds within the Schools concerned:

- Professorship of Plant Development in the Sainsbury Laboratory;
- Professorship of International Education in the Faculty of Education;
- Two Professorships in the Department of Clinical Neurosciences;
- Professorship of Pure Mathematics in the Department of Pure Mathematics and Mathematical Statistics;
- Two Professorships in the Faculty of Philosophy;
- Professorship of Aerothermal Technology in the Department of Engineering;
- Professorship of Experimental Psychology in the Department of Psychology;
- Professorship of Hypoxia Signalling and Cell Biology in the Department of Medicine;
- Professorship of Stroke Medicine in the Department of Clinical Neurosciences;
- Harold Samuel Professorship of Law and Environmental Policy in the Department of Land Economy; and a
- Professorship of Empirical Macroeconomics in the Faculty of Economics.

8.4 The following Readerships were established, or re-established, supported on general University funds within the Schools concerned:

- Readership in Quantitative Sociology in the Department of Sociology;
- Readership in Comparative Oncology and Genetics in the Department of Veterinary Medicine;
- Two Readerships in Judge Business School;
- Readership in Vasculitis in the Department of Medicine;
- Readership in Cancer Risk Prevention in the Department of Public Health and Primary Care;
- Readership in Neuroradiology in the Department of Radiology;
- Readership in Number Theory in the Department of Pure Mathematics and Mathematical Statistics; and a
- Diageo Readership in Management Studies in Judge Business School.

9. Human resources

9.1 The major items of business considered by the Board through the Human Resources Committee were as follows.

9.2 Changes to the Cambridge University Assistants' Contributory Pension Scheme were implemented on 1 January 2013 following the publication of a Notice (*Reporter*, 6282, 2012–13, p. 55) and approval of a Grace on 2 November 2012 (*Reporter*, 6284, 2012–13, p. 117). The implementation was preceded by a communication exercise to ensure existing members understood the benefits of transfer payments to the scheme prior to the new scheme becoming effective. The scheme saw a significant increase in this activity prior to 1 January 2013.

9.3 The Equal Pay Review 2012 was completed. There has been some improvement in gender equality in relation to pay. New recommendations have been agreed and are being progressed. The Senior Gender Equality Network was developed, engaging over 140 senior staff and culminating in the identification of priority issues and

actions for implementation. These will be taken forward under the governance of the Gender Equality Group in 2013–14. Work to achieve Athena SWAN Awards has increased significantly and in November 2012 the University submitted a successful renewal of its Bronze Award. Departments were also supported in their submissions, resulting in Chemistry and Materials Science and Metallurgy gaining Bronze Awards. Four other Departments – Physics (for Gold), Engineering (for Bronze), Clinical Medicine (for Silver), and Veterinary Medicine (for Bronze), received support in their April 2013 bids. The Clinical School was successful in receiving a Silver Award; the Departments of Engineering and Veterinary Medicine received a Bronze. The University also received dedicated EPSRC funding to enable a number of new gender initiatives to be undertaken. These included: delivery of a series of personal and professional development workshops for women staff entitled ‘New Perspectives’; skills-based sessions on mentoring to support the University’s CV Scheme; provision of ‘Emerging Leaders’, a development programme for researchers; piloting a new Returning Carers Scheme to support academic and research staff returning to research following a career break for caring responsibilities; and undertaking staff surveys as part of Athena SWAN submissions.

9.4 The Human Resources Committee set up a sub-committee chaired by the Pro-Vice Chancellor (Institutional Affairs) in Lent Term 2013 to review aspects of Pay and Reward in response to significant changes in the external employment market, which have been hindering the University’s capacity to recruit and retain senior academic and academic-related staff. Following the publication of a consultation paper and conduct of a consultation exercise, a Report was published in Lent Term 2013, the recommendations of which were approved by the University on 31 May 2013. The proposals, due to be implemented with effect from 1 January 2014, are summarized below:

- the scale of stipends for the University Senior Lectureship will be extended by two contribution points with an associated contribution reward scheme;
- the scale of stipends within each band of Grade 12 will be extended (bands 1–3 by two points, band 4 by six points);
- market supplements to be replaced with:
 - Advanced Contribution Supplements (for Academic staff);
 - Market Pay (primarily for other staff categories).

Full details can be found at <http://www.admin.cam.ac.uk/reporter/2012-13/weekly/6302/section5.shtml#heading2-16>.

9.5 The HR Committee consulted on the recognition of teaching-only posts. The work remains on-going.

9.6 The HR Committee reviewed and updated its policy on UKBA Absence Monitoring for staff I Ph.D. level posts, following approval of its intended approach from the Home Office. In addition, an extensive immigration audit

was conducted and Mark Harper, the Minister with responsibility for Immigration, visited the University.

9.7 A sub-committee of the HR Committee reviewed the University’s approach to further changes in pension tax relief. It concluded by recognizing the need for improved communication to staff in USS to ensure awareness of the implications of the pension tax relief changes being introduced in April 2014.

10. Health and safety

10.1 Oversight of the governance of health and safety management at the University continues to be the responsibility of the Health and Safety Executive Committee (HSEC) chaired by the Pro-Vice Chancellor for Planning and Resources. The HSEC seeks assurance that the implementation of University Safety Policy is maintained by a continuing programme of safety management auditing and subject-specific audits of certain hazards associated with research, including chemicals, biological material, and ionizing and non-ionizing radiations. Audit and inspection relating to fire safety and security are undertaken in conjunction with the Fire Safety Office and Security Office in Estate Management. These processes also ensure that Faculties and Departments are apprised of statutory requirements and responsibilities for managing all aspects of health and safety. Health and safety policy, guidelines, advice and information produced and provided by the OHSS are part of the on-going review of safety management systems in light of certain changes to regulations and Approved Codes of Practice (and their interpretation) as a result of the government’s Löfstedt Report, ‘Reclaiming health and safety for all’. University policy continues to be developed in a way that is risk-focussed and proportionate in support of the University’s core functions of teaching and research.

10.2 The merger of the Health and Safety Office and Occupational Health Service to form the Occupational Health and Safety Service (OHSS) was completed with the relocation of the Occupational Health staff and facilities adjacent to the existing Safety Office. In addition to improving access to services for all University members in a single central location, budgets, administrative processes, and compliance benefit from the closer working relationship between the two offices.

10.3 Work with the Colleges on a nominally charged basis has continued to expand over the year, with 29 Colleges now receiving services from OHSS (predominantly training, auditing, and advice), while ten Colleges have dispensed with the services of health and safety consultants altogether in favour of improved self-governance and management supported solely by advice from OHSS when required. These developments respond to concerns previously identified by the HSE as an area of risk to the University as a whole. In addition, subsequent to restructuring within the HSE, OHSS is increasingly asked to visit Colleges (as well as University institutions) on behalf of the HSE Inspector to gather information following reportable accidents or incidents.

19 November 2013 L. K. BORYSIEWICZ, *Vice-Chancellor*
 PHILIP ALLMENDINGER
 N. BAMPOS
 H. A. CHASE
 SARAH COAKLEY

M. J. DAUNTON
 SIMON FRANKLIN
 DAVID GOOD
 RICHARD JONES
 ROBERT KENNICUTT
 DUNCAN MASKELL
 PATRICK MAXWELL
 RACHAEL PADMAN
 JOHN RALLISON
 HENK-JAAP WAGENAAR

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013

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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 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 academic year 2012–13, 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 publishing house of the University dedicated to 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 these 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:

- 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, European Union funding, and through collaborations with the private sector;
- benefactions and donations for current use;
- investment income from our accumulated endowment and other assets;
- 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 largely invested indirectly through fund managers with this approach intended to maximize total investment return. A substantial proportion of the CUEF’s current investments yield little or no income in the form of dividends, interest, and rents. In the year ended 31 July 2013, distributions by the CUEF exceeded the income received from its underlying investments by £61m (2012: £54m), the balance of the distributions being funded by drawing on long-term capital growth.

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 £61m less than it would have been had it been based on distribution, with a corresponding increase in capital gains (reflected in the statement of recognized gains and losses). For the individual trust funds and other endowment funds which have invested capital in the CUEF, the full distribution remains available as income.

Financial performance for the year

The consolidated results for the year ended 31 July 2013 are summarized in Table 1.

	2012–13	2011–12	Change
	£m	£m	%
Income	1,438	1,322	+8.8%
Expenditure	(1,415)	(1,317)	+7.4%
Surplus on continuing operations	23	5	
Minority interests	–	(1)	
Transfer from restricted endowments	50	44	
Surplus for the year retained within general reserves	73	48	
Net assets	3,074	2,641	+16.4%

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

	2012–13	2011–12
	£m	£m
Income	1,499	1,376
Surplus for the year retained within general reserves	99	70

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
Surplus / (deficit) on continuing operations

Results by segment		Income	Expenditure	Surplus / (deficit)
		£m	£m	£m
Education and research		857	895	(38)
Cambridge Assessment		324	287	37
Cambridge University Press		275	261	14
Financial support to the University from Cambridge Assessment		(16)	(16)	–
Financial support to the University from Cambridge University Press		(2)	(2)	–
Pension scheme and other adjustments		–	(10)	10
		1,438	1,415	23

The education and research activities of the University group were in deficit for the year, after accounting for investment income as described above. The recurrent and special grants from HEFCE reduced by £12m with a reduction in funding for teaching as the new funding regime for Home/EU undergraduates was introduced. This was more than offset by an increase of £34m in academic fees and support grants.

Research grants and contracts income increased by £38m, a little over 13%, which includes research income arising from research units transferred in the year to the University from Cancer Research UK and the Medical Research Council. Charity and European Commission sources of research grant income continued their steady growth, although income from Research Councils remained broadly flat.

The University's international exams group Cambridge Assessment designs and delivers assessments to over eight million learners in over 170 countries. Cambridge Assessment offers these qualifications through three exam boards: Cambridge English Language Assessment, Cambridge International Examinations, and Oxford Cambridge and RSA Examinations (OCR).

Income from its examination and assessment services was £317m (2012: £300m) in the year. The international businesses of English language testing and of international examinations remain particularly strong, with the IELTS qualification continuing good growth, offsetting a difficult environment for OCR which is subject to the volatility of national policy on qualifications in the UK. Cambridge Assessment transferred £16m (2012: £33m) during the year in support of the University's teaching and research activities.

The Cambridge University Press is the University's publishing arm. Its mission is to further through publication the University's objective of advancing learning, knowledge, and research worldwide. The Press is organized into three main streams: Academic books and journals, English Language teaching materials, and Education publishing. The Press has a growing programme of digital products in academic books and journals, and has expanded its collaboration with Cambridge Assessment in English language materials and testing. Revenues from publishing and printing services increased over 2012–13 to £263m (2012: £241m), and after an accounting gain of £6m on disposal of its US warehouse, increased its surplus.

The University receives and generates significant Other Income, including contributions from Health and hospital authorities, income from intellectual property managed primarily through Cambridge Enterprise Limited, unrestricted donations of £14m (2012: £14m), rents from its non-operational properties, and donations of, and for the purchase of, heritage assets. This latter item was particularly material at £16m in 2012–13, mainly arising from the acquisition by the Fitzwilliam Museum of Poussin's *Extreme Unction*.

Change in financial position

Table 3 below gives the movement in net assets showing the capital flows into the group, analyzed 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 2012	2,607	294	6	(266)	2,641
Surplus / (deficit) on continuing operations	(38)	37	14	10	23
Currency adjustments	–	–	(3)	–	(3)
New endowment capital	41	–	–	–	41
External funding for capital expenditure	9	–	–	–	9
Actuarial loss on retirement benefits	–	–	27	(35)	(8)
Increase in investment values	346	25	–	–	371
Net assets at 31 July 2013	2,965	356	44	(291)	3,074

Increases in values of endowment and other financial assets, in a strong year for investment markets, inflows to the endowment from benefactions and donations, together with surpluses from its assessment and publishing activities, brought the University's net assets to over £3 billion for the first time.

Capital expenditure programme

The University continues its investment in refreshing, renewing, and expanding its academic estate and equipment and in the physical facilities and IT infrastructure for Cambridge Assessment and Cambridge University Press. This continual investment in infrastructure is essential if the University is to remain globally competitive.

