

# CAMBRIDGE UNIVERSITY REPORTER

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ANNUAL REPORTS OF THE COUNCIL  
AND THE GENERAL BOARD FOR THE ACADEMICAL  
YEAR 2010–11

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 JULY 2011

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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 2010–11 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 2011 (which are also published in this issue) will be brought forward for consideration at the Discussion to be held on **24 January 2012**.

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## Annual Report of the Council for the academic year 2010–11

The COUNCIL begs leave to report to the University:

### The Chancellor

1. HRH The Duke of Edinburgh stepped down as Chancellor on 30 June 2011, shortly after his 90th birthday, having served since his election in December 1976. The Council is profoundly grateful to His Royal Highness, whose Chancellorship saw the University change dramatically in composition and in physical scale. As well as undertaking important ceremonial duties such as Honorary Degree Congregations, His Royal Highness advised successive Vice-Chancellors, adjudicated in disputes, was Chairman or Patron of many bodies connected to the University, and opened the great majority of the major University buildings and institutions created during his tenure. The Council is particularly grateful to The Duke of Edinburgh for his encouragement of external support for the University: this included persuading the Government in 1979 to support serving officers to take the M.Phil. course in International Relations, and especially the encouragement of philanthropy, through presiding at the Guild of Benefactors' ceremonies and hosting numerous receptions in Cambridge and in London. The Council was glad to be able to pay tribute to His Royal Highness's distinguished Chancellorship at a dinner held in Trinity College on 22 June 2011. It was at this dinner that the Vice-Chancellor announced the intention to seek the establishment of a new Regius Professorship in Engineering, a subject in which the Chancellor had always taken a deep and informed interest.

2. In accordance with the regulations for the nomination of a Chancellor to succeed His Royal Highness, the Nomination Board – comprising all members of the Council in addition to sixteen members appointed by the Senate – met to consider names of possible candidates. As part of the process, suggestions were received from members of the Senate. At its meeting on 16 May 2011, the Board nominated Lord Sainsbury of Turville, *K*, for the Chancellorship. Three additional candidates were subsequently nominated by members of the Senate thereby requiring an election to be held. This was held in October 2011 and Lord Sainsbury of Turville was elected as the University's new Chancellor.

### The Vice-Chancellor

3. In its last Annual Report, the Council recorded its gratitude to Dame Alison Richard and its appreciation of her many important and valuable contributions to the work of the Council and of the University. The installation, in October 2010, of Sir Leszek Borysiewicz, *W*, initiated a new chapter in the University's history. The Council has expressed its warm appreciation of his work in his first year as Vice-Chancellor. Amid difficult political changes prompting vigorous debate both nationally and within the University, Sir Leszek has exercised strong leadership and greatly supported the work of the Council, as its Chairman. The Council is particularly appreciative of his work to strengthen the University's research strategy, and the work of the six academic Schools.

### The Pro-Vice-Chancellors

4. The five Pro-Vice-Chancellors continue to support the strategic development of the University. The Council recognizes that every aspect of their portfolios – Planning and Resources, Education, Research, Institutional Affairs, and International Strategy – has increased in significance

and in complexity, and appreciates the dedication of the Pro-Vice-Chancellors in leading policy in those areas. The Council is grateful for the work of Professor Ian White, who stepped down as Pro-Vice-Chancellor for Institutional Affairs on 30 September 2011 to take up the Mastership of Jesus College. He is succeeded by Professor Jeremy Sanders, *SE*. Professor John Rallison, *T*, has been reappointed as Pro-Vice-Chancellor (Education) for a further three years.

### Colleges

5. New Hall received the Supplemental Charter amending the name and style of the College to 'The President and Fellows of Murray Edwards College founded as New Hall in the University of Cambridge, to be known as Murray Edwards College' with effect from 14 June 2011. The short title of the College will be Murray Edwards College, with *MUR* as the agreed abbreviation in University publications.

### Accountability and Audit

6. Following the second of three annual accountability exchange meetings initiated following its quinquennial assurance visit to the University in June 2008, the HEFCE indicated its continued opinion that HEFCE is able to place reliance on the University's accountability information.

7. Amendments to the constitution of the Audit Committee were approved by Grace 1 of 15 December 2010. These strengthened the requirements for the quorum and increased the number of co-opted members to three. In January, two new external members (Dr Andrew Cates and Mr John Dix) were appointed to the Committee and Mr Shakeshaft took over as Chair when Nigel Brown OBE stepped down as an external member of Council. The Council would like to record its gratitude to Mr Brown for the thought, judgement, time, and energy which he devoted to the Committee's activities and business. More generally, the Council is grateful to the Audit Committee for its rigorous approach to the University's accountability and audit matters.

8. At the request of the Audit Committee important work to review the assurance arrangements for the University's nine wholly-owned subsidiary companies was undertaken by a review committee, chaired by Mr Brown. The review found that governance was generally sound, with examples of best practice, but that a watching brief was needed and some strengthening of the relationship between the University and some of its subsidiaries. Recommendations were submitted to the Audit Committee, the Finance Committee, and the Council and will be followed up by the review committee after six months with a report back to the Audit Committee.

### Governance and constitutional matters

9. The Technical Advisory Group on the Review of the Statutes, and Ordinances, chaired by Professor David Yates, Warden of Robinson College, has made significant progress. Two consultation papers (about, respectively: general matters, the structure and presentation of the Statutes, and proposals for Statutes K and T; and Colleges and Collegiate Foundations) were issued in January 2011. It is intended that proposals for approval in principle arising from the consultation about Colleges and Collegiate Foundations will be put forward in the autumn of 2011.

10. A second round of internal consultation papers about the proposed new Statutes was published in the

*Reporter* of 25 July 2011. It is intended thereafter that proposals for approval in principle will be put forward within the University. When the process of approval is complete, the new Statutes will be submitted by the Council to the Regent House in the form of a Report to the University. It is expected that this final Report will be issued by Easter 2012 and that, if approved by Her Majesty in Council, will come into effect from a date or dates in 2013.

### **The Council and its Committees**

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

12. The membership of the Council changed on 31 December 2010 in consequence of the biennial election of half of the membership. During Michaelmas Term 2010, Mr Dominic Casserley and Mr John Shakeshaft were appointed by Grace to membership in class (e) and an election in classes (a), (b), and (c) took place. The Membership until 31 December 2010 and from 1 January 2011 is attached as Annex A.

13. The Council records its warm appreciation of the contributions of all of those members who served until the end of December 2010, and, in particular, of Mr Nigel Brown OBE and Lord Simon, the first external members of the Council to serve since that category of membership was introduced.

14. 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.

15. The Council continues to operate its internal processes 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/>.

16. In the Easter Term, the Council established a Working Group on Council business, chaired by Mr John Shakeshaft, to review the submission and presentation of business and to consider broader matters concerning the Council's role and functioning. The Working Group will be making its first report to the Council in the Michaelmas Term 2011.

17. During 2010–11, the Council also considered the recommendations made by the Review of Cambridge Enterprise, chaired by Professor Sir Tom Blundell; initiated a Review of the strategy, plans, and budget of the Unified Administrative Service (UAS), chaired by Dame Mavis McDonald (which will report during Michaelmas Term 2011); and initiated a review of IT infrastructure and management in the University, chaired by Professor Keith Burnett, Vice-Chancellor of the University of Sheffield. It is anticipated that this latter Review Group will report in the Easter Term of 2012.

18. During the course of the Lent Term 2011, the Council's Standing Advisory Committee on Student Matters (SACSM) concluded that the committee, in its present form, should be wound up and replaced by a smaller body specifically responsible for exercising the Council's responsibilities for scrutiny of the students' unions under the Code of Practice in Respect of Student Unions issued under Section 22 of the Education Act 1994. This new body (the Committee for the Supervision of the Student Unions), will commence its work in the Michaelmas Term 2011. The Council is satisfied that other matters which hitherto featured on the SACSM's agenda are more appropriately the business of other bodies (which include student representation).

### **Government policy and the national environment**

19. Throughout the past year, the Council has conducted its business and made its decisions in a difficult and rapidly changing environment. Tight and immutable externally imposed deadlines put considerable pressure both on the Council and on the University's decision-making and consultation processes. The process of responding to the Browne review; the Comprehensive Spending Review; the BIS grant letter to HEFCE; the OFFA guidance; and the White Paper on Higher Education ('Students at the Heart of the System') and its various associated technical consultations all required the Council to address a number of difficult and contentious issues, principal amongst which were the decisions around fees, funding, and widening participation. Following its meeting on 8 December 2010, the Council issued a statement setting out, in robust terms, important points of principle including the case for a significant degree of public funding for Higher Education to reflect the benefits of a university education to society as well as to the individual. That statement also restated the University's commitment: to student diversity, access, and widening participation; to quality and excellence; to the collegiate system of education; and to institutional autonomy. Inevitably, and understandably, the important and far-reaching implications of the matters under discussion aroused strong feelings and occasioned vigorous and public debate, evidencing the University's commitment to freedom of expression. A series of initiated Graces attested to the extent of the Regent House's engagement with the issues and the vast spectrum of disparate opinions. Student protests impacted upon the life and work of the University during Michaelmas Term in particular. The Council, at the same meeting at which it issued its statement on higher education funding, reviewed the University's response to the occupation of the Combination Room noting that the University's commitment had been to permit lawful expression of opinion and to have absolute regard to the safety of those demonstrating and all of those (including the staff of the Old Schools) who were affected. The Vice-Chancellor subsequently met representatives of those involved in the occupation.

### **Teaching and research**

20. Teaching and research is the responsibility of the General Board and of the Schools, Faculties, and Departments. The General Board reports annually to the Council. The Board's Report for 2010–11 is annexed to this Report.

21. The Board of Graduate Studies and the General Board brought forward a proposal (by means of a Report to the University from the Board or Graduate Studies) to bring together consideration of educational and student policies for all categories of student through the General

Board's Education Committee, with the remit of that Committee and of the Section supporting its work being extended accordingly. This proposal was the subject of a Discussion early in the Michaelmas Term 2011.

22. The Council, following a recommendation by the Office of the Independent Adjudicator, amended the procedures in respect of the review of decisions of its Standing Committee on Applications (*Reporter*, 2010–11, p. 571). The Council also proposed amendments to the regulations governing examination allowances to take account of the relevant recommendations of the Joint Report of the Council and the General Board on the future of Ordinary Examinations and the Ordinary B.A. Degree. The Standing Committee has also developed notes of guidance for staff and students which explain in more detail the Committee's policy and procedures. These will be published on the Committee's website early in 2011–12.

23. Strengthened arrangements were put in place to support the University's research strategy, by the formation of a Research Strategy Office within the Academic Division, formed initially from relevant staff of that Division and the Research Services Division, in particular, to prepare for the Research Excellence Framework (REF) 2014, and to progress the strategic networks and priorities designated by the Research Policy Committee.

24. Funding for research remains a matter of increasing concern and has been a major topic of discussion at Council strategic meetings. Analysis suggests that the University is falling behind key competitors in realizing external research grant funding; work is therefore underway to establish strategic research initiatives which will provide a framework on which to build major bids for funding. Work will also be undertaken to establish why funding from business-based activity remains low, particularly given the University's reputation for high-tech activities. In terms of the international agenda, the Council considers it important that the University identifies and pursues opportunities for project-led initiatives and increases its engagement with the European Union. The Council will continue to monitor research income (including indirect cost recovery) and strategy closely during the forthcoming academical year.