Major capital expenditure projects, mainly new buildings, are funded from a combination of sources including operating cash flows, government funding through HEFCE, and external donations. Equipment is funded mainly by research grant sponsors, supplemented by operating cash flows. The University's capital planning framework schedules buildings and large equipment purchases over a planning period of up to 20 years to match academic priorities and to take account of inter-dependencies between projects. Cambridge Assessment and the Press similarly have major programmes of capital expenditure on office and logistics buildings and on enhanced business systems.

Over the year the University's total capital expenditure on property, plant, and equipment was £117m, of which £88m was in respect of the University's academic activities. In addition heritage assets were acquired at a value of £16m provided or funded mainly through donations.

Major items of expenditure incurred in the year are set out in Table 4, and include early works on the North West Cambridge development, new buildings for Materials Science and Metallurgy and for Chemical Engineering and Biotechnology, the new Sports Centre, the Battcock Centre of Astrophysics, and contributions to the new MRC Laboratory of Molecular Biology on the Addenbrooke's site.

Other investment was made over a number of projects across the University's main sites, and in expenditure, primarily on business systems by Cambridge Assessment and Cambridge University Press. During the year the Press disposed of a warehouse in the US for proceeds of £16m.

Table 4

	£m
Materials Science and Metallurgy building	20
Sports Centre	13
New Chemical Engineering and Biotechnology building	7
MRC Laboratory of Molecular Biology 2	6
Other new build, improvements, and refurbishment	14
Total academic estate buildings	60
Equipment for academic purposes	14
Heritage assets (excluding donated assets)	5
North West Cambridge	14
Cambridge Assessment total	19
Cambridge University Press total	10
Total additions excluding donated assets	122

North West Cambridge

The University is developing its site at North West Cambridge, currently comprising primarily agricultural land. Outline planning consent for the overall site was granted in mid-2012. The proposals include site infrastructure and landscaping, University housing for letting to staff, market housing for sale and let, supermarket and retail units, and further sites for research. This will contribute to the strategic need to provide affordable and high quality housing for post-doctoral research staff and others at the beginning of their careers with the University. The development will add to the long-term strategy of the University in allowing further expansion of academic activities. The market housing, which will number 1,500 units, and retail and commercial developments, contribute significantly to the viability of the development.

The University is progressing with a first phase of the development comprising some 530 residential units for University and related staff, approximately 300 postgraduate accommodation units, development sites for approximately 500 units for market sale to residential developers, and a local centre with shops, a supermarket, and other facilities. This first phase is expected to involve a peak investment by the University of approximately £250 million by 2015.

Endowment and other investments

The University's endowment and other investments support 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 held 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 expenditure in the operating budget 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.

Colleges and other charities linked with the University are permitted to invest in the CUEF, to gain from its scale, diversification, and professional management. The Gates Cambridge Trust and the Associated Trusts are substantially invested in the CUEF, and a number of Colleges have made investments.

As at 31 July 2013 the CUEF had a market value of £2,137m (2012: £1,651m), of which £72m was invested by Colleges. The increase was a result of investment performance and new funds invested during the year less the amounts distributed for spend on operations.

The investment performance of the CUEF is monitored to a 30 June year-end. The CUEF's investment return was 20.0% in the year to June 2013, and an annualized 8.3% for the five years to 30 June 2013. Both the short and medium-term results were ahead of the Fund's long-term investment objective and ahead of its principal benchmarks. The rolling three-year volatility of the fund, based on quarterly numbers, was 9.3% to June 2013, compared to 15.2% for the MSCI All Country World index in sterling.

The CUEF operates an evolving asset allocation and the proposed changes over the following twelve months are revised quarterly in discussion with the Investment Board. Over the year, the fund's broad asset allocation was not changed materially, but there was a measured increase in investment in less liquid credit markets. As at 30 June 2013, the actual asset allocation was global equities 65%, absolute return 13%, private investments 9%, credit 3%, real assets including property 9%, and fixed income including cash 1%. Through the year the exposure to assets denominated in sterling was approximately 50%.

(ii) 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.

(iii) Other investment assets

Some long-term investments are held outside the CUEF including certain investment properties in Cambridge, other securities, and equity investments in spin-out companies overseen by the University's technology transfer company Cambridge Enterprise.

Staff costs and pensions

Staff costs make up 43% of the University group's total operating expenditure and 56% in respect of the University's teaching and research activities. Staff costs increased by 4.5% over the prior year to £605m. There was continuing pay restraint in the uncertain economic conditions, although staff numbers increased with the transfer of staff from Cancer Research UK and MRC units and staff costs of Cambridge Assessment again increased slightly in line with its business growth.

The costs and risks of the pension schemes to which the University is exposed remain of concern. The Universities Superannuation Scheme (USS) is a very large multi-employer scheme. The scheme actuary has estimated the funding ratio of USS at 31 March 2013 at 77% with a deficit of £11.5 billion. The deficit of the USS is not reflected in the University's balance sheet but is a major exposure for the University. Changes have been introduced by the USS in benefits in respect of future service in order to make the scheme affordable and sustainable. The University's contribution to the USS continues at 16% of pensionable pay.

The University group has three other major schemes: the Cambridge University Assistants' Contributory Pension Scheme (CPS) for assistant staff of the teaching and research activities of the University, and two schemes for staff of the Cambridge University Press. The CPS is a defined benefit scheme open to new joiners and to future accrual. The University is making deficit-recovery contributions to the scheme of £14.6m per annum for fourteen years commencing

August 2011. Certain changes to future service benefits were introduced from 1 January 2013 in order to reduce risk and cost to the University in the interests of making the CPS affordable and sustainable. The Cambridge University Press defined benefit schemes are closed to new joiners and are subject to annual recovery plan payments currently at £4.4m and rising over the course of the plan period.

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 is £364m (2012: £369m), of which £73m relates to the Press's schemes.

Development and alumni relations

The benefits of philanthropy are long-term, strengthening Cambridge's financial security for posterity at a time of intensifying global competition and uncertainty. The University and the Cambridge Colleges are committed to continued investment in fundraising and in building close relationships with alumni and supporters internationally. In the course of 2012–13 the University received £41m (2012: £43m) in new endowment capital and £14m (2012: £14m) as unrestricted donations.

Public Bond

On 17 October 2012 the University issued £350m of 3.75% unsecured bonds due October 2052. The bonds are listed on the London Stock Exchange. The net proceeds of the issue of £342m are for general corporate purposes, including investment in research facilities, accommodation, and other assets. Pending application to the capital programme and in the North West Cambridge development, the funds raised are invested in the CUEF and other investment vehicles.

The University is rated Aaa (stable) by Moody's Investor Services.

The financial outlook

The financial landscape is evolving as policy changes in student funding are implemented and government policy for higher education funding develops, in part due to constraints on public spending. The recurrent grants from HEFCE are likely to remain a core part of the University's income, though the teaching grant continues to reduce, offset by an increase in home student tuition fees. The University's undergraduate numbers will remain constant whilst graduate numbers are expected to continue to follow the historic trend of around 2 per cent growth per annum. This, in conjunction with a continuing revision of our post-graduate fees, should provide a steady net increase in funding.

The HEFCE recurrent grant for research remains broadly level but there are increasing challenges in replacing the significant reduction in its capital funding stream.

Cambridge Assessment's overseas activities are expected to continue to thrive and the closer collaboration with the Press in Cambridge English is proving successful. The OCR business stream is subject to policy and regulatory changes in the UK but is investing for the future. Cambridge Assessment is maintaining its programme of investment in systems and in office and other facilities. Cambridge University Press continues to find its markets demanding, particularly in the US, and the acceleration of digital publishing and concentration of its customers is a challenge. However, the Press is well on track to increase steadily its turnover and its surplus, so that it remains in a good position to continue to invest for the future.

Investment returns were strong over 2012–13, with favourable impact on the University's investment assets and the assets of its pension schemes. However, global economic uncertainties remain, the impact of the removal of quantitative easing and the inflation outlook all make the returns at the target levels challenging over the near future.

Principal risks and uncertainties affecting the long-term financial position

The principal risks the University must address do not change: its 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 possibility of further cuts to government support for teaching and research;
 - the outcome of the Research Excellence Framework exercise in 2014, which will have a major impact on the University's research funding;
 - the impact of government policy on immigration, affecting both students and staff;
 - funding of sponsored research by charities and foundations, and their unwillingness to cover the full costs, and an increase in EU-sponsored research also at a level below full economic costs;
 - movements in investment markets reducing the value of the endowment and other investment assets;
 - increasing and uncertain costs of pension provision;
 - pay inflation, against a background of pay restraint in recent years;
 - the ability to continue to invest in physical facilities, against a background of reduced government and research council capital funding;
 - the support by benefactors for endowment, capital expenditure, and for current use; and
 - the economic success of Cambridge Assessment and the Press, which operate in challenging international markets.
- Cambridge Assessment provides an increasingly important source of unrestricted funding for the University.

In conclusion

The University group's financial operating performance has allowed a surplus to be retained in general reserves for future investment. Academic activities remained finely balanced, but Cambridge Assessment's operations were again at a significant surplus, and the Cambridge University Press is on an upward trajectory. Operating cash flows remain strong and there was a strong performance by the University's investments in the year.

The immediate uncertainties in government funding have been resolved, although the future comprehensive spending review is likely to be challenging for the UK higher education sector. The new undergraduate fee regime has now been through its first year and has been absorbed satisfactorily. The result of the 2014 Research Excellence Framework will be critical for the University, and in sponsored research we are seeing good growth and the mix of funding sources has widened.

The University is one of the world's leading academic institutions and has a reputation for outstanding academic achievement. This reputation has been built up over a long time and is an important factor in attracting the best academic staff and the best students. Maintaining the financial ability to continue to attract and retain the best staff and to provide research and teaching facilities commensurate with our standing as one of the world's leading universities remains an ongoing challenge. Funding the strategic capital programme against a backdrop of reduced government support is demanding, although the proceeds of the bond issue and recent investment gains give more flexibility in financing the programme.

In the longer term, the University continues to build and diversify its income streams, and is focusing in particular on building its philanthropic income.

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, which has a majority of external members, 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 the 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. 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; and 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 and the charity trustees during the year ended 31 July 2013*The Chancellor*

Lord Sainsbury of Turville

The Vice-Chancellor

Professor Sir Leszek Borysiewicz

Heads of Colleges

Sir Christopher Hum (to 31 December 2012)

Professor Francis Kelly

Professor Robert Lethbridge

Professor Ian White (from 1 January 2013)

Professor A. David Yates

Professors or Readers

Professor David Abulafia (to 31 December 2012)

Professor Dame Athene Donald

Professor Nicholas Gay

Professor Andrew Hopper

Professor Fiona Karet (from 1 January 2013)

Members of the Regent House

Dr Nick Bampos

Dr Richard Barnes (to 31 December 2012)

The Reverend Jeremy Caddick (from 1 January 2013)

Dr Stephen Cowley

Mr Robert Dowling (to 31 December 2012)

Mr Ian Du Quesnay

Dr David Good

Dr Rebecca Lingwood (from 1 January 2013)

Dr Rachael Padman

Dr Susan Oosthuizen

Student Members:

Mr Charles Bell (to 30 June 2013)

Ms Rosalyn Old

Ms Flick Osborn (from 1 July 2013)

Mr Richard Jones (from 1 July 2013)

Mr Sam Wakeford (to 30 June 2013)

External Members

Mr Dominic Casserley (to 31 December 2012)

Dr Vanessa Lawrence (to 31 December 2012)

Mr Mark Lewisohn (from 1 January 2013)

Dame Mavis McDonald (Deputy Chair)

Professor Shirley Pearce CBE (from 1 January 2013)

Mr John Shakeshaft

The Chancellor, external members, student members, Sir Christopher Hum, Professor Lethbridge, Professor Yates, Mr Du Quesnay, and Mr Caddick are not employees of the University. Professor Lethbridge is an employee of the Gates Cambridge Trust, a subsidiary undertaking. 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 19,000 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. Further information is available at: <http://www.admin.cam.ac.uk/univ/cambridgebursary/> and <http://www.admin.cam.ac.uk/offices/gradstud/fees/funding/new.html>.

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 which 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 2013 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. Risk management is a standing item on the Audit Committee agenda.
 - (e) The University provides information (primarily through web-based resources) to those who own or manage central or School risks.
 - (f) A system of indicators has been developed for the University's key strategic risks.

The Council's review of the effectiveness of the system of internal control is informed by the work of the internal auditors, Deloitte LLP.

5. 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 and Ordinances* 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 National College for Teaching and Leadership; 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 group and University financial statements (the 'financial statements') of the University of Cambridge for the year ended 31 July 2013 which comprise the Consolidated income and expenditure account, the note of consolidated historical cost result, the Consolidated statement of total recognized gains and losses, the Group and University Balance sheets, the Consolidated cash flow statement, the Statement of principal accounting policies, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the Council and auditors

As explained more fully in the Statement of the Responsibilities of the Council set out on page 181 the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Council as a body in accordance with the *Statutes and Ordinances* of the University and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in pages 172 to 181 and in the Annual Reports of the Council and of the General Board to the Council to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and University's affairs as at 31 July 2013 and of the Group's income and expenditure, recognized gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- 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 and any other terms and conditions attached to them.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion, the statement of internal control is inconsistent with our knowledge of the University and Group.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
25 November 2013

Notes:

- (a) 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.
- (b) 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 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 Teaching Agency. Recurrent grant is recognized 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 recognized as income to the extent that relevant expenditure has been incurred.

Charitable donations

Charitable donations are recognized 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 recognized 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 recognized in the statement of total recognized 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 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 income in the year of acquisition.

Academic fees

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

Examination and assessment services

Income from examination-based assessments is recognized when services are rendered and substantially complete. Income from qualifications not based on examination sessions is recognized in proportion to the number of modules achieved by candidates.

Publishing and printing

In the case of books and other print publications, income is recognized on delivery of the goods to the customer. Income generated from electronic publishing, including the provision of perpetual access, is recognized when the material is initially made available. Subscriptions income is recognized evenly over subscription periods. Journals income is recognized when the journals are published and shipped.

Other income

Income is received from a range of activities including residences, catering, conferences, and other services rendered. Income is recognized 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 and subsidiaries of Cambridge University Press 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 had last been revalued on 1 August 1994 on the basis of market value for existing use, 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 capitalized 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 capitalized, since reliable estimates of cost or value are not available on a cost-benefit basis. Acquisitions since 1 August 1999 have been capitalized 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 capitalizing 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.

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 amortized 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. Investments in spin-out companies are valued in accordance with the International Private Equity and Venture Capital Guidelines, and other non-marketable securities are included at valuation by the Council. Current asset investments are included in the balance sheet at the lower of cost and net realizable value.

Stocks and work in progress

Stocks are stated at the lower of cost and net realizable value after making provision for slow moving and obsolete items. In respect of publishing and printing services, (a) direct costs incurred prior to publication are included in stocks and work in progress and are written off over a period of up to three years from the publication date; and (b) the University makes full provision against the cost of stocks in excess of one and a half times the most recent year's sales on all publications dated more than two years before the reporting date.

Bond liabilities

The Bond liabilities are the unsecured Bonds issued by the University in October 2012 and listed on the London Stock Exchange. The Bonds are initially measured at the proceeds of issue less all transaction costs directly attributable to the issue. After initial recognition, the Bonds are measured at amortized cost using the effective interest rate method.

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 recognized 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 outcome are reported in the statement of total recognized 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 organization.

Consolidated income and expenditure account for the year ended 31 July 2013

	<i>Note</i>	Year ended 31 July 2013 £m	Year ended 31 July 2012 £m
Income			
Funding body grants	<i>1</i>	184	197
Academic fees and support grants	<i>2</i>	182	149
Research grants and contracts	<i>3</i>	332	293
Examination and assessment services	<i>4</i>	317	300
Publishing and printing services		263	241
Other income	<i>5</i>	140	123
Endowment and investment income	<i>6</i>	20	19
Total income		1,438	1,322
Expenditure			
Staff costs	<i>7</i>	605	579
Other operating expenses	<i>8</i>	714	656
Depreciation	<i>8</i>	77	71
Interest and other finance costs	<i>8</i>	19	11
Total expenditure	<i>8</i>	1,415	1,317
Surplus on continuing operations		23	5
Minority interests in results of subsidiary undertakings		–	(1)
Surplus on continuing operations after minority interest		23	4
Transfer from restricted endowments	<i>23</i>	50	44
Surplus for the year retained in general reserves	<i>24</i>	73	48

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

Note of consolidated historical cost result for the year ended 31 July 2013

	<i>Note</i>	Year ended 31 July 2013 £m	Year ended 31 July 2012 £m
Surplus on continuing operations		23	4
Realization of gains on disposal of fixed asset investments	<i>24</i>	37	11
Depreciation on revaluation element of tangible fixed assets	<i>24</i>	6	6
Historical cost surplus for the year		66	21

Additional information:

Total income and surplus on continuing operations 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 £61m (2012: £54m). The surplus retained in general reserves does not include the proportion of this element relating to reserves, amounting to £26m (2012: £22m). The corresponding figures including these elements are:

	Year ended 31 July 2013 £m	Year ended 31 July 2012 £m
Total income on a distribution basis	1,499	1,376
Surplus for the year retained in general reserves on a distribution basis	99	70

Consolidated statement of total recognized gains and losses for the year ended 31 July 2013

	<i>Note</i>	Year ended 31 July 2013 £m	Year ended 31 July 2012 £m
Surplus on continuing operations		23	4
Valuation gains on investments			
Endowment assets	<i>23</i>	204	39
Fixed asset investments	<i>13, 24</i>	166	27
New endowment capital	<i>23</i>	41	43
Loss arising on foreign currency translation	<i>24</i>	(3)	(1)
Actuarial loss	<i>24</i>	(8)	(66)
Total recognized gains relating to the year		423	46
Total gains since the last annual report		423	
Reconciliation			
Opening reserves and endowments		2,138	
Total gains since the last annual report		423	
Closing reserves and endowments		2,561	

Balance sheets as at 31 July 2013

	Note	Group 31 July 2013 £m	Group 31 July 2012 £m	University 31 July 2013 £m	University 31 July 2012 £m
Fixed assets					
Intangible assets	11	6	5	3	2
Tangible assets	12	1,194	1,156	1,193	1,154
Investments	13	1,100	705	892	530
		2,300	1,866	2,088	1,686
Endowment assets	14	1,252	1,057	1,039	873
Current assets					
Stocks and work in progress	15	60	59	50	50
Debtors	16	273	260	302	238
Investments					
University	17	374	197	305	163
Held on behalf of others	17	78	50	566	443
Cash at bank and in hand		61	51	37	28
		846	617	1,260	922
Creditors: amounts falling due within one year	18	(588)	(506)	(1,002)	(825)
Net current assets		258	111	258	97
Total assets less current liabilities		3,810	3,034	3,385	2,656
Creditors: amounts falling due after more than one year	19	(348)	(3)	(346)	–
Pension liabilities	20	(364)	(369)	(72)	(104)
Other retirement benefits liability	21	(24)	(21)	(24)	(21)
Total net assets		3,074	2,641	2,943	2,531
Represented by:					
Deferred capital grants	22	511	502	511	502
Endowments					
Expendable endowments	23	430	362	218	180
Permanent endowments	23	822	695	821	693
	23	1,252	1,057	1,039	873
Reserves					
General reserves	24	922	818	1,066	931
Operational property revaluation reserve	24	121	127	121	127
Fixed asset investment revaluation reserve	24	266	136	206	98
	24	1,309	1,081	1,393	1,156
Reserves and endowments		2,561	2,138	2,432	2,029
Minority interest in subsidiary undertakings		2	1	–	–
Total		3,074	2,641	2,943	2,531

The financial statements on pages 183 to 217 were approved by the Council on 25 November 2013 and signed on its behalf by:

Professor Sir Leszek Borysiewicz
Vice-Chancellor

John Shakeshaft
Member of Council

Andrew Reid
Director of Finance

Consolidated cash flow statement for the year ended 31 July 2013

	<i>Note</i>	Year ended 31 July 2013 £m	Year ended 31 July 2012 £m
Net cash inflow from operating activities	26	69	25
Returns on investments and servicing of finance	27	13	19
Capital expenditure and financial investment	27	(418)	(37)
Cash (outflow) / inflow before use of liquid resources and financing		(336)	7
Management of liquid resources:			
Decrease in short-term deposits	28	–	–
Financing	27	341	(1)
Increase in cash in the year		5	6

Reconciliation of net cash flow to movement in net funds

Increase in cash		5	6
Cash outflow from liquid resources		–	–
Movement in net funds in the year		5	6
Net funds at 1 August		54	48
Net funds at 31 July	28	59	54

NOTES TO THE ACCOUNTS

	2013	2012
	£m	£m
1 Funding body grants		
Higher Education Funding Council for England (HEFCE)		
Recurrent grant	167.4	175.5
Specific grants	1.8	5.5
Deferred capital grant released in year (see note 22)		
Equipment	2.3	2.9
Buildings	12.2	11.1
HEFCE total	183.7	195.0
Teaching Agency: Recurrent grant	0.1	2.3
	183.8	197.3
2 Academic fees and support grants		
Full-time home / EU students	72.6	52.7
Full-time overseas (non-EU) students	62.9	52.3
Other course fees	20.8	22.0
Research Training Support Grants	26.4	22.2
	182.7	149.2
3 Income: research grants and contracts		
Research councils	105.7	105.3
UK-based charities	104.5	87.8
Other bodies	121.6	100.3
	331.8	293.4
<p>Total research grants and contracts income excludes grants of £12.8m (2012: £7.7m) for the purchase of equipment but includes £11.1m (2012: £9.7m) released from deferred capital grants to match depreciation of which £7.6m (2012: £6.1m) related to equipment. See note 22.</p>		
4 Examination and assessment services		
Examination fees	290.3	279.7
Other examination and assessment services	26.5	19.9
	316.8	299.6
5 Other income		
Other services rendered	36.5	34.3
Health and hospital authorities	17.4	17.0
Residences, catering, and conferences	8.4	8.8
Income from intellectual property	9.4	10.9
Released from deferred capital grants (see note 22)	11.5	8.5
Unrestricted donations	13.9	14.3
Rental income	8.2	7.9
Donations of, and for the purchase of, heritage assets	15.6	5.6
Gain on disposal of tangible fixed assets	5.5	–
Sundry income	13.6	15.2
	140.0	122.5

Notes to the accounts (continued)

6 Endowment and investment income	Credited to funds as income £m	Excess over income £m	Underlying income 2013 £m	2012 £m
Income from expendable endowment asset investments	13.6	(10.9)	2.7	2.7
Income from permanent endowment asset investments	29.3	(24.0)	5.3	5.9
Income from fixed asset investments	34.3	(25.9)	8.4	7.2
Other investment income	3.6	–	3.6	3.1
	80.8	(60.8)	20.0	18.9

The University operates a unitized 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 2013, distributions by the CUEF exceeded income received in the year by the CUEF from its underlying investments by £60.8m (2012: £54.0m), the balance of the distributions being funded by drawing on long-term capital growth.

See note 25 for further information on the investments held by the CUEF.