#### University resources

25. Given the challenging economic environment and the uncertainties regarding government funding of higher education, the 2009 Planning Round set a zero cash increase for 2010–11 and gave a warning that deeper cuts would be necessary in 2011 and onwards. During 2010–11, the financial consequences of the changes to government funding became clearer. Relative to 2009–10, the proposed increase in fee to £9,000 per annum will restore net funding for undergraduate teaching in real terms by 2015–16. However, the reduction incurred during the intervening transition period will total £30m. HEFCE funding for research will be protected but Research Council cuts to indirect costs and reduced support for equipment will cost a further £4m per annum. Cuts in capital infrastructure funding will be more severe, with a reduction of £20m per annum in prospect. The adverse economic climate will also impact on investment income and returns from Cambridge Assessment and Cambridge University Press.

26. In view of this rather gloomy outlook, the Council agreed to cut allocations to Schools and institutions by 2% in 2011–12 and set the expectation of below inflation increases of just 1% per annum thereafter. It also agreed a number of steps to increase income and reduce costs. These included a voluntary severance scheme, reviews of

the UAS and IT support (as noted above), new initiatives to improve the University's research competitiveness, continued development of new activities in executive education and differential fee Master's courses, and work to improve procurement services and space utilization. With all of these steps in place, the Chest is expected to incur a cumulative loss of around £36m before returning to balance in 2015–16. Whilst such a deficit is unwelcome, the Council believes that it strikes an appropriate balance between financial prudence and avoiding undue damage to the excellence of the University's teaching and research.

27. In previous years, the timing and priority of major capital projects have been driven primarily by the availability of funding, especially support from government via the HEFCE Capital Infrastructure Fund (CIF) which as noted above is now set to decline. The Council believes that the ability to continue investing in the University's operational estate is essential if we are to remain globally competitive. Through the Planning and Resources Committee, it has therefore established a Capital Planning Framework and an associated Capital Fund which together allow buildings and large equipment purchases to be scheduled over a planning period of up to 20 years to match academic priorities and to take account of inter-dependencies between projects. Since actual spend against the fund will fluctuate, the Council has also agreed that the fund may be augmented by external borrowing provided that the full cost of interest and repayments is carried by the fund itself.

28. During the year, the Council sought and received Regent House approval that it be given authority in advance to arrange, on the advice of the Finance Committee, external finance up to a total amount of £350m, earmarked for the North West Cambridge development and other capital expenditure. Any funds raised will be in anticipation of expected needs. The funds will not be applied until Regent House approval had been received for the associated projects, and even then the funding would be phased over a number of years in amounts yet to be determined.

29. The Finance Committee, with specialist advice, is considering detailed proposals for such external finance and expects to make recommendations to the Council during Lent Term 2012.

#### University employment

30. The pensions environment continues to be a challenging one and, in the course of the year, there has been significant activity both with regard to the Universities Superannuation Scheme (USS) and the Cambridge University Contributory Pension Scheme (CPS).

31. In the course of the year, the University co-ordinated the local consultation arrangements for USS proposed revisions; a formal consultation exercise took place between 20 October and 22 December 2010. The Council established an Advisory Group to the Vice-Chancellor to address specific matters relating to Cambridge. The consultation process is now complete and the revisions will be effective from 1 October 2011.

32. The University and Assistants Joint Board (UAJB) set up a Special Joint Negotiating Committee with the University and assistant staff union representatives to consider future arrangements for the CPS. The Special Joint Negotiating Committee met on a number of occasions between November 2010 and February 2011 and, following negotiation, submitted revised proposals to the UAJB to put to formal staff consultation. The CPS Trustees were



consulted in parallel. The proposals were approved by the General Board and the Council and formal staff consultation commenced in August 2011.

33. The Human Resources (HR) Committee, in response to the Government's announcement of the abolition of the national retirement age with effect from 6 April 2011, set up a working group to look at the implications for the University's current retirement policy. A consultation paper, approved by the Council and the General Board, was put to the Regent House in March 2011 (*Reporter*, 2010–11, p. 723) and generated lively debate through the forum, at a series of meetings, and at a Discussion. A Report, containing final proposals, will be put to the Regent House in due course. In the meantime, the Council and the General Board have approved interim arrangements.

34. There has been continuing work in the area of equality and diversity (particularly in respect of recruitment processes) following the introduction of the Equality Act 2010 and the harmonized equalities legislation and public equality duties which now cover all the protected characteristics of race, gender, disability, sexual orientation, gender reassignment, religion/belief, marriage/civil partnership, pregnancy/maternity. These legal changes have been fully incorporated into the University's revised Equal Opportunities Policy which was approved by Grace 1 of 8 June 2011.

35. The Council is increasingly concerned about the Home Office's new and restrictive rules on immigration and the implications for the University's capacity to recruit the brightest and best international academics and students. It is the Council's view that the current arrangements will impact negatively on the competitiveness of the UK Higher Education sector in general and the University of Cambridge in particular and on the way in which the UK is perceived internationally. The Council, through the Vice-Chancellor and in concert with other Russell Group institutions, has actively lobbied the Home Office and will continue to do so. The Council is also grateful for the work of Lord Wilson of Dinton (the Master of Emmanuel College) and Dr G. A. Reid, Head of the Intercollegiate Services Office, on addressing critical issues for the Colleges in this regard with determination and success.

#### North-West Cambridge

36. The Council, in its last Annual Report, noted that the 'development of North West Cambridge is not an ordinary University capital development, but rather a development process.' The process has progressed significantly during the past year and, in the course of the coming year, it will be necessary for the Regent House to determine whether to proceed with a first phase of the development once outline planning consent has been

secured for the site as a whole. The Council is clearly of the view that strategic and academic need are the main drivers for the project and the basis, ultimately, on which the decision to proceed will be made.

37. A Grace proposing the submission of an overall outline planning application for the North West Cambridge site and entering into a section 106 Agreement was approved in June 2011. The planning application (submitted in September 2011) comprises parameter plans with supporting documentation plus the indicative masterplan (which does not form part of the formal application). The masterplan illustrates the block layout of the approved uses which comprise: 3,000 residential units (half of which will be for University use); 2,000 student places; and 100,000 sq. m. of research and academic space (up to 40% of which may be occupied by commercial research organizations or institutes with University links). The s106 Agreement will set out the works required and costs to the University of providing the social components of the scheme and mitigating its adverse impacts. It will require legal commitment as and when the local authorities resolve to grant consent in order for the planning consent to be secured. It is hoped that it will prove possible for the local authorities formally to consider the application in February or March 2012 with a view to a resolution to grant consent being granted followed shortly afterwards by the grant of full consent that will comprise the s106 Agreement and reserved matters (the detailed planning conditions).

38. The establishment of a West and North West Cambridge Estates Syndicate for the governance of the North West and West Cambridge projects was approved by Grace in May 2011.

39. The Council is considering proposals for a first phase of development and will report to the University when the scope, costs, and desirability of proceeding has been established.

#### Development

40. Following the announcement in June 2010 that the £1 billion milestone had been passed, the momentum of the 800th Campaign has been sustained. In 2010–11 the Colleges and the University have raised a further £70m bringing the overall Campaign total to more than £1,170m. Against the background of this continued success the Colleges' Committee and the Council have agreed that the current Campaign should be brought to a close (with a formal announcement in November) and that planning should begin for the launch of a new Campaign that will maintain Cambridge's leadership in winning philanthropic support for its mission to provide outstanding teaching, research, and scholarship.

21 November 2011

L. K. BORYSIEWICZ, *Vice-Chancellor*  
DAVID ABULAFIA  
N. BAMPOS  
RICHARD BARNES  
D. J. A. CASSERLEY  
STEPHEN J. COWLEY  
ATHENE DONALD  
R. J. DOWLING

I. M. LE M. DU QUESNAY  
NICHOLAS GAY  
DAVID GOOD  
ANDY HOPPER  
CHRISTOPHER HUM  
F. P. KELLY  
VANESSA V. LAWRENCE  
ROBERT LETHBRIDGE

MAVIS McDONALD  
SUSAN OOSTHUIZEN  
RACHAEL PADMAN  
THOMAS PARRY-JONES  
JOHN SHAKESHAFT  
GERARD TULLY  
MORGAN WILD  
A. D. YATES

## ANNEX A

## Council

The Chancellor and the Vice-Chancellor

*Elected as Heads of Colleges*

*To 31 December 2010*  
Prof. William Arthur Brown, *DAR*  
Prof. Francis Patrick Kelly, *CHR*

*To 31 December 2012*  
Prof. Martin James Daunt, *TH*<sup>1</sup>  
Sir Christopher Hum, *CAI*

*From 1 January 2011 until 31 December 2014*  
Prof. Francis Patrick Kelly, *CHR*  
Prof. Robert David Lethbridge, *F*

*Elected as Professors or Readers*

Prof. Ross John Anderson, *T*  
Dr Michael Ronald Clark, *DAR*

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

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

*Elected as members of the Regent House*

Dr Nick Bampos, *TH*  
Dr Stephen John Cowley, *SE*  
Ms Deborah Lowther, *G*  
Dr Joan Margaret Whitehead, *W*

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

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

*Members in class (e)*

Mr Nigel Brown, *HH*  
Lord Simon of Highbury, *CAI* (Deputy  
Chairman, 2010)

Mr Dominic Casserley, *JE*  
Mr John Shakeshaft, *T*

*Student members (to 30 June 2011)*

Mr Rahul Mansigani, *R*  
Mr Sam Wakeford, *TH*  
Mr Anthony Andrews, *SID*

*Student members (to 30 June 2012)*

Mr Thomas Parry-Jones, *JN*  
Mr Gerard Tully, *TH*  
Mr Morgan Wild, *SID*

*Secretary: the Registrar*

<sup>1</sup> To 30 September 2011, replaced by Professor David Yates, *R*, from 14 October 2011.

**ANNEX B**

## STATEMENT OF PRIMARY RESPONSIBILITIES (re-adopted September 2011)

The Council has adopted this Statement of Primary Responsibilities.

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

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

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

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

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

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

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

Pursuant to these responsibilities the Council:

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

The Council has published the following statement (*Statutes and Ordinances*, 2011, p. 114):

*NOTICE BY THE COUNCIL*

*Statement of intention*

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



## Annual Report of the General Board to the Council for the academical year 2010–11

### 1. Introduction

1.1 The General Board present this Annual Report on their work for the academical year 2010–11.

1.2 The year's business was dominated by the Government's announcements of changes in the national landscape for higher education and research: cuts in public funding and the new arrangements for funding undergraduates and undergraduate education; the evolution of the Research Excellence Framework (the REF); revised national arrangements for quality assurance; and uncertainty about the future role of HEFCE in the proposed new regulatory framework. In a different domain, the implications of the Government's new immigration policy, together with frequent, ill-considered changes of the operational arrangements, continue to pose a great threat to the University's ability to attract the brightest and best students, researchers, and academic staff from across the world. Much time was spent making representations to the highest levels and responses to consultations about immigration. The Board have sought to ensure that the Schools, Faculties, and Departments are well placed, notwithstanding the uncertainties inherent in the new arrangements and pace of change, to continue to perform at the highest level. Planning for the University's submission for the REF, now confirmed for 2013, underpins much of that consideration (see section 8.4), as does making sure that the case for supporting sustained excellence in teaching and research is recognized.

1.3 Looking internally, the Board concluded the review of teaching and research in the Social Sciences by the publication of the following Reports: Report of the General Board on the establishment of a Faculty of Human, Social and Political Science (*Reporter*, 2010–11, p. 600); and the Report of the General Board on the introduction of new Triposes in Psychology and Behavioural Sciences, and in Human, Social, and Political Sciences (*Reporter*, 2010–11, p. 958). The Board consider these developments are in the best long-term interest of the health of the Social Sciences in Cambridge, and are grateful to Professor Brown, as Head of School, and Dr Good, as Chairman of the informal management committee for the new Tripos, for their persistence and patience in bringing this matter to a satisfactory conclusion.

### 2. University Finance and Planning

2.1 The Board discussed proposals for responding to the Government's plans for changing the basis of funding for Home/EU undergraduates, including the significant difference between anticipated fee income (based on a £9,000 fee) and real teaching costs. They discussed how to respond to the request for a new OFFA Access Agreement, noting that much of the debate was being set by the Government's policies and timetables regarding undergraduates. The Board were concerned that in considering the future size and composition of the student body, financial exigency alone should not determine academic policy; the balance between Arts and Science students, for example, should not only be considered in a resources context.

2.2 The general financial outlook for the University has not changed significantly from last year, albeit there was now greater clarity about the government funding regime. The projected cumulative deficit over the next four years is consistent with the guidelines set by the Council, but a return to a balanced budget will only be achieved by

following a tight planning regime encompassing cost reduction and income generation. The Working Groups set up by the Planning and Resources Committee (PRC) on organizational and financial efficiency have led to a range of actions, including Reviews of the Unified Administrative Service (UAS) and of IT infrastructure support. Further work will be undertaken on cost recovery of sponsored research, as sponsors continued to exert downward pressure on potential cost reimbursement.

2.3 The continued vitality of the University depends on a programme of capital expenditure, including both large items of equipment and building projects. As funding for both from public sources (HEFCE and the Research Councils) is under serious downward pressure, the Board supported the creation within the framework of the Budget Report of a Capital Fund, which will enable the University to maintain, and plan, a level of recurrent spend, to be supplemented by grants and donations wherever feasible. The Board have also welcomed the development of a Capital Plan, which is intended to enable the redevelopment, initially, of the New Museums Site and consequent development opportunities, which will be the subject of future Reports of the Council. The preliminary proposals involve the relocation of the Department of Chemical Engineering and Biotechnology to West Cambridge, redevelopment of the New Museums Site, and certain projects on the Sidgwick Avenue Site, Madingley Rise, and the Old Schools. The Board also noted that the PRC planned to initiate a review of room management processes and systems. Low room utilization rates could be partially addressed with an effective IT system for room management but significant improvement will also require a major shift in the approach of Faculties and Departments to the timetabling of lectures and classes.

### 3. Academic standards and Quality Assurance and Enhancement

3.1 The Board have, through the Education Committee, responded to an unusually large number of national consultations concerning academic standards, quality assurance arrangements, and public information about the sector's educational provision. These have included Quality Assurance Agency (QAA) consultations on the future arrangements for quality assurance in England and Northern Ireland (by means of institutional review (replacing the previous system of institutional audit)) and on the QAA's 'Academic Infrastructure'. Our responses regularly emphasized: the inappropriateness of attempts to set sector-wide academic standards across all institutions and disciplines; the need to reduce the regulatory burden on institutions; the desirability of a proportionate and risk-based approach; and the need to avoid yet more resources being diverted towards compliance with national requirements. The final report arising from the review of external examining arrangements, commissioned by Universities UK (UUK), has been considered. While its recommendations reflect, in the main, the Board's current Guidelines to External Examiners, the Board have satisfied themselves that there are good reasons where Cambridge's arrangements differ from those recommended by the review. Following consultation by HEFCE, UUK, and GuildHE on information published by institutions, all Higher Education Institutions (HEIs) will be required to publish (initially in September 2012 for 2013–14 undergraduate entrants) 'Key Information Sets' (KIS) for each undergraduate course and for each year of that course,

in a standard sector-wide format. Whilst KIS data will partly be drawn from data already supplied for other purposes, each HEI will be responsible for also providing data relating to study (including the proportions of time spent in various learning and teaching activities, and the mix of assessment methods) and costs (fee and bursary information, and residential costs). Whilst the Board are not fully persuaded of the value of KISs, their introduction will be a time-consuming exercise. Responses made on the Board's behalf to consultations of this kind are now being placed on the Education Section's website (<http://www.admin.cam.ac.uk/offices/education/consultations/index.html>).

3.2 A Full Review of the Faculty of English, chaired by the Provost of King's and including external members, was undertaken. Particular recommendations included: content and delivery of the Tripos; College Teaching Officer (CTO) related matters; the Faculty's governance; and its research performance (including its prospects in the REF). A Steering Committee, led by the Head of the School of Arts and Humanities, is working with the Faculty to progress the Review's recommendations. The following institutions were the subject of the Board's regular programme of Teaching and Learning Reviews: the Faculties of History and of Mathematics; the Departments of Materials Science and Metallurgy, Pathology, Pharmacology, and Physics; and the Cambridge Programme for Sustainability Leadership. A Review of the Department of Genetics was also conducted, covering, as well as the areas usually covered in Teaching and Learning Reviews, the Department's organization and research. Arising from the recommendations of an earlier review the Department of Linguistics and the Research Centre for English and Applied Linguistics were merged to form a Department of Theoretical and Applied Linguistics in the Faculty of Modern and Medieval Languages (*Reporter*, 2010–11, p. 357). Responses to reviews of the following institutions were considered and recommendations arising from them taken forward: the Faculties of Music and of Philosophy; the Department of History and Philosophy of Science; and Development Studies. The Board have agreed that, in future, Teaching and Learning Reviews should include a student member on each committee, and that review reports and formal comments on their findings should be published internally on the Education Section's website.

3.3 The response rate by Cambridge students for the 2010 National Student Survey was 52%, slightly down on the 55% achieved in 2009. Overall satisfaction remained at 91%, compared with 93% at Oxford, but ahead of other Russell Group institutions and significantly greater than the sector average. The Education Committee reviewed the results at Tripos level, and data were distributed to Faculties and Departments and all were asked to comment on the results. Particular attention was paid to the responses of the institutions responsible for the four Triposes which scored below 80% for overall satisfaction.

3.4 Cambridge students also participated in the Postgraduate Taught Experience Survey (PTES) in 2010, scoring their experiences above the national average in two-thirds of the topics covered, and above the Russell Group average. The topics that were viewed less positively by Cambridge students were predominantly in the areas of 'skills and personal development', 'career and professional development', 'assessment and feedback' and 'organisation and management'. The results of the survey have been disseminated to Schools for action.

3.5 The Education Committee endorsed a pilot scheme for on-line voting in the election of students to Faculty Boards in November 2010. The pilot was successful both in reducing the administrative load and in increasing turnout; the Board approved changes to the regulations for voting to permit on-line voting to be offered in all Faculty Board student elections with effect from 2011.

3.6 The Board set up a Teaching and Learning Support Services Steering Group under the chairmanship of the Pro-Vice-Chancellor (Education). The Group is charged with keeping under review, and promoting good practice in, the use of digital/electronic materials in teaching programmes. The Group has begun its work by reviewing the University's use of 'Virtual Learning Environments'. The Language Centre was brought within the School of Arts and Humanities with effect from 1 August 2011 (*Reporter*, 2010–11, p. 907).

3.7 The Board have set up, under the chairmanship of Professor Ian White, a Board of Executive and Professional Education (BEPE) which will promote, and monitor, these increasingly important types of activity across the University. That Board, which includes representatives of the Colleges, have begun their work in identifying how best to promote Cambridge's expertise, in the development of a website, and in agreeing means of endorsing current or proposed provision. That Board's work should be beneficial in assessing the benefits of the University's overseas activities in these areas.

3.8 The Education Committee has given attention to a range of equality and diversity issues relating to teaching, learning, and assessment. Recommendations arising from a Gender Working Group, established by that Committee, are to be implemented. Work has begun on establishing University and intercollegiate policies on 'reasonable adjustments' for disabled students. The Committee has established a sub-committee to advise it and the Board on these matters.

3.9 A number of teaching programmes were subject to scrutiny by professional, statutory, and regulatory bodies. The Board received positive reports on: the British Psychological Society's accreditation of relevant parts of the Politics, Psychology, and Sociology Tripos; the Geological Society's accreditation of the M.Sci. in Natural Sciences (Part II and Part III in Geological Sciences); the Royal Society of Chemistry's accreditation of the M.Sci. in Natural Sciences (Part II and Part III in Chemistry); the Institution of Chemical Engineers' accreditation of the M.Eng. (Chemical Engineering); and OfSTED's evaluation of the P.G.C.E. programme in the Faculty of Education, which was commended for its excellence.

#### 4. Degrees, courses, and examinations

4.1 The Board, jointly with the Council, published Reports on (i) the future of Ordinary Examinations and the Ordinary B.A. Degree (*Reporter*, 2010–11, p. 208) and (ii) the introduction of the Degree of Master of Corporate Law (*Reporter*, 2010–11, p. 189). The first of these provided that allowances towards the Ordinary B.A. Degree be no longer awarded, and set the criteria under which students might be entitled to the Ordinary B.A. Degree or be declared to have deserved that degree by the Council's Applications Committee. The Board have also reported on the introduction of a Psychological and Behavioural Sciences Tripos and of a Human, Social, and Political Sciences Tripos (*Reporter*, 2010–11, p. 958), to be offered from 2013. The proposed Triposes, which were subject to extensive consultation with the institutions concerned and

with the Colleges, are expected to make major contributions to Cambridge's undergraduate provision in the social sciences. Other educational developments in the year included: approval of significant reform of the Geographical and Music Triposes; the development of ECTS (European Credit Transfer Scheme) equivalences for the University's Masters' courses; and agreement that the Department of Engineering should assume responsibility for the student exchange with the Massachusetts Institute of Technology (MIT) and establish a new exchange with the Technical University Munich.

4.2 New M.Phil. courses were approved in: Finance and Economics; Nuclear Energy; Clinical Science (in place of the rescinded course in Translational Medicine and Therapeutics); and in Theoretical and Applied Linguistics (in place of rescinded courses in Linguistics, and English and Applied Linguistics). The M.Phil. course in Management Research was rescinded. New part-time M.St. courses were approved in: Historic Buildings; Building History; and Advanced Subject Teaching.

### 5. Graduate Education

5.1 The Annual Report of the Board of Graduate Studies (BGS) for 2010–11 will be published at a later date but the General Board take this opportunity to include a summary of key BGS business considered in 2010–11.

5.2 The Board were pleased to note that Cambridge had been awarded a Doctoral Training Centre by the ESRC under that Council's new funding arrangements. The Centre will include provision for 26 studentships in 2011–12 but as for other Research Councils would not include separate financial provision for the College fee.

5.3 Following a 9% increase in graduate student numbers in 2009–10, it was agreed that a cap should be introduced for the intake of Masters' students in 2010–11. Colleges were asked to provide their maximum intake which was used to inform the Schools' planning round and to set the limit on Masters' student admission. The Board are grateful for the engagement of Faculties and Departments in these arrangements, which they recognize are not universally welcome. Discussions to increase College capacity for graduates have made good progress through the University and Colleges Joint Committee.

5.4 The Board approved recommendations by the BGS, in consultation with the Education Committee, on future arrangements for consideration of graduate matters. These proposals, which are the subject of a Report for Discussion in the Michaelmas Term 2011 (*Reporter*, 2010–11, p. 998), are that matters of policy relating to Graduate Students and graduate qualifications should be transferred from the BGS to the General Board through their Education Committee, with consequential adjustments to the memberships of the BGS and of the Education Committee. The proposals require no change in the formal responsibilities of the BGS or Degree Committees, but their implementation will enable the BGS to give increased attention to individual student cases and operational matters affecting Graduate Students, University institutions, Degree Committees, and the Colleges. The proposals also aim to: bring together consideration of cognate activities regardless of the mode of study; streamline procedures to generate efficiencies (including saving academic staff time); and align policy and operations for all types of students to achieve greater clarity and equity of treatment. They complement changes in the organization of central administrative support provided by the Academic Division.