7 Staff costs	2013 £m	2012 £m
Wages and salaries	469.4	442.4
Social security costs	42.4	39.8
Pension costs (see note 30)	93.1	96.4
	604.9	578.6

Remuneration of the Vice-Chancellor	2013 £000	2012 £000
Remuneration excluding employer's pension contributions	289	271
Employer's pension contributions	45	43
	334	314

*Notes to the accounts (continued)***7 Staff costs (continued)****Remuneration of higher paid staff**

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

	Education and research		Assessment and Press	2013 Total	2012 Total
	Clinical	Non-Clinical			
£100,001 – £110,000	18	41	18	77	60
£110,001 – £120,000	11	23	7	41	46
£120,001 – £130,000	4	18	10	32	40
£130,001 – £140,000	10	14	8	32	19
£140,001 – £150,000	11	10	4	25	19
£150,001 – £160,000	15	4	–	19	19
£160,001 – £170,000	6	3	2	11	15
£170,001 – £180,000	8	3	2	13	12
£180,001 – £190,000	3	3	2	8	7
£190,001 – £200,000	5	2	1	8	6
£200,001 – £210,000	3	–	1	4	2
£210,001 – £220,000	1	2	–	3	1
£220,001 – £230,000	2	–	1	3	3
£230,001 – £240,000	1	–	–	1	2
£240,001 – £250,000	–	1	–	1	–
£250,001 – £260,000	–	2	2	4	1
£260,001 – £270,000	–	–	1	1	–
£270,001 – £280,000	–	–	–	–	1
£280,001 – £290,000	–	2	–	2	–
£290,001 – £300,000	–	–	1	1	–
£300,001 – £310,000	–	–	–	–	1
£320,001 – £330,000	–	1	–	1	–
£330,001 – £340,000	–	–	–	–	3
£340,001 – £350,000	–	–	–	–	2
£350,001 – £360,000	–	–	1	1	–
£410,001 – £420,000	–	1	–	1	–

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

Compensation for loss of office

Aggregate payments for compensation for loss of office paid to senior members of staff earning in excess of £100,000 per annum (five in 2012–13, four in 2011–12):

	2013 £000	2012 £000
Payments in respect of loss of office	777	828

Notes to the accounts (continued)

8 Analysis of expenditure by activity	Staff costs	Other operating expenses	Depreciation	Interest payable	2013 Total	2012
	£m	£m	£m	£m	£m	£m
Academic departments	204.1	54.4	5.1	–	263.6	251.4
Academic services	25.6	15.1	0.7	–	41.4	39.3
Payments to Colleges (see note 33)	–	43.3	–	–	43.3	41.6
Research grants and contracts	145.3	126.1	11.2	–	282.6	250.5
Other activities						
Examination and assessment services	85.5	172.8	13.2	–	271.5	247.3
Publishing and printing services	78.7	167.9	8.0	4.3	258.9	249.8
Other services rendered	7.9	23.4	0.1	–	31.4	28.5
Intellectual property	2.4	3.3	–	–	5.7	6.9
Residences, catering, and conferences	2.1	8.0	–	–	10.1	10.5
Other activities total	176.6	375.4	21.3	4.3	577.6	543.0
Administration and central services						
Administration	37.7	1.4	2.0	–	41.1	44.6
General educational	2.3	50.1	0.1	–	52.5	49.8
Staff and student facilities	3.4	1.6	–	–	5.0	4.7
Development office	3.2	4.1	–	–	7.3	7.1
Other	8.8	2.2	–	–	11.0	6.1
Administration and central services total	55.4	59.4	2.1	–	116.9	112.3
Premises	11.5	40.7	36.7	–	88.9	81.8
Interest payable on bond liabilities	–	–	–	10.5	10.5	–
Pension cost adjustments for CPS (see note 30)	(13.7)	–	–	3.9	(9.8)	(2.4)
Total per income and expenditure account	604.8	714.4	77.1	18.7	1,415.0	1,317.5

The depreciation charge has been funded by:

Deferred capital grants (see note 22)	33.4
Revaluation reserve (see note 24)	6.1
General income	37.6
	<u>77.1</u>

Other operating expenses include:

	2013 £000	2012 £000
Auditors' remuneration		
Audit fees payable to the University's external auditors	729	738
Other fees payable to the University's external auditors	312	293
Audit fees payable to other firms	79	96
Payments to trustees		
Reimbursement of expenses to three (2012: two) external members of Council	4	5

These amounts include related irrecoverable VAT.

9 Surplus on continuing operations

	2013 £m	2012 £m
The surplus on continuing operations for the year is made up as follows:		
University's surplus for the year	43.4	3.3
Surplus generated by subsidiary undertakings and transferred to the University under gift aid	4.9	2.9
Surplus dealt with in the accounts of the University	48.3	6.2
Group level adjustments re defined benefit schemes	9.9	2.3
Deficit retained in subsidiary undertakings	(35.1)	(3.9)
	<u>23.1</u>	<u>4.6</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 2013					
Education and research	856.3	17.5	838.8	(38.2)	2,963.8
Assessment	324.2	–	324.2	36.7	356.6
Press	275.2	–	275.2	14.8	44.1
	1,455.7	17.5	1,438.2	13.3	3,364.5
Unallocated re Contributory Pension Scheme	–	–	–	9.8	(291.1)
Group	1,455.7	17.5	1,438.2	23.1	3,073.4
Year ended 31 July 2012					
Education and research	799.2	33.0	766.2	(23.5)	2,607.2
Assessment	309.0	–	309.0	28.8	294.0
Press	246.9	–	246.9	(3.1)	5.5
	1,355.1	33.0	1,322.1	2.2	2,906.7
Unallocated re Contributory Pension Scheme	–	–	–	2.4	(265.7)
Group	1,355.1	33.0	1,322.1	4.6	2,641.0

11 Intangible fixed assets: goodwill and others

	Group 2013	Group 2012	University 2013	University 2012
	£m	£m	£m	£m
Opening balance	4.8	2.2	2.2	1.7
Additions in the year	3.3	3.8	1.9	1.2
Amortization charge for the year	(2.6)	(1.2)	(0.9)	(0.7)
Currency adjustments	–	–	–	–
Closing balance	5.5	4.8	3.2	2.2

Notes to the accounts (continued)

12 Tangible fixed assets	Land and buildings £m	Assets in construction £m	Equipment £m	Heritage assets £m	2013 Total £m	2012 Total £m
Group						
Cost or valuation						
At 1 August	1,294.2	86.7	285.1	42.0	1,708.0	1,626.0
Additions at cost	11.3	69.8	27.8	16.3	125.2	100.8
Transfers	92.4	(111.7)	19.3	–	–	–
Transfers from fixed asset investments	15.4	–	–	–	15.4	–
Transfers to fixed asset investments	(12.0)	(2.8)	–	–	(14.8)	–
Disposals	(12.4)	–	(19.1)	–	(31.5)	(18.7)
Currency adjustments	0.9	–	0.2	–	1.1	(0.1)
At 31 July	1,389.8	42.0	313.3	58.3	1,803.4	1,708.0
Accumulated depreciation						
At 1 August	333.1	–	219.0	–	552.1	496.6
Charge for the year	44.1	–	33.0	–	77.1	71.4
Elimination on transfers to fixed asset investments	(0.1)	–	–	–	(0.1)	–
Elimination on disposals	(2.1)	–	(17.9)	–	(20.0)	(15.8)
Currency adjustments	0.1	–	0.2	–	0.3	(0.1)
At 31 July	375.1	–	234.3	–	609.4	552.1
Net book value						
At 31 July	1,014.7	42.0	79.0	58.3	1,194.0	1,155.9
At 1 August	961.1	86.7	66.1	42.0	1,155.9	1,129.4
University						
Cost or valuation						
At 1 August	1,297.4	86.8	265.7	42.0	1,691.9	1,607.5
Additions at cost	11.3	70.3	26.5	16.3	124.4	98.7
Transfers	93.0	(112.3)	19.3	–	–	–
Transfers from fixed asset investments	15.4	–	–	–	15.4	–
Transfers to fixed asset investments	(12.0)	(2.8)	–	–	(14.8)	–
Disposals	(12.3)	–	(10.6)	–	(22.9)	(14.4)
Currency adjustments	0.9	–	0.3	–	1.2	0.1
At 31 July	1,393.7	42.0	301.2	58.3	1,795.2	1,691.9
Accumulated depreciation						
At 1 August	335.1	–	203.2	–	538.3	481.5
Charge for the year	44.4	–	31.0	–	75.4	69.1
Elimination on transfers to fixed asset investments	(0.1)	–	–	–	(0.1)	–
Elimination on disposals	(2.0)	–	(9.8)	–	(11.8)	(12.4)
Currency adjustments	0.1	–	0.2	–	0.3	0.1
At 31 July	377.5	–	224.6	–	602.1	538.3
Net book value						
At 31 July	1,016.2	42.0	76.6	58.3	1,193.1	1,153.6
At 1 August	962.3	86.8	62.5	42.0	1,153.6	1,126.0

Land and buildings includes land totalling £84.1m (2012: £83.7m) which is not depreciated.

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)***12 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 capitalized. 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 capitalized. As a result the total included in the balance sheet is partial.

Additions for the current and previous four years were as follows:	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Acquisitions purchased with specific donations	4.0	0.9	0.1	1.7	–
Value of acquisitions by donation	11.6	4.7	1.2	1.8	0.7
Total acquired by, or funded by, donations	15.6	5.6	1.3	3.5	0.7
Acquisitions purchased with University funds	0.7	0.3	0.1	0.2	–
Total acquisitions capitalized	16.3	5.9	1.4	3.7	0.7

13 Fixed asset investments

	Group 2013 £m	Group 2012 £m	University 2013 £m	University 2012 £m
Opening balance	705.1	661.2	529.9	484.4
Net transfers to tangible fixed assets (see note 12)	(0.7)	–	(0.7)	–
Other net additions in the year	228.9	16.9	236.4	26.5
Valuation gains on investments	166.4	27.0	126.6	19.0
Closing balance	1,099.7	705.1	892.2	529.9
Represented by:				
CUEF units (see note 25)	918.1	647.8	693.4	456.5
Property	66.1	45.6	66.1	45.7
Securities	100.1	0.1	100.1	0.1
Money market investments	0.1	0.4	0.1	0.4
Investments in subsidiary undertakings	–	–	25.4	23.1
Spin-out and similar companies (see note 31)	14.3	10.4	7.1	4.1
Investments in joint ventures	1.0	0.8	–	–
	1,099.7	705.1	892.2	529.9

14 Endowment assets

CUEF units (see note 25)	1,144.4	955.0	953.4	792.5
Property	0.8	0.9	0.8	1.0
Securities	39.6	33.8	25.8	21.1
Spin-out and similar companies (see note 31)	4.3	8.7	4.3	8.7
Money market investments	59.6	50.7	54.7	50.0
Cash in hand and at investment managers	1.7	2.4	–	–
Bank balances	1.0	5.0	–	–
	1,251.4	1,056.5	1,039.0	873.3

*Notes to the accounts (continued)***15 Stocks and work in progress**

	Group 2013 £m	Group 2012 £m	University 2013 £m	University 2012 £m
Goods for resale	31.3	27.4	23.6	21.0
Pre-publication costs and other work in progress	28.9	30.6	26.9	28.9
Other stocks	–	0.5	–	0.3
	60.2	58.5	50.5	50.2

16 Debtors

Research grants recoverable	70.3	55.0	70.3	55.0
Amounts due from subsidiary undertakings	–	–	64.6	18.9
Debtors re examination and assessment services	68.7	73.4	63.4	58.8
Debtors re publishing and printing	86.1	80.1	63.8	62.0
Other debtors	47.7	51.8	39.8	43.1
	272.8	260.3	301.9	237.8

17 Current asset investments

CUEF units (see note 25)	74.3	48.2	490.0	402.0
Money market investments	293.3	198.9	296.2	203.6
Cash in hand and at investment managers	84.7	–	84.7	–
Other	0.2	–	0.2	–
	452.5	247.1	871.1	605.6
Representing:				
University	374.2	196.7	304.9	162.7
Held on behalf of subsidiary undertakings, Colleges and other associated bodies (see note 18)	78.3	50.4	566.2	442.9
	452.5	247.1	871.1	605.6

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.