### 6. International activities

6.1 Discussions with Heads of School and other academic leaders have highlighted the extent and range of international collaborations throughout the University and the opportunities that exist for strategic engagement. The year ahead will focus on identifying those collaborations that would benefit from strategic designation and associated support.

6.2 The appointment of a new Head of the International Strategy Office together with a refocusing of the Office's responsibilities have given added momentum to the General Board's development of a strategy for the University's international activities. The Office has identified the importance of the University's relationship with the European Union, and has initiated an analysis to focus on opportunities for strengthening this relationship. Other initial priorities will be the University's engagement with India and China, working with the Research Strategy Office and the Development Office.

6.3 The General Board are giving attention to the procedures for signing international agreements and are developing a protocol that will support Schools, Faculties, and Departments in initiating international partnerships, while providing better coordination of international activities and ensuring that legal and reputational factors are given due consideration.

### 7. Establishment of new senior positions

7.1 As the result of generous benefactions, the Board proposed the establishment of a Dyson Professorship of Fluid Mechanics in the Department of Engineering and a Sultan Qaboos Professorship of Abraham Faiths and Shared Values in the Faculty of Divinity.

7.2 With the support of the Medical Research Council, the Board proposed the establishment of a MRC Professorship of Cognitive Psychology.

7.3 The following Professorships were established, or re-established, supported on general University funds by the reallocation of recurrent funding within the Schools concerned:

- Professorship of Biostatistics in the Department of Medical Genetics
- Professorship of Cognitive Developmental Neuroscience in the Department of Experimental Psychology
- Professorship of Education in the Faculty of Education
- Professorship of Finance in Judge Business School
- Professorship of Molecular Physiology and Pathology in the Department of Physiology, Development, and Neuroscience
- Professorship of Polymeric Materials Chemistry and Physics in the Department of Chemistry.

7.4 In addition, the following Professorships, supported by generous benefactions, were re-established for a further tenure:

- Professorship of Experimental Medicine (entitled as the Genzyme Professorship of Experimental Medicine) in the Department of Medicine
- The Sheila Joan Smith Professorship of Immunology in the Department of Clinical Medicine

7.5 The Board were pleased to recommend the designation of a Regius Professorship of Engineering to commemorate the outstanding service of HRH the Duke of Edinburgh on the occasion of his retirement from the office of Chancellor.



## 8. Research Policy and Research Assessment

8.1 Research activity grew in 2010–11 compared with 2009–10:

- (i) Research Income grew by 7.5% compared with 2009–10. Most of this growth is attributable to grants from UK Charities and the European Commission.
- (ii) The Research Councils and UK Charities continued to be the University's main sponsors, generating 41.3% and 28.6%, respectively of the total research income received. Given the predominance of the Research Councils in supporting the University's research activities, the Research Policy Committee (RPC) was very concerned to learn that not only had Research Council income started to fall but the value, based on 100% full economic costing (fEC), of applications and contracts submitted by the University to all funders decreased during 2009–10 by 10% to £1.26 billion.

8.2 The RPC has identified a need for enhanced research management information to understand the reasons for this trend and appropriate remedial measures. A Working Party, under the Chairmanship of the Director of the Management Information Services Division (MISD), has now been set up to take this forward on a University-wide basis.

8.3 As a further measure to strengthen the coordination of research activity across institutional boundaries, and in areas considered of strategic importance, the RPC implemented its formal programme of strategic initiatives and networks in the Lent Term. The Strategic Initiatives and Networks scheme aims to highlight the University's strength in, and commitment to, a small number of cross-School thematic research areas. Applications are considered by the RPC and are required to demonstrate clear academic leadership and goals, broad support from the academic community, and substantial potential for attracting new partnerships and research funding. Modest pump priming financial support is provided and designation is for a period of three years. The first awards under the scheme were made in 2010; further awards were announced in July 2011:

<i>Strategic Initiatives</i>	<i>Strategic Networks</i>
Neuroscience (2010)	Psychometrics (2010)
Infectious Diseases (2010)	Digital Humanities (2011)
Stem Cells (2010)	Sensors (2011)
Conservation (2010)	Nano (2011)
Language Sciences (2011)	Immunology (2011)
Cancer (2011)	Metabolism (2011)
Energy (2011)	

Financial support for these awards now stands at £1,206,368 over a three-year period.

8.4 In July 2011, the HEFCE published its 'Assessment Framework and Guidance on Submissions' which defines the policies and procedures underpinning the 2014 Research Excellence Framework (REF), for which the staff census date is 31 October 2013 and the full submission is due by 29 November 2013. This document confirmed that 'research impact', which replaces the esteem element in the previous Research Assessment Exercise, will count for 20% of the overall assessment with research outputs contributing 65% and environment 15% to the assessment profile of Units of Assessment.

8.5 The REF Policy Committee, which comprises the Pro-Vice-Chancellor (Research) and Heads of Schools, is coordinating planning for the REF with the support of a number of specialist REF committees. Given the novelty

of the concept of research impact, and the University's earlier experience of HEFCE's Research Impact Pilot Exercise, the RPC launched a University-wide 'impact' pilot exercise in Michaelmas Term, which required Faculties and Departments to prepare one case study each and to identify other examples which might be suitable for the REF. The case studies were assessed at School level and a number were re-assessed by a central committee of HEFCE REF Panel members. This exercise demonstrated the significant further work that is needed in almost every case to demonstrate impact. The revised impact template and individual Panels' expectations of types of impact they expect to receive have now been published, and the RPC will progress its impact preparations in the coming year.

8.6 During the year HEFCE announced that, unless exceptional circumstances existed, only research judged to be of international significance (3\* or 4\* REF quality rating) would be funded in future. Linked with HEFCE's decision to restrict considerably the eligibility of non-University employees for inclusion in the REF submission, it is possible that the University's REF submission will be smaller than in the past, which may have funding implications. To gain a better understanding of the position, the RPC will run an exercise in the Michaelmas Term 2011 to form a preliminary view of the quality and quantity of the current research outputs of all those who appear to meet HEFCE's eligibility criteria for submission.

## 9. Human resources

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

- The Equal Pay Report 2010, and the developing work for the Gender Equality Group
- Revised Equal Opportunities Policy, following the Equality Act 2010
- Launch of the Employment and Career Management Scheme for Researchers
- Adopting the new immigration rules, as a result of Government's intention for tighter national immigration
- Agreement on a University & Colleges' Joint Lectureship Scheme
- Implementation of a revised Contribution Increment Scheme for Academic-Related Staff (up to Grade 11) and Assistant Staff
- Modifications to the Senior Academic Promotions Procedure.

9.2 The year has seen the need for the University to adapt quickly to a number of legislative changes, most notably the Equality Act 2010, changes to immigration rules and related procedures, Agency Workers' Directive, the abolition of the National Default Retirement Age, and pension tax relief changes. Higher Education is also seeing major changes to the USS pension scheme, and ongoing changes to other more localized schemes. The University is embarking on consultation for changes to its CPS pension scheme in order to ensure its sustainability over the longer term.

9.3 In addition, the Board has been actively engaged in the Voluntary Severance Scheme which was launched during the academical year, which forms part of the University's overall approach to managing its costs and meeting efficiency needs at a time of strong financial constraints. The Board noted that some 200 staff would leave by 30 September 2011 under the VSS scheme.

## 10. Health and safety

10.1 During a time of significant change within government departments and organizations related to reducing operational costs, the University has continued to experience a positive and pro-active relationship with the enforcement authorities involved with health and safety. The University's reputation for effective and responsible health and safety management and the subsequent trust afforded to us by the enforcement authorities resulted in a reduction in the frequency of inspections compared to previous years, which in turn is beneficial to the authorities with respect to their limited resource. This trust, once earned, has to be maintained on an on-going basis. Although external inspection frequency may further reduce, the onus subsequently lies with the University, through the Health and Safety Executive Committee chaired by the Senior Pro-Vice-Chancellor to monitor and improve standards with less visible external intervention – particularly as the consequences for failures in health and

safety management are now punished more severely than ever.

10.2 The Health and Safety Executive Committee monitors the University's health and safety performance through reports of regular internal and external audits across all departments, institutions, and associate bodies. These consist of both general 'safety management' audits, and 'subject specific' auditing, which includes radioactivity, chemicals, biological, and food safety. In addition, external audits have been undertaken for the operation of the Safety Office and the formation of the Occupational Health and Safety Service, both concluding good management systems are in place.

10.3 As a leading research University, Cambridge has to be able to control and respond to emerging new risks relating to this research, requiring new policies, operating systems and guidelines, for example those relating to nanotechnology, which have been recognized both nationally and internationally as setting the standards for safety management in this field.

2 November 2011

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MORGAN WILD



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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 full University group including Cambridge Assessment and Cambridge University Press. It should be read in conjunction with the Annual Report of the Council and the Annual Report of the General Board to the Council for the academical year 2010–11, which are published alongside these financial statements. The financial position of the teaching and research activities of the University may be seen more clearly in the Financial Management Information published in the Reporter. Further detailed information about the finances and operations of Cambridge Assessment and Cambridge University Press is given in the annual reports of those entities which are also published.

### Scope of the Financial Statements

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

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

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

### Mission

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

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

### Funding

The sources of income of the University are:

- the Government, which through the Higher Education Funding Council for England (HEFCE) provides a block grant for teaching and a grant determined by the quality and volume of research through the Research Assessment Exercise last carried out in 2008
- students through fees charged for instruction and facilities
- research income from publicly funded Research Councils, charitable foundations, and through collaborations with the private sector
- benefactions and donations for current use
- investment income from our accumulated endowment 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 2011, distributions by the CUEF exceeded the income received from its underlying investments by £48m (2010: £40m), 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 £48m 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 2011 are summarized in Table 1.

	2010–11 £m	2009–10 £m <i>Restated</i>	Change %
Income	1,251	1,193	+ 4.9%
Expenditure	(1,261)	(1,191)	+ 5.9%
(Deficit)/surplus on continuing operations	(10)	2	
Transfer from restricted endowments	13	18	
Surplus for the year retained within general reserves	3	20	
Net assets	2,590	2,415	+ 7.2%

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

	2010–11 £m	2009–10 £m <i>Restated</i>
Income	1,299	1,233
Surplus for the year retained within general reserves	51	60

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

Table 2

(Deficit)/surplus on continuing operations		Income £m	Expenditure £m	Surplus/ (deficit) £m
<b>Results by segment</b>	Education and research	757	793	(36)
	Cambridge Assessment	274	241	33
	Cambridge University Press	235	235	–
Financial support to the University from Cambridge Assessment		(15)	(15)	–
Pension scheme and other adjustments		–	7	(7)
		1,251	1,261	(10)

The education and research activities of the University group were at a deficit after accounting for investment income as described above. The recurrent Funding Council grant funding reduced by £3m. However increased fees in certain masters courses and from executive education added £17m to such income compared to 2009–10. Sponsored research income increased by 6% with increasing income from charities and other sources more than making up for a reduction in income from UK Research Councils. However, this shift in our sources of funding has put further pressure on our indirect recovery which remains below target. The overall expenditure of the education and research activities increased by 5.3%.