18 Creditors: amounts falling due within one year

Bank overdraft	3.6	2.5	3.6	2.5
Current portion of long-term bank loan	0.7	4.4	0.7	4.4
Research grants received in advance	164.9	122.0	164.9	122.0
Amounts due to subsidiary undertakings	–	–	14.3	6.3
Creditors re examination and assessment services	92.5	91.6	51.9	42.3
Creditors re publishing services	82.3	80.0	69.9	69.6
Other creditors	166.1	154.9	130.3	134.8
Investments held on behalf of subsidiary undertakings, Colleges, and other associated bodies (see note 17)	78.3	50.4	566.2	442.9
	588.4	505.8	1,001.8	824.8

*Notes to the accounts (continued)***19 Creditors: amounts falling due after more than one year**

Bond liabilities	342.3	–	342.3	–
Amounts due to subsidiary undertakings	–	–	0.1	0.1
Bank loans	3.2	–	3.2	–
Loan from minority interest	1.8	2.3	–	–
Deferred income	0.5	0.4	–	–
	347.8	2.7	345.6	0.1

On 17 October 2012 the University issued £350m of 3.75% unsecured Bonds due October 2052 (the 'Bonds'). The Bonds were issued at 98.168% of their principal amount. The proceeds of issue, less directly attributable transaction costs, amounted to £342m. Interest at 3.75% pa is payable on 17 April and 17 October each year commencing on 17 April 2013. The Bonds are listed on the London Stock Exchange. Unless previously redeemed, the Bonds will be redeemed at their principal amount of £350m on 17 October 2052. The Bonds are initially measured at the proceeds of issue less all transaction costs directly attributable to the issue. After initial recognition, the Bonds are measured at amortized cost using the effective interest rate method.

Proceeds of issue	343.6
Less directly attributable costs of the issue	(1.6)
Net proceeds	342.0
Amortization for the period to 31 July 2013	0.3
Amortized cost	342.3

20 Pension liabilities

The pension liabilities have been measured in accordance with the requirements of FRS 17.	Group	Group	University	University
	2013	2012	2013	2012
	£m	£m	£m	£m
Opening balance	369.3	308.1	103.6	79.6
Movement in year:				
Current service cost including life assurance	24.2	27.8	2.1	2.3
Contributions	(42.7)	(40.6)	(6.8)	(5.9)
Other finance cost	6.9	10.0	3.0	3.1
Currency adjustments	0.2	1.6	0.2	1.5
Actuarial loss recognized in statement of total recognized gains and losses	5.7	62.4	(29.6)	23.0
Closing balance	363.6	369.3	72.5	103.6

These liabilities relate to the following defined benefit schemes disclosed in note 30:

Cambridge University Assistants' Contributory Pension Scheme (CPS)	291.1	265.7	–	–
Cambridge University Press UK defined benefit schemes (PCPF and PSSPS)	69.6	94.6	69.6	94.6
Cambridge University Press US defined benefit plan (DBP)	2.9	9.0	2.9	9.0
	363.6	369.3	72.5	103.6

21 Other retirement benefits liability

Group and University	2013	2012
	£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	20.5	15.9
Movement attributable to the year:		
Current service cost less benefits paid	0.3	0.4
Contributions	(0.4)	(0.2)
Other finance cost	1.0	0.8
Currency adjustments	0.2	0.2
Actuarial loss recognized in statement of total recognized gains and losses	2.6	3.4
Closing balance	24.2	20.5

*Notes to the accounts (continued)***22 Deferred capital grants**

	Funding Council £m	Research Grants £m	Other Grants £m	2013 Total £m	2012 £m
Group and University					
Balance 1 August					
Buildings	240.5	67.6	173.9	482.0	476.2
Equipment	5.9	13.3	0.8	20.0	20.2
	246.4	80.9	174.7	502.0	496.4
Grants received					
Buildings	24.8	(2.0)	7.3	30.1	28.7
Equipment	–	12.8	(0.2)	12.6	9.3
	24.8	10.8	7.1	42.7	38.0
Released to income and expenditure					
Buildings – for depreciation	(12.2)	(3.5)	(7.7)	(23.4)	(22.9)
Equipment – for depreciation	(2.3)	(7.6)	(0.1)	(10.0)	(9.2)
Equipment – on disposals	–	(0.1)	–	(0.1)	(0.3)
	(14.5)	(11.2)	(7.8)	(33.5)	(32.4)
Balance 31 July					
Buildings	253.1	62.1	173.5	488.7	482.0
Equipment	3.6	18.4	0.5	22.5	20.0
	256.7	80.5	174.0	511.2	502.0

23 Endowments**Group**

	Expendable £m	Permanent £m	2013 Total £m	2012 Total £m
Balance 1 August	361.7	694.8	1,056.5	1,018.5
New endowments received	34.6	6.2	40.8	43.5
Transfers	(1.3)	1.3	–	–
Income receivable from endowment asset investments (see note 6)	2.7	5.3	8.0	8.6
Expenditure	(34.2)	(24.0)	(58.2)	(52.7)
Valuation gains on investments	65.8	138.5	204.3	38.6
Balance 31 July	429.3	822.1	1,251.4	1,056.5
Capital	414.2	716.1	1,130.3	955.0
Unspent income	15.1	106.0	121.1	101.5
Balance 31 July	429.3	822.1	1,251.4	1,056.5
Representing:				
Trust and Special Funds:				
Professorships, Readerships and Lectureships	48.2	405.0	453.2	383.3
Scholarships and bursaries	20.9	106.7	127.6	109.7
Other	115.4	301.0	416.4	342.2
Gates Cambridge Trust	201.6	–	201.6	173.3
Specific donations	38.3	–	38.3	35.6
Examination Board restricted funds	4.9	–	4.9	4.4
General endowments	–	9.4	9.4	8.0
Group total	429.3	822.1	1,251.4	1,056.5

*Notes to the accounts (continued)***23 Endowments (continued)****Transfer to income and expenditure account**

The transfer from endowments to the income and expenditure account represents the extent to which expenditure has been funded from endowment funds, after deducting the related investment income which is credited separately as part of total income. The transfer is calculated as follows:

<i>Group</i>	Expendable £m	Permanent £m	2013 Total £m	2012 Total £m
Expenditure	34.2	24.0	58.2	52.7
Less investment income	(2.7)	(5.3)	(8.0)	(8.6)
Transfer to income and expenditure account	31.5	18.7	50.2	44.1
<i>University</i>				
Balance 1 August	179.9	693.4	873.3	835.6
New endowments received	27.4	6.2	33.6	39.0
Income receivable from endowment asset investments	1.4	5.3	6.7	7.2
Expenditure	(21.0)	(22.6)	(43.6)	(41.0)
Valuation gains on investments	30.8	138.2	169.0	32.5
Balance 31 July	218.5	820.5	1,039.0	873.3
Capital	203.4	714.7	918.1	772.5
Unspent income	15.1	105.8	120.9	100.8
Balance 31 July	218.5	820.5	1,039.0	873.3

24 Reserves

<i>Group</i>	General reserves £m	Operational property revaluation reserve £m	Fixed asset investment revaluation reserve £m	2013 Total £m	2012 Total £m
Balance 1 August	817.7	127.2	136.1	1,081.0	1,073.1
Surplus retained for the year	73.1	–	–	73.1	47.9
Actuarial loss	(8.3)	–	–	(8.3)	(65.8)
Transfer in respect of depreciation on revalued operational properties	6.1	(6.1)	–	–	–
Transfer in respect of disposals of fixed asset investments	36.8	–	(36.8)	–	–
Loss arising on foreign currency translation	(3.2)	–	–	(3.2)	(1.2)
Increase in market value of investments	–	–	166.4	166.4	27.0
Balance 31 July	922.2	121.1	265.7	1,309.0	1,081.0

Reserves are reduced by the net liabilities in respect of retirement benefits.

Reserves before net liabilities in respect of retirement benefits	1,310.0	121.1	265.7	1,696.8	1,470.8
Effect of pension liability (see note 20)	(363.6)	–	–	(363.6)	(369.3)
Effect of liability for other retirement benefits (see note 21)	(24.2)	–	–	(24.2)	(20.5)
Reserves balance at 31 July	922.2	121.1	265.7	1,309.0	1,081.0

*Notes to the accounts (continued)***24 Reserves (continued)**

	General reserves £m	Operational property revaluation reserve £m	Fixed asset investment revaluation reserve £m	2013 Total £m	2012 Total £m
<i>University</i>					
Balance 1 August	931.1	127.2	98.4	1,156.7	1,127.0
Surplus retained for the year	85.2	–	–	85.2	40.0
Actuarial gain / (loss)	27.0	–	–	27.0	(26.4)
Transfer in respect of depreciation on revalued operational properties	6.1	(6.1)	–	–	–
Transfer in respect of disposals of fixed asset investments	19.2	–	(19.2)	–	–
Loss arising on foreign currency translation	(1.8)	–	–	(1.8)	(2.9)
Increase in market value of investments	–	–	126.6	126.6	19.0
Balance 31 July	1,066.8	121.1	205.8	1,393.7	1,156.7

25 Cambridge University Endowment Fund (CUEF)

The University operates a unitized 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 assets of the CUEF were held in the following categories:

	31 July 2013		31 July 2012	
	£m	%	£m	%
Public equity	1,280.2	59.9	925.3	56.1
Private investment	175.9	8.2	106.3	6.4
Absolute return	259.6	12.2	250.7	15.2
Credit	66.2	3.1	79.4	4.8
Real assets	211.0	9.9	192.3	11.6
Fixed interest / cash	143.9	6.7	97.0	5.9
Total value of fund	2,136.8	100.0	1,651.0	100.0

Public equity includes all equity stocks traded on a liquid market, together with related index funds and derivatives (such as futures).

Private investment includes investments where initial capital commitments are drawn down over a period, and the proceeds of the investments once disposed of are returned over the life of each fund. The underlying investments may include both unlisted equities and / or corporate credits (such as bonds, loans and other claims).

Absolute return includes investments in trading strategies which are to some degree independent of overall equity market movements. Funds where different equities are simultaneously held (long) and sold (short) are included in this category.

Credit includes corporate securities (such as bonds and loans) traded on a liquid public market.

Real assets includes investments which are expected to some degree to increase in nominal value to match inflation. This category includes commercial property, and securities which reflect the level of commodity values. Inflation-linked government securities are, however, included in the fixed interest category below.

Fixed interest / cash includes cash at bank and on deposit, government securities, the net value of foreign currency contracts and any amounts receivable in general; less amounts payable, including those arising from holding derivative contracts.

The assets of the CUEF are included in the following balance sheet captions in proportion to the number of units held by the relevant funds:

	Group 2013 £m	Group 2012 £m	University 2013 £m	University 2012 £m
Fixed asset investments (see note 13)	918.1	647.8	693.4	456.5
Endowment assets (see note 14)	1,144.4	955.0	953.4	792.5
Current asset investments (see note 17) – balances held on behalf of:				
Subsidiary undertakings	–	–	415.7	353.8
Colleges	65.6	44.4	65.6	44.4
Other associated bodies	8.7	3.8	8.7	3.8
Total included in current asset investments	74.3	48.2	490.0	402.0
Total value of units	2,136.8	1,651.0	2,136.8	1,651.0

Notes to the accounts (continued)

26 Reconciliation of consolidated operating surplus to net cash inflow from operating activities	2013	2012		
	£m	£m		
Surplus on continuing operations	23.1	4.6		
Depreciation of fixed tangible assets	77.1	71.4		
Amortization of goodwill	2.6	1.2		
(Surplus) / deficit on disposal of tangible fixed assets	(5.5)	1.9		
Deferred capital grants released to income	(33.4)	(32.1)		
Donations of, and for the purchase of, heritage assets	(15.6)	(5.6)		
Investment income	(20.0)	(18.9)		
Interest payable	18.7	11.1		
Pension cost less contributions payable (see note 20)	(18.5)	(12.8)		
Other retirement benefits – cost less contributions payable (see note 21)	(0.1)	0.2		
Currency adjustments	(3.8)	0.6		
	24.6	21.6		
(Increase) in stock	(1.7)	(4.2)		
(Increase) in debtors	(12.5)	(16.8)		
Increase in creditors	58.3	24.2		
Net cash inflow from operating activities	68.7	24.8		
27 Cash flows	2013	2012		
	£m	£m		
Returns on investments and servicing of finance				
Endowment and investment income received	20.0	18.9		
Interest paid	(6.7)	(0.3)		
Net cash inflow from returns on investments and servicing of finance	13.3	18.6		
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(118.3)	(89.2)		
Acquisition of goodwill and other intangible fixed assets	(3.3)	(3.8)		
Donations and grants for the purchase of tangible fixed assets	46.7	38.9		
Proceeds of disposal of tangible fixed assets	16.9	0.7		
Net purchase of long-term investments (excluding investments held on behalf of others)	(401.0)	(26.3)		
New endowments received	40.8	43.5		
Additional investment in subsidiaries	–	(0.7)		
Net cash outflow from capital expenditure and financial investment	(418.2)	(36.9)		
Financing				
Proceeds of bond issue	342.0	–		
Repayment of long-term loans	(1.0)	(0.5)		
Net cash inflow / (outflow) from financing	341.0	(0.5)		
28 Analysis of the balances of cash and bank overdraft	Group	Group	University	University
	2013	2012	2013	2012
	£m	£m	£m	£m
Bank overdrafts	(3.6)	(2.5)	(3.6)	(2.5)
Bank balances included in endowment assets	1.0	5.0	–	–
Cash at bank and in hand	61.3	51.1	37.0	28.4
Net funds	58.7	53.6	33.4	25.9

Notes to the accounts (continued)

29 Capital commitments	2013	2012
	£m	£m
Commitments for capital expenditure:		
Commitments contracted at 31 July	117.6	147.2
Authorized but not contracted at 31 July	100.9	–
	<hr/>	<hr/>
Of the capital expenditure committed at 31 July 2013, approximately 27% (2012: 38%) will be funded by specific grants and donations.		
Commitments for capital calls on investments	163.7	88.0
	<hr/>	<hr/>

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). With the exception (from 1 January 2013) of the CPS, 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.