Cambridge Assessment is the University's international exams group. Its mission is to promote educational excellence. It pursues this by researching, developing, and delivering qualifications in around 160 countries. Cambridge Assessment offers these qualifications through three exam boards: Oxford Cambridge and RSA Examinations (OCR), University of Cambridge International Examinations (CIE), and University of Cambridge ESOL Examinations (English for Speakers of Other Languages). In 2010–11 income from its examination and assessment services was £266m, with growth in its international activities maintained but a leveling-off in UK revenues. The surplus after transfers of £14.9m in support of the University's education and research activity was £33m.

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 two main streams: Academic publishing of books and journals; and Cambridge Learning, comprising school books and English Language Teaching materials. The 2010–11 year was testing but revenue growth was maintained. In the context of technological changes and increasing international competition, the Press plans to continue in focused growth and to invest in new product forms and back-office systems.

### Change in financial position

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

Table 3

Movement in net assets	Education and	Cambridge	Cambridge	University	Total
	research	Assessment	University Press	Assistants Pension scheme	
	£m	£m	£m	£m	£m
Net assets at 31 July 2010	2,341	224	46	(196)	2,415
(Deficit)/surplus on continuing operations	(36)	33	–	(7)	(10)
Currency adjustments	–	–	(4)	–	(4)
New endowment capital	49	–	–	–	49
External funding for capital expenditure	11	–	–	–	11
Actuarial loss on retirement benefits	–	–	(4)	(25)	(29)
Increase in investment values	151	8	(1)	–	158
Net assets at 31 July 2011	2,516	265	37	(228)	2,590

The net assets of the group increased by £175m (+7.2%) over the year as a result of new capital inflows to the endowment, from capital grants, and from increases in the market value of the endowment and other long-term investment assets. The pension fund deficits, as accounted for on an FRS17 basis, increased, remain of concern, and are discussed further below.

### Capital expenditure programme

In recent years, major capital expenditure projects, mainly new buildings, have been funded from a combination of sources, principally government funding through HEFCE and external donations. Equipment has been funded by a combination of sources including HEFCE, research grant sponsors, and from operating cash flows.

The ability to continue investing in the University's operational buildings is essential if it is to remain globally competitive. 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 plan capital expenditure on office and warehousing buildings and, in particular, their need for enhanced business systems.

In the course of 2010–11 the University's total capital expenditure was £105m (of which £74m was in respect of the University's academic activities), including equipment expenditure of £28m. Major items of expenditure included the Sainsbury Laboratory which was completed during the year, the Alison Richard Building, and further office expansion for Cambridge Assessment. Other investment was made over a number of projects across the University's main sites. Table 4 below gives a broad analysis of capital expenditure in the year.

Table 4

Capital expenditure 2010–11	£m
Sainsbury Laboratory	18
Other new build	19
NW Cambridge preparatory costs	3
Extension/improvements	10
Refurbishment	6
Total University buildings	56
University equipment / heritage assets	18
Cambridge Assessment total	23
Cambridge University Press total	8
	105

### Endowment and other investments

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

(i) Cambridge University Endowment Fund (CUEF)

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

Colleges and other charities linked with the University are permitted to invest in the CUEF, to gain from its scale, diversification, and professional management. Two Colleges, the Gates Cambridge Trust and the Associated Trusts are substantially invested in the CUEF.

As at 31 July 2011 the CUEF had a market value of £1,550m (2010: £1,141m). The increase was a result of strong investment performance and new funds invested during the year less the amounts distributed for spend on operations. New funds invested included the Gates Cambridge Trust and various new endowments.

The investment performance of the CUEF was a pleasing 16.1% over the twelve months to 30 June 2011. The changes made to the portfolio during the year involved a further reduction in credit holdings and rebalancing inside the large public equity class. As at 30 June 2011, the actual asset allocation was global equities 61%, equity long-short 7%, private investments 3%, absolute return including hedge funds 10%, credit 3%, real assets including property 13%, and fixed income including cash 3%. At the end of the year the exposure to assets denominated in sterling was 47%.

#### (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.

### Staff costs and pensions

Staff costs comprise 48% of the University group's expenditure excluding depreciation, with the figure being 58% for the University's education and research activities which make up around three-quarters of the total staff costs. Pay restraint has allowed an acceptable overall increase in pay costs. Around 200 staff, mainly administrative, have taken advantage of a voluntary severance scheme at a cost to the University of approximately £5m, which will yield savings in future years. Vacant posts are being held unfilled where possible. In the operations of Cambridge Assessment and the Cambridge University Press staff costs increased in line with business growth.

There has been no letup in the pressures on the pension schemes to which the University is exposed.

The University's principal scheme is the Universities Superannuation Scheme (USS), which is a very large multi-employer scheme. It is expected that the triennial valuation as at 31 March 2011 will show a material deficit. The deficit of the USS is not reflected in the University's balance sheet but is a major exposure for the University. Since the year end changes have been introduced by the USS in benefits in respect of future service in order to make the scheme affordable and sustainable.

The other main scheme is the Cambridge University Assistants' Contributory Pension Scheme (CPS), which is a defined benefit scheme. The CPS's full triennial valuation as at 31 July 2009 showed a deficit of £139m, and the University is making deficit-recovery contributions to the scheme of £14.6m per annum for fourteen years commencing August 2011. To ensure that the CPS remains affordable and sustainable certain changes to future service benefits have been proposed and, following consultation, are expected to be implemented in 2012.

Cambridge University Press has a number of schemes in the UK and United States, and certain actions have been taken to contain liabilities in respect of future service. Following the latest actuarial valuation a recovery plan to recover the material deficit has been agreed.

The CPS and the Press's schemes, being single-employer schemes, are included in the financial statements following Financial Reporting Standard 17 (FRS 17). The total pension liability under FRS 17 has increased from £274m to £308m, of which £75m relates to the Press's schemes.

### Development and alumni relations

The Cambridge 800th Anniversary Campaign, which was completed in 2011, achieved a total of £1.172 billion raised across the University and Colleges. In the course of the year, £49m was added to the University's endowments.

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 is committed to continued investment in fundraising and building close relationships with its alumni and supporters internationally.

### North West Cambridge

The University has submitted a planning application for the University's lands at North West Cambridge. It is anticipated that full consent will follow in mid-2012. In parallel with the preparations for the submission of the planning application for the site as a whole, proposals for the first phase of development have been prepared. These proposals include site infrastructure and landscaping, University housing for letting, market housing for sale and letting, a supermarket and retail units, a hotel, a primary school, and outdoor sports facilities. This phase will contribute to the strategic need of the University to provide affordable and high-quality housing for postdoctoral research staff and others at the beginning of their careers with the University. The market housing, hotel, and retail developments contribute significantly to the financial viability of the development.

The Council is convinced of the strategic case for proceeding and is satisfied that the project is financially viable and that the projected capital investment required is affordable by the University and will not impair its ability to continue to invest appropriately in academic budgets and capital.



### **The financial outlook**

The recurrent grants from HEFCE remain a core part of the University's income. Funding for undergraduate teaching will reduce substantially from 2012–13 onwards but will be offset by a corresponding increase in home student tuition fees. Undergraduate numbers will remain broadly constant whilst graduate numbers are expected to continue to follow the historic trend of around 2% growth per annum. This in conjunction with a continuing revision of our postgraduate fees should provide a steady increase in funding. However, continued growth in student numbers will require increased investment by both University and Colleges in student housing. The North West Cambridge project will satisfy a large part of this need. Continuing growth in post-experience education is also predicted and, subject to adequate arrangements for costing and pricing, should provide useful net revenue to the University.

Research Council funding for the direct costs of research remains level whilst support for indirect costs and infrastructure provision is being significantly reduced. In particular, Government support for capital projects has been cut by some £20m per annum. After several years of consistent year-on-year growth in research activity (as measured by direct expenditure), growth during the next five years is expected to slow. Of particular concern is the difficulty in recovering from research sponsors as a whole an appropriate share of the indirect costs of research and justifying the differential cost of supporting high quality research in new and challenging areas. Increased funding from the EU and charities is also putting further pressure on our ability to cover the full cost of our research.

Cambridge Assessment and Cambridge University Press expect steady long-term growth, although both activities operate in internationally-competitive environments. The medium term is especially challenging given the cuts to Government budgets both here and abroad.

Endowment returns have been good for the last two years and well above the target RPI+5.25%. However, the continued low interest rates and the impact of the sovereign debt crisis on the equity markets will make this above target performance very difficult to maintain.

### **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, and our capital programme
- funding by charities and foundations of sponsored research, and their unwillingness to cover the full costs
- movements in investment markets reducing the value of the endowment and other investment assets
- the increasing and uncertain costs of pension provision
- pay inflation, against a background of pay restraint in recent years
- possible impact of the changes in rules concerning the normal retirement age
- the support by benefactors for endowment, capital expenditure, and for current use
- the economic success of Cambridge Assessment and the Press, which operate in challenging international markets. Cambridge Assessment provides an increasingly important source of unrestricted funding for the University.

### **In conclusion**

The University group's operations remained broadly at break-even in 2010–11. Operating costs were tightly controlled across all our academic activities, and Cambridge Assessment's activities were again at a significant financial surplus. Operating cash flows remain strong and the University's financial assets benefitted from good investment markets over the year.

Looking forward, the very tight expenditure constraints applied in 2010–11 were tightened further in 2011–12 and will continue to demand year on year reductions in real terms until 2015–16. The principal challenge for the University is to maintain this very tight funding regime whilst continuing to invest in essential research and teaching initiatives.

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

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

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

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

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

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

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

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

9. The University is a self-governing community whose members act in accordance with the seven principles of public life (see paragraph 2 above) and in pursuit of the objectives and purposes of the University as set out in its Statutes. The University complies with most but not all of the voluntary Governance Code of Practice published in November 2004 by the Committee of University Chairmen. In particular the Vice-Chancellor is chair of the Council, which does not have a majority of external members, and the Council is subject to the statutory authority of the Regent House. The University has no immediate plans to change these arrangements, which have proved reliable over many years in enabling the University to achieve its academic objectives.

## Members of the Council and the charity trustees during the year ended 31 July 2011

The Chancellor and the Vice-Chancellor

### *Elected as Heads of Colleges*

Prof. William Brown (to 31 December 2010)  
 Prof. Martin Daunton  
 Sir Christopher Hum  
 Prof. Frank Kelly  
 Prof. Robert Lethbridge (from 1 January 2011)

### *Elected as Professors or Readers*

Prof. David Abulafia  
 Prof. Ross Anderson (to 31 December 2010)  
 Dr Michael Clark (to 31 December 2010)  
 Prof. Athene Donald  
 Prof. Nicholas Gay (from 1 January 2011)  
 Prof. Andy Hopper (from 1 January 2011)

### *Elected as members of the Regent House*

Dr Nick Bampos  
 Dr Richard Barnes  
 Dr Stephen Cowley  
 Mr Robert Dowling  
 Mr Ian Du Quesnay (from 1 January 2011)  
 Dr David Good  
 Ms Deborah Lowther (to 31 December 2010)  
 Dr Susan Oosthuizen (from 1 January 2011)  
 Dr Rachael Padman  
 Dr Joan Whitehead (to 31 December 2010)

### *Members in class (e) (external members)*

Mr Nigel Brown OBE (to 31 December 2010)  
 Mr Dominic Casserley (from 1 January 2011)  
 Dr Vanessa Lawrence CB  
 Dame Mavis McDonald  
 Lord Simon of Highbury (to 31 December 2010)  
 Mr John Shakeshaft (from 1 January 2011)

### *Student members 2010–11*

(to 30 June 2011)  
 Mr Anthony Andrews  
 Mr Rahul Mansigani  
 Mr Sam Wakeford

(from 1 July 2011)  
 Mr Thomas Parry-Jones  
 Mr Gerard Tully  
 Mr Morgan Wild

The Chancellor, members in class (e) (external members), Student members, Sir Christopher Hum, Professor Lethbridge, Ms Deborah Lowther, and Mr Du Quesnay 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 18,000 students, of whom 12,000 are undergraduates, pursue courses across a wide range of disciplines. The quality of the education (and, as importantly, the educational experience) which the University provides is consistently recognized by the University's status at or near the top of national and international rankings.