Triennial valuation of the scheme

The latest triennial actuarial valuation of the scheme was at 31 March 2011 and was the second 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	6.10%
Salary scale increases per annum	4.40%
Pension increases per annum:	
First three years	3.40%
Thereafter	2.60%
Mortality – equivalent life expectancy for members reaching retirement age of 65:	
Males currently aged 65	89
Males currently aged 45	91
Females currently aged 65	91
Females currently aged 45	93

At the valuation date, the value of the assets of the scheme was £32,433.5m and the value of the scheme's technical provisions was £35,343.7m. The assets were therefore sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

At 31 March 2013 the actuary has estimated that the funding level had fallen from 92% to 77%. This estimate was based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions over the following twelve months.

The employer contribution rate payable by the University in the year ended 31 July 2013 was 16% of pensionable pay. The scheme's trustees have determined a recovery plan to pay off the shortfall shown by the 31 March 2011 valuation by 31 March 2021; under the recovery plan the University's contribution rate would increase to 18% of pensionable pay from 1 April 2017 to 31 March 2021. The contribution rate will be reviewed as part of each triennial 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. The scheme's benefit structure changed significantly from 1 January 2013, at which point employees covered by schemes ceased to be contracted out of the State Second Pension.

*Notes to the accounts (continued)***30 Pension schemes (continued)****Cambridge University Assistants' Contributory Pension Scheme (CPS) (continued)****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 2012. The results showed the actuarial value of the scheme's assets as £377.2m. These were insufficient to cover the scheme's past service liabilities of £511.6m; the scheme had a deficit of £134.4m and was 74% funded.

From 1 August 2011 to 31 July 2013 normal employer contributions were set at 20.3 of pensionable pay. From 1 August 2013 employer contributions are set at an average of 11.5% of pensionable pay for existing members at 31 December 2012 and a rate of 5.8% of pensionable pay for new entrants from 1 January 2013. In addition fixed employer contributions totalling £14.6m per annum are payable over the period from 1 August 2011 to 31 July 2025.

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:

	2013	2012
Discount rate	4.60%	4.50%
Expected rate of return on scheme assets at beginning of year	7.15%	6.50%
Rate of increase in salaries	4.15%	3.50%
Rate of increase in pensions in deferment	3.40%	2.75%
Rate of increase in pensions in payment	3.40%	2.75%
Mortality – equivalent life expectancy for members reaching the age of 65:		
Males currently aged 65	87	87
Males currently aged 45	88	88
Females currently aged 65	90	90
Females currently aged 45	92	92

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

	Present value of defined benefit obligation		Fair value of scheme assets		Net liability recognized in the balance sheet	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Opening	(642.8)	(587.7)	377.4	359.4	(265.4)	(228.3)
Current service cost	(22.1)	(25.5)	–	–	(22.1)	(25.5)
Employer contributions	–	–	35.7	34.7	35.7	34.7
Expected return on scheme assets	–	–	25.3	24.4	25.3	24.4
Contributions by members	(0.6)	(0.5)	0.6	0.5	–	–
Interest cost	(29.2)	(31.3)	–	–	(29.2)	(31.3)
Actuarial (losses) / gains	(75.3)	(17.0)	39.9	(22.4)	(35.4)	(39.4)
Benefits and expenses paid	13.3	19.2	(13.3)	(19.2)	–	–
Closing defined benefit obligation	(756.7)	(642.8)	465.6	377.4	(291.1)	(265.4)

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

	2013 £m	2012 £m
In staff costs: current service cost	22.1	25.5
In interest and other finance costs:		
Expected return on pension scheme assets	25.3	24.4
Interest on pension scheme liabilities	(29.2)	(31.3)
	(3.9)	(6.9)

The total of actuarial losses recognized in the statement of total recognized gains and losses was £35.4m (2012: £39.4m).

*Notes to the accounts (continued)***30 Pension schemes (continued)****CPS: Pension costs under FRS 17 (continued)**

Amounts for the current and previous four years were as follows:	2013	2012	2011	2010	2009
	£m	£m	£m	£m	£m
Defined benefit obligation	(756.7)	(642.8)	(587.7)	(516.5)	(458.7)
Plan assets	465.6	377.4	359.4	320.4	275.9
	(291.1)	(265.4)	(228.3)	(196.1)	(182.8)
Deficit at the balance sheet date					
Experience gains / (losses) for the year on plan liabilities	4.4	9.2	(1.6)	7.1	3.9
Experience gains / (losses) for the year on plan assets	39.9	(22.4)	9.3	15.8	(41.2)

The above results have been recognized 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.

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 2013.

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 1 January 2013 valuation to 31 July 2013 for the purposes of the University's financial statements. The principal assumptions used by the actuary for both schemes were:

	2013	2012
Discount rate	4.60%	4.50%
Expected rate of return on scheme assets at beginning of year	5.00%	5.90%
Rate of increase in salaries – schemes are now on frozen current salary basis	0.00%	0.00%
Rate of increase in pensions in deferment	3.70%	3.30%
Rate of increase in pensions in payment	3.70%	3.30%
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 summarized above. The results for the two schemes have been amalgamated.

	Present value of defined benefit obligation		Fair value of scheme assets		Net liability recognized in the balance sheet	
	2013	2012	2013	2012	2013	2012
	£m	£m	£m	£m	£m	£m
Opening	(271.7)	(241.4)	177.1	166.9	(94.6)	(74.5)
Current service cost	(2.1)	(2.0)	–	–	(2.1)	(2.0)
Employer contributions	–	–	5.3	5.4	5.3	5.4
Expected return on scheme assets	–	–	8.8	9.8	8.8	9.8
Contributions by members	(0.2)	(0.3)	0.2	0.3	–	–
Interest cost	(12.1)	(12.9)	–	–	(12.1)	(12.9)
Actuarial gains / (losses)	18.6	(23.9)	6.5	3.5	25.1	(20.4)
Benefits and expenses paid	9.4	8.8	(9.4)	(8.8)	–	–
Closing defined benefit obligation	(258.1)	(271.7)	188.5	177.1	(69.6)	(94.6)

*Notes to the accounts (continued)***30 Pension schemes (continued)****Cambridge University Press UK defined benefit schemes (PCPF and PSSPS) (continued)****Pension costs under FRS 17 (continued)**

The amounts recognized in the income and expenditure account were as follows:	2013	2012
	£m	£m
In staff costs: current service cost	2.1	2.0
In interest and other finance costs:		
Expected return on pension scheme assets	8.8	9.8
Interest on pension scheme liabilities	(12.1)	(12.9)
	(3.3)	(3.1)

The total of actuarial losses recognized in the statement of total recognized gains and losses was £25.1m (2012: £20.4m).

Amounts for the current and previous four years were as follows:	2013	2012	2011	2010	2009
	£m	£m	£m	£m	£m
Defined benefit obligation	(258.1)	(271.7)	(241.4)	(223.2)	(208.6)
Plan assets	188.5	177.1	166.9	152.4	139.8
Deficit at the balance sheet date	(69.6)	(94.6)	(74.5)	(70.8)	(68.8)
Experience gains / (losses) for the year on plan liabilities	17.8	(4.2)	(8.4)	(2.4)	0.4
Experience gains / (losses) for the year on plan assets	6.5	3.5	10.9	8.5	(17.8)

The University also has a smaller number of staff in other pension schemes, including the National Health Service Pension Scheme (NHSPS). Further disclosures are not given as the balances and movements are not material.

The total pension cost for the year (see note 7) was:	2013	2012
	£m	£m
USS: contributions	63.1	58.6
CPS: charged to income and expenditure account	22.1	25.5
PCPF: charged to income and expenditure account	1.6	1.5
PSSPS: charged to income and expenditure account	0.6	0.5
NHSPS: contributions	1.9	1.9
Contributions to other pension schemes	3.8	8.4
	93.1	96.4

*Notes to the accounts (continued)***31 Principal subsidiary and associated undertakings and other significant investments**

The following undertakings were subsidiary undertakings throughout the year ended 31 July 2013. Except where stated, the accounting reference date is 31 July and the undertaking is a wholly-owned 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 Programme for Sustainability Leadership (South Africa)	b	Sustainability leadership programmes
Fitzwilliam Museum (Enterprises) Limited		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	Fundraising
University of Cambridge Dental Practice Limited		Dental services
Associated Trusts	c	Provision of scholarships, grants, and other support for the education of overseas students in the University
Cambridge Overseas Trust	}	
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 Assessment Singapore	d	Overseas office services
Cambridge Avaliacao Representacao e Promocao Ltda	e	Overseas office services
Cambridge ESOL Inc	f	Holding entity
Cambridge ESOL (Aus), subsequently renamed Cambridge English (Aus)	g	Examination services
Cambridge Boxhill Language Pty Limited	g	Examination services
Fundacion UCLES	h	Examination services
Oxford and Cambridge International Assessment Services Limited		Overseas office services
Oxford Cambridge and RSA Examinations	c	Examination and assessment services
Cambridge University Press subsidiary undertakings	i	
Academic Journal Publishing Pty Limited	g	Intermediate holding company
Australian Academic Press Pty Group Limited	g	Publishing and distribution
Cambridge Knowledge (China) Limited	j	Representative office
Cambridge Printing Services Limited		Printing services
Cambridge University Press (Greece) EPE	k	Representative office
Cambridge University Press (Holdings) Limited		Multi-purpose holding company
Cambridge University Press India (Private) Limited	l	Publishing and distribution
Cambridge University Press Japan KK	m	Representative office
Cambridge University Press Panama SA	n	Distribution
Cambridge University Press South Africa (Proprietary) Limited	o	Publishing and distribution
Cambridge Hitachi-Solutions Education Limited	p	E-learning
Digital Services Cambridge Limited		Software development
Editorial Edicambridge Cia Ltda	q	Representative office
ELT Trading Limited	r	Publishing
Foundation e-Learning (Private) Limited	l	Publishing and distribution
HOTmaths Pty Limited	s	Web-based maths digital learning management systems
United Publishers Services Limited	j	Distribution

*Notes to the accounts (continued)***31 Principal subsidiary and associated undertakings and other significant investments (continued)***Notes*

- 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 Cambridge Programme for Sustainability Leadership (South Africa) is incorporated in South Africa.
- c The Cambridge Foundation, the Associated Trusts, and Oxford Cambridge and RSA Examinations are exempt charities established by trust deeds (see note 34).
- d Cambridge Assessment Singapore is incorporated in Singapore.
- e Cambridge Avaliacao Representacao e Promocao Ltda is incorporated in Brazil.
- f Cambridge ESOL Inc is a United States non-stock non-profit corporation.
- g Cambridge English (Aus), Cambridge Boxhill Language Pty Limited, Academic Journal Publishing Pty Limited and Australian Academic Press Pty Group Limited are incorporated in Australia.
- h Fundacion UCLES is incorporated in Spain.
- i Cambridge University Press subsidiary undertakings have an accounting reference date of 30 April for commercial reasons with the exceptions of the companies incorporated in India (31 March) and Mexico (31 December).
- j Cambridge Knowledge (China) Limited and United Publishers Services Limited are incorporated in Hong Kong.
- k Cambridge University Press (Greece) EPE is incorporated in Greece.
- l Cambridge University Press India (Private) Limited and Foundation E-learning (Private) Limited are incorporated in India.
- m Cambridge University Press Japan KK is incorporated in Japan.
- n Cambridge University Press Panama SA is incorporated in Panama.
- o Cambridge University Press South Africa (Proprietary) Limited is a 75% subsidiary incorporated in South Africa.
- p The University holds 60% of the issued share capital in Cambridge Hitachi-Solutions Education Limited.
- q Editorial Edicambridge Cia Ltda is incorporated in Ecuador.
- r ELT Trading Limited is incorporated in Mexico.
- s HOTmaths Pty Limited is a 55% subsidiary incorporated in Australia.

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 13) and endowment assets (see note 14). 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
AQDOT Limited	21	Commercial exploitation of intellectual property
Cambridge Epigenetix Limited	34	Commercial exploitation of intellectual property
Cambridge Flow Solutions Limited	25	Commercial exploitation of intellectual property
Cambridge in America	22	Fundraising
DefiniGEN Limited	32	Commercial exploitation of intellectual property
Jukedeck Limited	20	Commercial exploitation of intellectual property
Microbial Technics Limited	23	Commercial exploitation of intellectual property
Sphere Fluidics Limited	29	Commercial exploitation of intellectual property
The CRISP Consortium Limited	45	Commercial exploitation of intellectual property
Vivamer Limited	58	Commercial exploitation of intellectual property

In addition, at the year end the University held an interest of 38% in Cambridge Innovation Capital plc as part of its investment portfolio. Movements in the carrying value of this investment are not taken through the income and expenditure account.

Notes to the accounts (continued)

32 Related party transactions

The financial statements of the University include transactions with related parties. In accordance with FRS 8 (Related Party Transactions) these are disclosed where members of the Council disclose an interest in a body with whom the University undertakes transactions which are considered material to the University's financial statements and / or to the other party. Due to the nature of the University's operations and the composition of its Council, it is inevitable that the University will enter into transactions in the normal course of business with Colleges, NHS Trusts, Research Councils, other grant-awarding bodies, and other private and public sector organizations in which members of the Council may have an interest. All transactions involving organizations in which members of Council may have such an interest, including those summarized below, are conducted in accordance with the University's financial regulations and usual procurement procedures. A register of the interests of the members of the Council is maintained. The University has taken advantage of the exemption within FRS 8 and has not disclosed transactions with other Group entities where it holds 100% of the voting rights.

Transactions with Colleges are summarized in note 33 below. Included within the financial statements are other transactions with the following related parties:

Cambridge University Students Union

The President and the Education Officer of Cambridge University Students Union were also members of the University's Council for the 2012–13 financial year. Under *Statutes and Ordinances*, Chapter II, the University has discretion to provide financial assistance to the Union and, in the year ending 31 July 2013, provided a grant of £124,000 and made other payments totalling £10,000 for services provided. The Union made payments to the University totalling £9,000 for network and other services provided.

Gatsby Charitable Foundation

Lord Sainsbury of Turville, who was elected as Chancellor of the University in October 2011, is settlor of the Gatsby Charitable Foundation (Gatsby) and, together with the Gatsby Trustees, actively involved in setting the Foundation's strategic direction and approving all activities. In 2006 the University approved a proposal to establish a Sainsbury Laboratory for plant science in Cambridge, with Gatsby providing capital funding and research funds over a ten year period. The Sainsbury Laboratory was completed in the year ended 31 July 2011, with Gatsby capital contributions totalling £74m. Research grants and contracts income for the year ended 31 July 2013 includes £4.0m (2012: £3.2m) receivable in respect of continuing grants funded by Gatsby. Research funding received from Gatsby in advance at the year-end amounted to £1.1m (2012: £1.4m).

Higher Education Funding Council for England

The Higher Education Funding Council for England (HEFCE) allocates funding from the Government to universities and colleges in England. HEFCE is led by the HEFCE Board that includes a member of the University's Council. Funding received from HEFCE is included in funding body grants (see note 1) and in deferred capital grants (see note 22) in accordance with the University's accounting policies. At 31 July 2013 current liabilities included £30.7m (2012: £39.1m) in respect of funding received from HEFCE but not yet recognized as deferred capital grants or as income.

Kidney Research UK

Kidney Research UK is a registered charity governed by a Board of Trustees that includes a member of the University's Council. Research grants and contracts income for the year ended 31 July 2013 includes £198,000 receivable in respect of grants funded by Kidney Research UK, of which £52,000 was included in debtors at the year end.

Needham Research Institute

The Needham Research Institute is an independent foundation and registered charity governed by a Board of Trustees that includes a member of the University's Council. Staff of the Institute are paid through the University's payroll and the Institute reimburses the University the appropriate sum each month. In the year ending 31 July 2013, the University received £208,000 from the Institute in reimbursement of salary costs and £8,000 for network and other services provided.

33 Colleges

There are 31 Colleges, each of which is an independent corporation with its own property and income. Each College publishes its own financial statements, in a form specified by the University.

During the year payments were made by the University from HEFCE funding in respect of the College fees of publicly-funded undergraduates of £43.3m (2012: £41.6m). 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 £5.3m (2012: £4.8m). These payments are included in other operating expenses. Other operating expenses also include £4.9m (2012: £5.8m) 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.

*Notes to the accounts (continued)***33 Colleges (continued)**

The Cambridge Foundation distributed third party donations to the Colleges totalling £7.3m (2012: £3.1m). 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 £2.8m (2012: £2.6m), and the Colleges provided accommodation, catering, and other services to the University for which the University paid a total of £7.7m (2012: £6.8m).

During the year the Colleges made donations to the University totalling £1.9m (2012: £1.9m) which were credited to specific endowments.

Current asset investments include £65.6m (2012: £44.4m) held on behalf of seven (2012: six) Colleges in the form of CUEF units (see note 17) and £6.7m (2012: £2.0m) held on behalf of the Isaac Newton Trust.

Colleges Fund	2013 £000	2012 £000
Balance at 1 August	55	27
Contributions received from Colleges	3,757	3,675
Interest earned	3	3
Payments to Colleges	(3,800)	(3,650)
Balance at 31 July included in creditors	15	55

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 Connected charitable institutions

A number of charitable institutions are administered by or on behalf of the University and have been established for its general or special purposes. As a result, under paragraph 28 of Schedule 3 to the Charities Act 2011, these connected institutions are exempt from registration with the Charity Commission. Some of the connected institutions are included as subsidiary undertakings in these consolidated financial statements; the others are not included in the consolidation since the University does not have control over their activities. The movements in the year on these charities' funds as reported in their own accounts were as follows:

Consolidated (see note 31)	Opening Balance £m	Income £m	Expenditure £m	Market value increase £m	Closing Balance £m
Cambridge Overseas Trust	22.1	11.0	11.0	3.5	25.6
Cambridge Commonwealth Trust	85.1	7.3	7.4	13.7	98.7
Gates Cambridge Trust	173.3	6.8	6.3	27.8	201.6
Cambridge European Trust	0.2	–	0.2	–	–
Malaysian Commonwealth Studies Centre in Cambridge	8.4	1.3	1.9	1.3	9.1
The Cambridge Foundation	6.3	63.0	48.2	0.1	21.2
Oxford Cambridge and RSA Examinations	84.5	106.4	109.9	15.0	96.0
Strangeways Research Laboratory	1.2	0.1	0.4	0.2	1.1
	381.1	195.9	185.3	61.6	453.3

Fund balances are included in the consolidated balance sheet as:

Expendable endowments	183.2	211.9
Permanent endowments	1.3	1.5
Reserves	191.6	219.2
Creditors: amounts falling due within one year	5.0	20.7
	381.1	453.3

Notes to the accounts (continued)

34 Connected charitable institutions (continued)

	Opening Balance £m	Income £m	Expenditure £m	Market value increase £m	Closing Balance £m
Not consolidated					
Isaac Newton Trust, established by Trinity College (see note 33) to promote education, learning, and research in the University (accounts drawn up to 30 June 2013)	22.5	8.7	10.4	1.2	22.0
University of Cambridge Veterinary School Trust, for the support of veterinary education in the University	1.6	0.6	1.1	–	1.1
One smaller scholarship trust	0.3	–	–	–	0.3
Registered clubs and societies:					
Cambridge University Amateur Dramatic Club	0.1	0.2	0.2	–	0.1
Cambridge University Boat Club	1.6	0.5	0.4	0.1	1.8
Cambridge University Eco Racing	–	0.1	0.1	–	–
Cambridge University Law Society	–	0.1	0.1	–	–
Cambridge University Polo Club	0.4	0.1	0.2	–	0.3
Cambridge University Rag	–	0.1	0.1	–	–
Cambridge University Real Tennis Club	0.1	0.1	0.1	–	0.1
Cambridge University Rugby Union Football Club	0.8	0.5	0.5	–	0.8
Cambridge University Women's Boat Club	–	0.1	0.1	–	–
321 smaller clubs and societies	2.2	2.5	2.2	–	2.5
	29.6	13.6	15.5	1.3	29.0

35 HEFCE Access Funds

	2013 £000	2012 £000
Access to Learning Fund allocation	134	164
Disbursed to students	(133)	(162)
Contribution to administration costs	(1)	(2)
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.

*Notes to the accounts (continued)***36 Financial risk management**

In the ordinary course of its activities, the University manages a variety of financial risks including credit risk, liquidity risk, and market risk. The principal risks and the University's approach to managing them are set out below. In view of the significance of the Cambridge University Endowment Fund (CUEF, see note 25), some aspects of financial risk management are considered for CUEF and non-CUEF separately.

Through the CUEF, the University invests in various categories of assets for the long term in order to achieve the CUEF's investment objective of a total return of RPI plus 5.25 per cent per annum. The CUEF is managed by the University's Investment Office, with the oversight of the University's Investment Board. In order to pursue its investment objective the CUEF seeks exposure to a variety of risks. This exposure could result in a reduction in the University's net assets.

a Credit risk

Credit risk is the risk that the University would incur a financial loss if a counterparty were to fail to discharge its obligations to the University.

Credit risk exposure

The University is exposed to credit risk in respect of its financial assets held with various counterparties. The following table details the maximum exposure to credit risk at 31 July:

	2013	2012
	£m	£m
Interest-bearing securities	17.7	17.5
Derivative financial instrument asset positions	101.3	41.9
Investment cash balances	129.4	86.2
Trade debtors: invoices receivable	174.7	154.4
Other debtors	98.1	105.9
Money market investments	353.0	250.0
Cash at bank	62.3	56.3
	<hr/>	<hr/>
Total financial assets exposed to credit risk	936.5	712.2

Of the above financial assets only certain trade debtors, as detailed below, were past their due date or were impaired during the year.

Trade debtors: outstanding invoices	180.7	159.0
Less: Provision for impairment of receivables	(6.0)	(4.6)
	<hr/>	<hr/>
	174.7	154.4

Trade debtors that are less than three months past their due date are not considered impaired unless they are included in the specific provision. At of 31 July 2013, trade debtors with carrying value of £46.8m (2012: £38.5m) were past their due date but not impaired.

	2013	2012
	£m	£m
Balances against which a provision has been made	14.2	10.6
Balances not past their due date	119.7	109.9
Up to three months past due	31.2	27.9
Three to six months past due	9.3	5.0
Over six months past due	6.3	5.6
	<hr/>	<hr/>
	180.7	159.0

Movement on provision of impairment of receivables

Opening balance	4.6
Provided in year	1.8
Balances written off	(0.4)
	<hr/>
Closing balance	6.0

Notes to the accounts (continued)

36 Financial risk management (continued)

a Credit risk (continued)

Risk management policies and procedures

The University aims to minimize its counterparty credit risk exposure by monitoring the size of its credit exposure to, and the creditworthiness of, counterparties, including setting appropriate exposure limits and maturities. The creditworthiness and financial strength of trading customers and research sponsors is assessed at inception and on an ongoing basis. Counterparties for investment assets and bank accounts are selected based on their financial ratings, regulatory environments, and specific circumstances.