The University is committed to admitting students of the highest intellectual potential, irrespective of social, racial, religious, financial or other considerations. The University ensures that individuals from all backgrounds can benefit from the opportunities afforded by a first-rate education and are not unreasonably excluded from those opportunities by the charging of fees. The University ensures that bursaries are available where necessary and outreach activities are undertaken to improve participation by under-represented groups. Financial support is provided to students from overseas through University funds and by trusts associated with the University. 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 that supports the achievement of policies, aims, and objectives, while safeguarding the public and other funds and assets for which the Council is responsible, in accordance with the Statutes and Ordinances and the Financial Memorandum with the HEFCE.
2. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims, and objectives; it therefore provides reasonable but not absolute assurance of effectiveness.
3. The system of internal control is designed to identify the principal risks to the achievement of policies, aims, and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively, and economically. This process was in place for the year ended 31 July 2011 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 risks.
  - (g) A robust risk prioritization methodology based on risk ranking and cost-benefit analysis has been established.

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



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

We have audited the Group and University financial statements (the "financial statements") of the University of Cambridge for the year ended 31 July 2011 which comprise the Consolidated income and expenditure account, the Note of consolidated historical cost result, the Consolidated statement of total recognised gains and losses, the Group and University Balance sheets, the Consolidated cash flow statement, the Statement of principal accounting policies and the related notes. 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 236 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 on pages 228 to 236 and in the Annual Reports of the Council and the General Board 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 2011 and of the Group's income and expenditure, recognised 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 Registered Auditors  
Cambridge  
21 November 2011

### 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 30. Intra-group transactions and balances are eliminated on consolidation.

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

The assets of the Gates Cambridge Trust and the Associated Trusts are therefore not available for the general purposes of the University.

The consolidated financial statements do not include the accounts of the 31 Colleges in the University ('the Colleges'), each of which is an independent corporation. Transactions with the Colleges are disclosed in note 32.

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

### **Recognition of income**

#### *Recurrent grant*

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

#### *Restricted grant income*

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

#### *Charitable donations*

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

#### *Capital grants and donations*

Grants and donations are received for the purposes of funding the acquisition and construction of tangible fixed assets. In the case of depreciable assets these are credited to deferred capital grants 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 recognised for academic terms falling within the period. For short courses, fees are charged in advance for the entire course and income is recognised to the extent that the course duration falls within the period.

#### *Examination and assessment services*

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

#### *Publishing and printing*

In the case of books and other print publications, income is recognised on delivery of the goods to the customer. Income generated from electronic publishing, including the provision of perpetual access, is recognised when the material is initially made available. Subscriptions income is recognised evenly over subscription periods. Journals income is recognised 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 recognised on the exchange of the relevant goods or services.

*Endowment and investment income*

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

**Foreign currency translation**

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

**Tangible fixed assets***Land and buildings*

Operational land and buildings are included in the financial statements at their 1994 valuation with subsequent additions at cost. On the adoption of Financial Reporting Standard (FRS) 15 (Tangible fixed assets), the University followed the transitional provision to retain the book value of land and buildings, which 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 capitalised and depreciated so that it is written off on a straight line basis over its estimated useful life of between four and ten years.

*Heritage assets*

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

**Intangible fixed assets: goodwill**

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

**Investments**

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

**Stocks and work in progress**

Stocks are stated at the lower of cost and net realisable value after making provision for slow moving and obsolete items. In respect of publications dated more than two years before the reporting date, the University makes full provision against the cost of any stock in excess of 18 months' worth of sales.

**Endowment funds**

Endowment funds are classified under three headings:

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

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

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

**Pension costs**

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

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

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

**Segmental reporting**

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

**Consolidated income and expenditure account for the year ended 31 July 2011**

	<i>Note</i>	<b>Year ended 31 July 2011</b>	<b>Year ended 31 July 2010</b>
		<b>£m</b>	<i>Restated</i> £m
<b>Income</b>			
Funding body grants	<i>1</i>	<b>203</b>	205
Academic fees and support grants	<i>2</i>	<b>127</b>	110
Research grants and contracts	<i>3</i>	<b>284</b>	268
Examination and assessment services	<i>4</i>	<b>266</b>	260
Publishing and printing services		<b>227</b>	222
Other income	<i>5</i>	<b>127</b>	110
Endowment and investment income	<i>6</i>	<b>17</b>	18
<b>Total income</b>		<b>1,251</b>	1,193
<b>Expenditure</b>			
Staff costs	<i>7</i>	<b>571</b>	544
Other operating expenses	<i>8</i>	<b>609</b>	567
Depreciation	<i>8</i>	<b>71</b>	67
Interest and other finance costs	<i>8</i>	<b>10</b>	13
<b>Total expenditure</b>	<i>8</i>	<b>1,261</b>	1,191
<b>(Deficit) / surplus on continuing operations</b>		<b>(10)</b>	2
<b>Transfer from restricted endowments</b>	<i>23</i>	<b>13</b>	18
<b>Surplus for the year retained within general reserves</b>	<i>24</i>	<b>3</b>	20

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

Income for the year ended 31 July 2010 has been reclassified to ensure comparability with the presentation of income for the year ended 31 July 2011, as described in notes 2 and 5.

**Note of consolidated historical cost result for the year ended 31 July 2011**

	<i>Note</i>	<b>Year ended 31 July 2011</b>	<b>Year ended 31 July 2010</b>
		<b>£m</b>	£m
(Deficit) / surplus on continuing operations		<b>(10)</b>	2
Realisation of gains on disposal of fixed asset investments	<i>24</i>	<b>48</b>	41
Depreciation on revaluation element of tangible fixed assets	<i>24</i>	<b>6</b>	6
Historical cost surplus for the year		<b>44</b>	49

**Additional information:**

Total income and surplus retained in reserves as stated above do not include the element of Cambridge University Endowment Fund distributions funded out of long-term capital growth, as described in note 6, amounting to £48m (2010: £40m). The corresponding figures including this element are:

	<b>Year ended 31 July 2011</b>	<b>Year ended 31 July 2010</b>
	<b>£m</b>	<i>Restated</i> £m
Total income on a distribution basis	<b>1,299</b>	1,233
Surplus for the year retained within general reserves on a distribution basis	<b>51</b>	60



## Consolidated statement of total recognised gains and losses for the year ended 31 July 2011

	<i>Note</i>	<b>Year ended 31 July 2011 £m</b>	Year ended 31 July 2010 £m
(Deficit) / surplus on income and expenditure account		<b>(10)</b>	2
Increase in market value of investments			
Endowment assets	<i>23</i>	<b>71</b>	79
Fixed asset investments	<i>13, 24</i>	<b>87</b>	88
New endowment capital	<i>23</i>	<b>49</b>	48
(Loss) / gain arising on foreign currency translation	<i>24</i>	<b>(4)</b>	6
Actuarial loss	<i>24</i>	<b>(29)</b>	(8)
Total recognised gains relating to the year		<b>164</b>	215
Total gains since the last annual report		<b>164</b>	
<b>Reconciliation</b>			
Opening reserves and endowments as previously stated		<b>1,871</b>	
Total gains since the last annual report		<b>164</b>	
Closing reserves and endowments		<b>2,035</b>	

**Balance sheets as at 31 July 2011**

	Note	Group 31 July 2011 £m	Group 31 July 2010 £m	University 31 July 2011 £m	University 31 July 2010 £m
<b>Fixed assets</b>					
Intangible assets	11	2	3	2	1
Tangible assets	12	1,130	1,100	1,126	1,095
Investments	13	661	518	484	382
		<b>1,793</b>	1,621	<b>1,612</b>	1,478
<b>Endowment assets</b>	14	<b>1,019</b>	912	<b>836</b>	741
<b>Current assets</b>					
Stocks and work in progress	15	54	59	47	48
Debtors	16	244	244	263	249
Investments					
University	17	186	239	160	195
Held on behalf of others	17	24	18	409	231
Cash at bank and in hand		47	38	25	17
		<b>555</b>	598	<b>904</b>	740
<b>Creditors: amounts falling due within one year</b>	18	<b>(448)</b>	(421)	<b>(793)</b>	(576)
<b>Net current assets</b>		<b>107</b>	177	<b>111</b>	164
<b>Total assets less current liabilities</b>		<b>2,919</b>	2,710	<b>2,559</b>	2,383
<b>Creditors: amounts falling due after more than one year</b>	19	<b>(5)</b>	(6)	<b>(4)</b>	(5)
<b>Pension liabilities</b>	20	<b>(308)</b>	(274)	<b>(80)</b>	(77)
<b>Other retirement benefits liability</b>	21	<b>(16)</b>	(15)	<b>(16)</b>	(15)
<b>Total net assets</b>		<b>2,590</b>	2,415	<b>2,459</b>	2,286
<b>Represented by:</b>					
<b>Deferred capital grants</b>	22	<b>554</b>	543	<b>554</b>	543
<b>Endowments</b>					
Expendable endowments	23	352	319	170	150
Permanent endowments	23	667	593	666	591
	23	<b>1,019</b>	912	<b>836</b>	741
<b>Reserves</b>					
General reserves	24	763	739	852	806
Operational property revaluation reserve	24	133	139	133	139
Fixed asset investment revaluation reserve	24	120	81	84	57
	24	<b>1,016</b>	959	<b>1,069</b>	1,002
<b>Reserves and endowments</b>		<b>2,035</b>	1,871	<b>1,905</b>	1,743
<b>Minority interest in subsidiary undertakings</b>		<b>1</b>	1	–	–
<b>Total</b>		<b>2,590</b>	2,415	<b>2,459</b>	2,286

The financial statements on pages 238 to 263 were approved by the Council on 21 November 2011 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 2011**

	<i>Note</i>	<b>Year ended 31 July 2011 £m</b>	Year ended 31 July 2010 £m
Net cash inflow from operating activities	25	<b>40</b>	55
Returns on investments and servicing of finance	26	<b>17</b>	18
Capital expenditure and financial investment	26	<b>(53)</b>	(66)
Cash inflow before use of liquid resources and financing		<u><b>4</b></u>	<u>7</u>
Management of liquid resources:			
Decrease in short-term deposits	27	<b>8</b>	9
Financing	26	<b>(2)</b>	(2)
Increase in cash in the year		<u><b>10</b></u>	<u>14</u>

**Reconciliation of net cash flow to movement in net funds**

Increase in cash		<b>10</b>	14
Cash outflow from liquid resources		<b>(8)</b>	(9)
Movement in net funds in the year		<u><b>2</b></u>	<u>5</u>
Net funds at 1 August		<b>46</b>	41
Net funds at 31 July	27	<u><b>48</b></u>	<u>46</u>