In respect of the CUEF, fund managers appointed by the CUEF have responsibility for choosing reliable counterparties. Where CUEF investments are managed directly by the University, investment transactions are carried out with well established, approved brokers. Investment transactions are done on a cash against receipt or cash against delivery basis.

Term deposits and cash balances outside the CUEF are subject to authorized limits and rating criteria which are subject to annual review.

The ratings of term deposits and cash balances at 31 July were as follows:

Fitch credit quality rating (short / long term)	2013	2012
	£m	£m
F1+ /AA	63.9	54.2
F1 / A+	17.2	35.4
F1 / A	289.5	197.2
F2 / A-	30.8	0.7
F3 / BBB	7.2	16.8
Lower ratings	6.7	2.0
	415.3	306.3

b Liquidity risk

Liquidity risk is the risk that the University will encounter difficulties raising cash to meet its obligations when they fall due. Obligations are associated with financial liabilities and capital commitments.

Risk management policies and procedures

The majority of the assets held by the CUEF are investments in quoted securities and in funds that are readily realizable; while these assets are not available to fund obligations beyond those of the CUEF, there is no significant liquidity risk in relation to the CUEF itself.

Outside the CUEF, the Group monitors its exposure to liquidity risk by regularly monitoring its liabilities and commitments and holding appropriate levels of liquid assets. The Finance Committee approves the Liquidity Policy periodically. Liquidity and cash forecasts are reviewed by the Director of Finance on a quarterly basis. Cash and short-term deposits are maintained at levels sufficient to fund three months' operational and capital expenditure. Short-term deposits are placed with various terms between call and six months.

*Notes to the accounts (continued)***36 Financial risk management (continued)****b Liquidity risk (continued)**

The following tables summarize the maturity of the Group's undiscounted contractual payments.

	Three months or less £m	More than one year £m	Between one and five years £m	More than five years £m	Total £m
As at 31 July 2013:					
Bond liabilities	6.6	6.6	52.5	855.3	921.0
Derivative financial instruments liability positions	99.0	–	–	–	99.0
Investments held on behalf of others	78.3	–	–	–	78.3
Bank overdraft	3.6	–	–	–	3.6
Bank and other loans	0.2	0.5	4.7	–	5.4
Other creditors excluding deferred income	125.0	23.4	–	–	148.4
Totals at 31 July 2013	312.7	30.5	57.2	855.3	1,255.7
As at 31 July 2012:					
Derivative financial instruments liability positions	40.2	–	–	–	40.2
Investments held on behalf of others	50.4	–	–	–	50.4
Bank overdraft	2.5	–	–	–	2.5
Bank and other loans	0.2	0.5	6.1	–	6.8
Other creditors excluding deferred income	103.4	29.1	–	–	132.5
Totals at 31 July 2012	196.7	29.6	6.1	–	232.4

Capital commitments, excluded from the above analysis, are disclosed at note 29.

c Market risk

Market risk is the risk of changes to the fair value of the Group's financial instruments. Market risk embodies the potential for both losses and gains and includes currency risk, interest rate risk, and other price risk.

CUEF

The Investment Board advises the Council and is made up of investment professionals. The Investment Board monitors the performance of the Investment Office as well as providing advice to it. Investments in the CUEF are selected and combined with the aim of optimizing the future long-term total return bearing in mind the expected future volatility of the return. The risk taken in order to meet the total return objective is managed by utilizing diversification of investment strategies, of investment asset classes, and of external investment managers. The CUEF operates an evolving asset allocation, in the context of a long-term direction. The proposed changes over the following twelve months are revised quarterly in discussion with the Investment Board. Within each asset class, fund managers are appointed and carry out the day-to-day investment transactions.

c(i) Currency risk

Currency risk is the risk that the value of an asset or liability will fluctuate due to changes to foreign currency exchange rates. The functional currency of the University and the presentational currency of the Group is sterling. However, the Group has investment assets denominated in currencies other than sterling and is impacted by fluctuations in foreign currency exchange rates.

At 31 July the CUEF had the following principal net exposures:

	2013	2012
Pounds sterling	50.3%	49.1%
US dollar	29.9%	27.2%
Euro	6.4%	6.7%
Japanese Yen	4.5%	3.7%
Other currency	8.9%	13.3%
	100.0%	100.0%

The currency exposure for overseas investments is based on the quotation or reporting currency of each holding, while the currency exposure for net monetary assets is based on the currency in which each asset or liability is denominated.

Notes to the accounts (continued)

36 Financial risk management (continued)

c(i) Currency risk (continued)

The following table summarizes the significant assets and liabilities exposed to currency risk as at 31 July 2013:

	US Dollar \$m	Euro €m	US Dollar £m	Euro £m	Other £m	Total £m
CUEF investment assets excluding currency contracts	1,434.1	256.7	945.9	224.8	321.3	1,492.0
CUEF forward currency contracts	(468.0)	(100.2)	(308.7)	(87.8)	(35.9)	(432.4)
Net exposure of CUEF	966.1	156.6	637.2	137.0	285.4	1,059.6
Exposures outside CUEF:						
Debtors	28.5	5.1	18.8	4.5	19.9	43.2
Money market investments	–	14.0	–	11.9	–	11.9
Cash balances	19.8	8.8	13.1	7.7	11.6	32.4
Creditors including bank and other loans	(22.1)	(3.3)	(14.6)	(2.9)	(13.4)	(30.9)
Forward currency contracts	(12.0)	(26.0)	(7.9)	(22.8)	–	(30.7)
Net exposure	980.3	155.1	646.6	135.4	303.5	1,085.5
Impact on total recognized gains for the year 2012–13						
10% US Dollar appreciation						64.7
10% Euro appreciation						13.5

The following table summarizes the significant assets and liabilities exposed to currency risk as at 31 July 2012:

	US Dollar \$m	Euro €m	US Dollar £m	Euro £m	Other £m	Total £m
CUEF investment assets excluding currency contracts	1,209.0	213.4	771.7	167.7	269.7	1,209.1
CUEF forward currency contracts	(505.1)	(72.8)	(322.4)	(57.2)	11.5	(368.1)
Net exposure of CUEF	703.9	140.6	449.3	110.5	281.2	841.0
Exposures outside CUEF:						
Debtors	35.2	4.5	22.5	3.5	16.0	42.0
Money market investments	–	25.6	–	10.7	–	10.7
Cash balances	19.5	12.9	12.4	10.1	9.4	31.9
Creditors including bank and other loans	(28.6)	(2.6)	(18.3)	(2.1)	(14.4)	(34.8)
Forward currency contracts	(28.2)	(23.0)	(18.0)	(18.1)	(3.8)	(39.9)
Net exposure	701.8	158.0	447.9	114.6	288.4	850.9
Impact on total recognized gains for the year 2011–12						
10% US Dollar appreciation						44.8
10% Euro appreciation						11.5

Risk management policies and procedures

Currency positions in the assets and liabilities of the CUEF are reviewed regularly by the Chief Investment Officer and the currency exposure is managed within the asset allocation strategy.

c(ii) Interest rate risk

Interest rate risk arises from the risk that the value of an asset or liability will fluctuate due to changes in market interest rates (i.e. for fixed interest rate assets or liabilities) or that future cash flows will fluctuate due to changes in interest rates (i.e. for floating rate assets or liabilities).

Interest rate exposure and sensitivity

As stated in the accounting policies, the University's bond liabilities are measured at amortized cost using the effective interest rate method, rather than at fair value. The University has not invested in variable rate deposits or interest-bearing securities.

Interest rate risk is focused on the potential impact of interest rate changes on the fair value of investments in fixed interest securities.

At 31 July 2013 the University held £17.7m (2012: £17.5m) of overseas government bonds with fixed interest.

Notes to the accounts (continued)

36 Financial risk management (continued)

c(ii) Interest rate risk (continued)

Risk management policies and procedures

The University takes into account the possible effects of a change in interest rates on the fair value and cash flows of the interest-bearing financial assets and liabilities when making investment decisions.

c(iii) Other price risk

Price risk is the risk that the value of an asset or liability will fluctuate due to changes in market price (other than those arising from currency risk or interest rate risk), caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

This is a key risk for the University because of the significance of the endowments and other funds invested in the CUEF and the dependence of future plans on maintaining the value of CUEF units in real terms.

Concentration of exposure to other price risk

As the majority of the CUEF's investments are carried at fair value, all changes in market conditions will directly affect the University's net assets. The fund's asset allocation at the reporting date is shown in note 25.

*Notes to the accounts (continued)***37 Fair value**

Debtors and current liabilities are stated in the Group balance sheet at book values which are not materially different from their fair values. The bond liabilities are measured at amortized cost of £342.3m (see note 19), whereas the fair value of the bond liabilities at 31 July 2013 was £330m based on trading nearest to the balance sheet date. The book values of the Group's other financial assets and liabilities shown on the balance sheet are the same as the fair values.

The following table categorizes the fair values of the Group's investment assets and liabilities based on the inputs to the valuation. Categorization within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1: Valued using quoted prices in active markets for identical assets.

Level 2: Valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

Level 3: Valued by reference to valuation techniques using inputs that are not based on observable market data.

Fair value measurements using the FRS 29 fair value hierarchies	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investment assets at fair value as at 31 July 2013				
CUEF: Quoted investments	1,369.5	–	–	1,369.5
Unquoted investments	3.3	274.9	352.1	630.3
Derivative financial instruments asset positions	101.3	–	–	101.3
Cash in hand and at investment managers	55.9	78.8	–	134.7
Total CUEF assets	1,530.0	353.7	352.1	2,235.8
Other quoted investments	33.4	–	–	33.4
Other unquoted investments	–	40.8	85.0	125.8
Investment properties	–	66.8	–	66.8
Money market investments	353.0	–	–	353.0
Cash in hand and at investment managers	87.4	–	–	87.4
Total investment assets at fair value	2,003.8	461.3	437.1	2,902.2
Derivative financial instruments liability positions (CUEF)	(99.0)	–	–	(99.0)
Total investments at fair value at 31 July 2013	1,904.8	461.3	437.1	2,803.2
Investment assets at fair value as at 31 July 2012				
CUEF: Quoted investments	1,044.0	–	–	1,044.0
Unquoted investments	4.9	84.1	431.6	520.6
Derivative financial instruments asset positions	41.9	–	–	41.9
Cash in hand and at investment managers	45.0	39.7	–	84.7
Total CUEF assets	1,135.8	123.8	431.6	1,691.2
Other quoted investments	22.9	–	–	22.9
Other unquoted investments	–	19.1	11.8	30.9
Investment properties	–	46.9	–	46.9
Money market investments	250.0	–	–	250.0
Cash in hand and at investment managers	7.6	–	–	7.6
Total investment assets at fair value	1,416.3	189.8	443.4	2,049.5
Derivative financial instruments liability positions (CUEF)	(40.2)	–	–	(40.2)
Total investments at fair value at 31 July 2012	1,376.1	189.8	443.4	2,009.3

A reconciliation of the opening and closing balances for Level 3 assets measured at fair value is detailed in the table below:

Fair value 1 August 2012	443.4
Purchases less sales proceeds	(29.0)
Total gains / (losses)	22.7
Transfers into Level 3	–
Transfers out of Level 3	–
Fair value 31 July 2013	<u>437.1</u>

Unquoted investments include investments in hedge funds, private equity funds, and property funds. The fair values of unquoted investments and derivative financial instruments held through pooled funds and partnerships are based on valuations of the underlying investments as supplied to the University's custodian by the administrators of those funds or partnerships. The Council considers that no reasonably foreseeable change to key assumptions in the Level 3 valuations would result in a significant change in fair value. Transfers into and out of Level 3 occur when the classification of the underlying assets and liabilities of these funds changes.