**NOTES TO THE ACCOUNTS**

	<b>2011</b>	2010
	<b>£m</b>	£m
<b>1 Funding body grants</b>		
<b>Higher Education Funding Council for England (HEFCE)</b>		
Recurrent grant	177.0	179.7
Specific grants	8.9	8.1
Deferred capital grant released in year (note 22)		
Equipment	4.0	4.2
Buildings	10.9	10.6
<b>HEFCE total</b>	<b>200.8</b>	202.6
<b>Training and Development Agency for Schools</b>		
Recurrent grant	2.7	2.7
	<b>203.5</b>	205.3
<b>2 Academic fees and support grants</b>		<i>Restated</i>
Full-time home / EU students	49.5	46.3
Full-time overseas (non-EU) students	48.7	42.5
Other course fees	21.3	16.0
Research Training Support Grants	7.8	5.3
	<b>127.3</b>	110.1
<p>Other course fees includes fees earned on executive education and other programmes run by subsidiary companies. In previous years this income was included in other income under the heading "University companies". Comparative figures have been restated, as a result of which £8.1m of income for the year ended 31 July 2010 previously included in other income is now included in academic fees and support grants.</p>		
<b>3 Income: research grants and contracts</b>		
Research councils	105.9	111.1
UK based charities	84.4	77.8
Other bodies	93.4	78.8
	<b>283.7</b>	267.7
<p>Total research grants and contracts income excludes grants of £7.6m (2010: £5.0m) for the purchase of equipment but includes £9.9m (2010: £7.3m) released from deferred capital grants to match depreciation of which £7.4m (2010: £7.3m) related to equipment. See note 22.</p>		
<b>4 Examination and assessment services</b>		
Examination fees	253.3	245.5
Other examination and assessment services	12.9	14.3
	<b>266.2</b>	259.8
<b>5 Other income</b>		<i>Restated</i>
Other services rendered	32.1	30.2
Health and hospital authorities	16.7	16.0
Residences, catering and conferences	8.8	7.5
Income from intellectual property	12.9	9.2
Released from deferred capital grants (note 22)	7.3	8.3
Unrestricted donations	16.4	14.0
Rental income	7.1	7.0
Donations of, and for the purchase of, heritage assets (see note below)	1.3	3.6
Sundry income	23.9	14.8
	<b>126.5</b>	110.6

In previous years donations of, and for the purchase of, heritage assets were shown separately on the face of the income and expenditure account.

Income generated by subsidiary companies is included under the appropriate headings. In previous years some such income was reported against a heading "University companies" included in other income. Comparative figures have been restated, as a result of which £8.1m of income for the year ended 31 July 2010 previously included in other income is now included in academic fees and support grants.

**NOTES TO THE ACCOUNTS (continued)**

	<b>2011</b>	2010
	<b>£m</b>	£m
<b>6 Endowment and investment income</b>		
Income from expendable endowment asset investments	<b>10.9</b>	9.1
Income from permanent endowment asset investments	<b>26.3</b>	24.7
Income from fixed asset investments	<b>18.4</b>	16.3
Other investment income	<b>9.4</b>	7.7
	<b>65.0</b>	57.8
Less Cambridge University Endowment Fund distributions funded out of long-term capital growth	<b>(48.0)</b>	(39.7)
	<b>17.0</b>	18.1

The University operates a unitised fund, the Cambridge University Endowment Fund (CUEF), for long-term investment in respect of individual restricted endowments and other balances, and by other group undertakings. The CUEF is managed on a total return basis and invests in asset classes some of which generate little or no income. Distributions are made to unit-holding funds according to a formula which has regard to the total return reasonably to be expected in the long term, in proportion to the number of units held. Investing funds receive distributions as income. In the year ended 31 July 2011, distributions by the CUEF exceeded income received in the year by the CUEF from its underlying investments by £48.0m (2010: £39.7m), the balance of the distributions being funded by drawing on long-term capital growth.

	<b>2011</b>	2010
	<b>£m</b>	£m
<b>7 Staff costs</b>		
Wages and salaries	<b>442.6</b>	425.9
Social security costs	<b>39.2</b>	36.3
Pension costs (note 29)	<b>89.1</b>	82.0
	<b>570.9</b>	544.2

**Remuneration of the Vice-Chancellors****Current Vice-Chancellor**

Remuneration excluding employer's pension contributions

Employer's pension contributions

<b>2011</b>	2010
<b>£000</b>	£000
<b>223</b>	–
<b>35</b>	–

**Previous Vice-Chancellor**

Remuneration excluding employer's pension contributions

Employer's pension contributions

<b>54</b>	249
–	–

<b>312</b>	249
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**Remuneration of higher paid staff**

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

	<b>Education and research</b>		<b>Assessment</b>	<b>2011</b>	2010
	<b>Clinical</b>	<b>Non-Clinical</b>	<b>and Press</b>		
				<b>Total</b>	Total
£100,001–£110,000	<b>20</b>	<b>28</b>	<b>5</b>	<b>53</b>	63
£110,001–£120,000	<b>12</b>	<b>32</b>	<b>11</b>	<b>55</b>	47
£120,001–£130,000	<b>5</b>	<b>20</b>	<b>11</b>	<b>36</b>	25
£130,001–£140,000	<b>11</b>	<b>6</b>	<b>7</b>	<b>24</b>	16
£140,001–£150,000	<b>13</b>	<b>3</b>	<b>5</b>	<b>21</b>	20
£150,001–£160,000	<b>6</b>	<b>6</b>	<b>3</b>	<b>15</b>	17
£160,001–£170,000	<b>7</b>	<b>2</b>	<b>1</b>	<b>10</b>	10
£170,001–£180,000	<b>4</b>	<b>3</b>	<b>1</b>	<b>8</b>	7
£180,001–£190,000	<b>5</b>	<b>1</b>	<b>2</b>	<b>8</b>	3
£190,001–£200,000	<b>6</b>	–	<b>1</b>	<b>7</b>	10
£200,001–£210,000	<b>2</b>	–	<b>1</b>	<b>3</b>	4
£210,001–£220,000	<b>2</b>	–	–	<b>2</b>	1
£220,001–£230,000	<b>1</b>	–	<b>1</b>	<b>2</b>	1
£240,001–£250,000	–	<b>1</b>	–	<b>1</b>	1
£260,001–£270,000	–	<b>1</b>	<b>1</b>	<b>2</b>	1
£270,001–£280,000	–	–	<b>1</b>	<b>1</b>	–
£290,001–£300,000	–	–	–	–	1
£300,001–£310,000	–	<b>1</b>	–	<b>1</b>	–
£310,001–£320,000	–	–	–	–	1
£330,001–£340,000	–	–	<b>1</b>	<b>1</b>	1
£350,001–£360,000	–	<b>1</b>	–	<b>1</b>	–

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



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

	Staff costs £m	Other operating expenses £m	Depreciation £m	Interest payable £m	2011 Total £m	2010 £m <i>Restated</i>
Academic departments	191.4	45.9	6.9	–	244.2	240.1
Academic services	24.5	11.3	1.2	–	37.0	34.8
Payments to Colleges (see note 32)	–	40.8	–	–	40.8	39.5
Research grants and contracts	127.1	100.0	9.9	–	237.0	222.0
Other activities:						
Examination and assessment services	73.3	141.7	11.3	–	226.3	215.8
Publishing and printing services	75.4	150.4	5.3	4.2	235.3	214.5
Other services rendered	11.2	18.2	0.1	–	29.5	27.7
Intellectual property	2.2	3.5	–	–	5.7	4.7
Residences, catering and conferences	2.8	8.3	0.1	–	11.2	10.3
Other activities total	164.9	322.1	16.8	4.2	508.0	473.0
Administration and central services:						
Administration	35.9	6.9	2.1	–	44.9	42.2
General educational	2.2	40.7	–	–	42.9	40.2
Staff and student facilities	3.6	0.7	–	–	4.3	4.3
Development office	2.9	3.3	–	–	6.2	6.4
Other	–	2.0	–	–	2.0	0.9
Administration and central services total	44.6	53.6	2.1	–	100.3	94.0
Premises	12.2	35.4	34.1	–	81.7	80.8
Voluntary severance scheme	5.4	–	–	–	5.4	–
Pension cost adjustments for CPS (see note 29)	0.8	–	–	5.8	6.6	7.0
<b>Total per income and expenditure account</b>	<b>570.9</b>	<b>609.1</b>	<b>71.0</b>	<b>10.0</b>	<b>1,261.0</b>	1,191.2

Expenditure incurred by subsidiary companies is included under the appropriate headings. In previous years some such expenditure was reported against a heading "University companies". Comparative figures have been restated.

The depreciation charge has been funded by:

Deferred capital grants (note 22)	32.1
Revaluation reserve (note 24)	6.0
General income	32.9
	71.0

**Other operating expenses include:**

**2011** 2010  
**£000** £000

**Auditors' remuneration**

Audit fees payable to the University's external auditors	728	521
Other fees payable to the University's external auditors	178	18
Audit fees payable to other firms	60	52

**Payments to trustees**

Reimbursement of expenses to two external members of Council	2	1
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These amounts include related irrecoverable VAT.

**9 (Deficit) / surplus on continuing operations**

**2011** 2010  
**£m** £m

The (deficit) / surplus on continuing operations for the year is made up as follows:

University's deficit for the year	(2.9)	(3.0)
Surplus generated by subsidiary undertakings and transferred to the University under gift aid	2.7	5.2

(Deficit) / surplus dealt with in the accounts of the University	(0.2)	2.2
Group level adjustments re defined benefit schemes	(5.1)	(6.9)
(Deficit) / surplus retained in subsidiary undertakings	(4.3)	6.7

**(9.6)** 2.0

**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 £m	Inter- segment income £m	Income from third parties £m	(Deficit) / surplus £m	Net assets £m
<b>Year ended 31 July 2011</b>					
Education and research	756.8	14.8	742.0	(35.9)	2,516.0
Assessment	273.9	–	273.9	32.9	264.9
Press	235.5	–	235.5	–	37.2
	<b>1,266.2</b>	<b>14.8</b>	<b>1,251.4</b>	<b>(3.0)</b>	<b>2,818.1</b>
Unallocated re Contributory Pension Scheme	–	–	–	(6.6)	(228.6)
Group	<b>1,266.2</b>	<b>14.8</b>	<b>1,251.4</b>	<b>(9.6)</b>	<b>2,589.5</b>
<b>Year ended 31 July 2010</b>					
Education and research	722.5	17.9	704.6	(31.2)	2,341.3
Assessment	265.4	–	265.4	34.5	224.4
Press	223.2	–	223.2	5.7	45.5
	1,211.1	17.9	1,193.2	9.0	2,611.2
Unallocated re Contributory Pension Scheme	–	–	–	(7.0)	(196.4)
Group	1,211.1	17.9	1,193.2	2.0	2,414.8

Total income for the year ended 31 July 2010 has been restated to include donations of and for the purchase of heritage assets – see note 5 above.

**11 Intangible fixed assets: goodwill and others**

	Group 2011 £m	Group 2010 £m	University 2011 £m	University 2010 £m
Opening balance	3.0	3.5	0.9	3.2
Additions / (disposals) in the year	1.0	0.9	2.1	(1.0)
Amortisation charge for the year	(1.8)	(1.3)	(1.3)	(1.3)
Currency adjustments	–	(0.1)	–	–
Closing balance	<b>2.2</b>	3.0	<b>1.7</b>	0.9

**NOTES TO THE ACCOUNTS (continued)**

<b>12 Tangible fixed assets</b>	<b>Land and buildings £m</b>	<b>Assets in construction £m</b>	<b>Equipment £m</b>	<b>Heritage assets £m</b>	<b>2011 Total £m</b>	<b>2010 Total £m</b>
<b>Group</b>						
<b>Cost or valuation</b>						
At 1 August	1,156.8	94.2	250.9	34.7	1,536.6	1,449.5
Additions at cost	2.2	74.0	27.8	1.4	105.4	107.7
Transfers	100.8	(100.4)	(0.4)	–	–	–
Disposals	(3.0)	(1.3)	(10.2)	–	(14.5)	(20.9)
Currency adjustments	(1.2)	–	(0.3)	–	(1.3)	0.3
At 31 July	1,255.6	66.5	267.8	36.1	1,626.0	1,536.6
<b>Depreciation</b>						
At 1 August	254.6	–	181.6	–	436.2	386.4
Charge for the year	40.0	–	31.0	–	71.0	67.0
Elimination on disposals	(0.7)	–	(9.4)	–	(10.1)	(17.3)
Currency adjustments	(0.2)	–	(0.3)	–	(0.5)	0.1
At 31 July	293.7	–	202.9	–	496.6	436.2
<b>Net book value</b>						
At 31 July	961.9	66.5	64.9	36.1	1,129.4	1,100.4
At 1 August	902.2	94.2	69.3	34.7	1,100.4	1,063.1
<b>University</b>						
<b>Cost or valuation</b>						
At 1 August	1,156.4	94.0	232.9	34.7	1,518.0	1,427.1
Additions at cost	2.9	73.5	26.7	1.4	104.5	107.3
Transfers	100.8	(100.2)	(0.6)	–	–	–
Disposals	(3.0)	(1.3)	(8.9)	–	(13.2)	(16.6)
Currency adjustments	(1.3)	–	(0.5)	–	(1.8)	0.2
At 31 July	1,255.8	66.0	249.6	36.1	1,607.5	1,518.0
<b>Depreciation</b>						
At 1 August	252.9	–	169.8	–	422.7	372.4
Charge for the year	40.3	–	28.2	–	68.5	64.8
Elimination on disposals	(0.7)	–	(8.5)	–	(9.2)	(14.5)
Currency adjustments	(0.2)	–	(0.3)	–	(0.5)	–
At 31 July	292.3	–	189.2	–	481.5	422.7
<b>Net book value</b>						
At 31 July	963.5	66.0	60.4	36.1	1,126.0	1,095.3
At 1 August	903.5	94.0	63.1	34.7	1,095.3	1,054.7

Land and buildings includes land totalling £83.6m (2010: £80.5m) 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 capitalised. The majority of assets held in the University's collections were acquired before 1 August 1999; because reliable estimates of cost or valuation are not available for these on a cost-benefit basis they have not been capitalised. As a result the total included in the balance sheet is partial.

Additions for the current and previous four years were as follows:	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Acquisitions purchased with specific donations	0.1	1.7	–	0.4	1.0
Value of acquisitions by donation	1.2	1.8	0.7	8.3	2.6
Total acquired by, or funded by, donations	1.3	3.5	0.7	8.7	3.6
Acquisitions purchased with University funds	0.1	0.2	–	0.3	0.3
Total acquisitions capitalised	1.4	3.7	0.7	9.0	3.9

**13 Fixed asset investments**

	Group 2011 £m	Group 2010 £m	University 2011 £m	University 2010 £m
Opening balance	517.8	450.1	381.6	331.7
Net additions in the year	104.4	18.9	75.0	13.7
Distributions (see note 6)	(48.0)	(39.7)	(37.8)	(34.8)
Increase in market value of investments	87.0	88.5	65.5	71.0
Closing balance	661.2	517.8	484.3	381.6
Represented by:	76.8	74.8	66.7	64.0
Property	532.5	391.1	362.7	264.0
Securities	0.4	0.5	17.9	20.0
Money market investments	–	–	1.8	1.8
Investments in subsidiary undertakings	8.4	9.7	3.0	2.9
Investment in spin-out companies (see note 30)	43.7	39.0	29.8	26.3
Cash in hand and at investment managers	(0.6)	2.7	2.4	2.6
	661.2	517.8	484.3	381.6

**14 Endowment assets**

Long-term investments				
Property	52.4	55.2	43.3	48.6
Securities	834.7	727.7	680.6	580.1
Money market investments	56.9	53.9	52.7	53.5
Cash in hand and at investment managers	65.8	61.8	54.2	55.2
	1,009.8	898.6	830.8	737.4
Investment in spin-out companies (see note 30)	4.8	3.8	4.8	3.8
Short-term deposits	0.2	8.3	–	–
Bank balances	3.7	1.0	–	–
	1,018.5	911.7	835.6	741.2

**NOTES TO THE ACCOUNTS (continued)**

<b>15 Stocks and work in progress</b>	<b>Group 2011 £m</b>	<b>Group 2010 £m</b>	<b>University 2011 £m</b>	<b>University 2010 £m</b>
Goods for resale	33.5	44.9	26.7	35.0
Pre-publication costs and other work in progress	20.6	13.5	20.0	12.7
Other stocks	0.2	0.2	–	–
	<b>54.3</b>	58.6	<b>46.7</b>	47.7
<b>16 Debtors</b>				
Research grants recoverable	59.8	62.4	59.8	62.4
Amounts due from subsidiary undertakings	–	–	56.6	48.1
Debtors re examination and assessment services	64.9	68.2	58.1	48.8
Debtors re publishing and printing	77.4	67.7	56.6	52.2
Other debtors	41.4	45.3	32.3	37.9
	<b>243.5</b>	243.6	<b>263.4</b>	249.4
<b>17 Current asset investments</b>				
Property	1.3	1.1	21.3	12.5
Securities	19.5	12.5	330.2	145.4
Money market investments	187.4	242.2	190.7	253.5
Cash in hand and at investment managers	1.6	1.2	27.1	14.5
Other	–	0.1	–	0.1
	<b>209.8</b>	257.1	<b>569.3</b>	426.0
Representing:				
University	185.4	239.2	160.4	195.0
Held on behalf of subsidiary undertakings, Colleges and other associated bodies (see note 18)	24.4	17.9	408.9	231.0
	<b>209.8</b>	257.1	<b>569.3</b>	426.0
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.				
<b>18 Creditors: amounts falling due within one year</b>				
Bank overdraft	3.2	1.9	3.3	1.7
Current portion of long-term bank loan	0.5	1.1	0.6	0.6
Research grants received in advance	107.4	78.2	107.4	78.2
Amounts due to subsidiary undertakings	–	–	39.2	31.9
Creditors re examination and assessment services	88.4	94.1	39.2	35.4
Creditors re publishing services	61.2	53.1	53.2	44.7
Other creditors	162.7	174.5	141.6	152.4
Investments held on behalf of subsidiary undertakings, Colleges and other associated bodies (see note 17)	24.4	17.9	408.9	231.0
	<b>447.9</b>	420.8	<b>793.3</b>	575.9
<b>19 Creditors: amounts falling due after more than one year</b>				
Amounts due to subsidiary undertakings	–	–	0.1	0.1
Bank loans	4.4	5.4	4.3	5.4
Loan from minority interest	–	0.3	–	–
Deferred income	0.4	–	–	–
	<b>4.8</b>	5.7	<b>4.4</b>	5.5



**NOTES TO THE ACCOUNTS (continued)****20 Pension liabilities**

The pension liabilities have been measured in accordance with the requirements of FRS 17 and relate to the defined benefit schemes disclosed in note 29.

	<b>Group 2011 £m</b>	Group 2010 £m	<b>University 2011 £m</b>	University 2010 £m
Opening balance	<b>274.4</b>	258.0	<b>77.2</b>	74.4
Movement in year:				
Current service cost including life assurance	<b>26.6</b>	24.7	<b>2.6</b>	2.6
Contributions	<b>(28.4)</b>	(27.3)	<b>(3.7)</b>	(4.1)
Other finance cost	<b>8.9</b>	11.6	<b>3.1</b>	3.6
Currency adjustments	<b>(2.6)</b>	(0.8)	<b>(2.6)</b>	(0.8)
Actuarial loss recognised in statement of total recognised gains and losses	<b>29.2</b>	8.2	<b>3.0</b>	1.5
Closing balance	<b>308.1</b>	274.4	<b>79.6</b>	77.2

**21 Other retirement benefits liability****Group and University**

**2011  
£m**      2010  
£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	<b>15.1</b>	14.7
Movement attributable to the year:		
Benefits paid less current service cost	<b>0.5</b>	0.2
Contributions	<b>(0.2)</b>	(0.2)
Other finance cost	<b>0.8</b>	0.9
Currency adjustments	<b>(0.6)</b>	0.1
Actuarial loss / (gain) recognised in statement of total recognised gains and losses	<b>0.3</b>	(0.6)
Closing balance	<b>15.9</b>	15.1

**22 Deferred capital grants****Group and University**

**Funding Council  
£m**      **Research Grants  
£m**      **Other Grants  
£m**      **2011 Total  
£m**      2010  
£m

Balance 1 August

Buildings	<b>169.6</b>	–	<b>353.9</b>	<b>523.5</b>	482.0
Equipment	<b>7.3</b>	<b>11.8</b>	<b>0.4</b>	<b>19.5</b>	23.5

**176.9**      **11.8**      **354.3**      **543.0**      505.5

Grants received

Buildings (including reclassification)	<b>23.0</b>	<b>75.2</b>	<b>(68.0)</b>	<b>30.2</b>	60.0
Equipment	<b>4.7</b>	<b>7.7</b>	<b>0.3</b>	<b>12.7</b>	7.9

**27.7**      **82.9**      **(67.7)**      **42.9**      67.9

Released to income and expenditure

Buildings – for depreciation	<b>(10.9)</b>	<b>(2.5)</b>	<b>(7.0)</b>	<b>(20.4)</b>	(18.5)
Equipment – for depreciation	<b>(4.0)</b>	<b>(7.4)</b>	<b>(0.3)</b>	<b>(11.7)</b>	(11.9)
Equipment – on disposals	–	<b>(0.3)</b>	–	<b>(0.3)</b>	–

**(14.9)**      **(10.2)**      **(7.3)**      **(32.4)**      (30.4)

Balance 31 July

Buildings	<b>181.7</b>	<b>72.7</b>	<b>278.9</b>	<b>533.3</b>	523.5
Equipment	<b>8.0</b>	<b>11.8</b>	<b>0.4</b>	<b>20.2</b>	19.5

**189.7**      **84.5**      **279.3**      **553.5**      543.0

**NOTES TO THE ACCOUNTS (continued)****23 Endowments**

<i>Group</i>	<b>Expendable £m</b>	<b>Permanent £m</b>	<b>2011 Total £m</b>	2010 Total £m
Balance 1 August	319.1	592.6	911.7	803.8
New endowments received	27.3	21.8	49.1	47.8
Income receivable from endowment asset investments	10.9	26.3	37.2	33.8
Expenditure	(28.1)	(22.4)	(50.5)	(52.3)
Net transfer (to) / from income and expenditure account	(17.2)	3.9	(13.3)	(18.5)
Increase in market value of investments	22.4	48.6	71.0	78.6
<b>Balance 31 July</b>	<b>351.6</b>	<b>666.9</b>	<b>1,018.5</b>	911.7
Capital	340.4	589.0	929.4	833.3
Unspent income	11.2	77.9	89.1	78.4
<b>Balance 31 July</b>	<b>351.6</b>	<b>666.9</b>	<b>1,018.5</b>	911.7
<b>Representing:</b>				
	<b>Expendable £m</b>	<b>Permanent £m</b>	<b>2011 Total £m</b>	2010 Total £m
Trust and Special Funds:				
Professorships, Readerships and Lectureships	36.2	326.9	363.1	321.1
Scholarships and bursaries	19.4	89.0	108.4	96.9
Other	83.3	243.0	326.3	285.5
Gates Cambridge Trust	172.3	–	172.3	160.2
Specific donations	36.0	–	36.0	36.4
Examination Board restricted funds	4.4	–	4.4	4.2
General endowments	–	8.0	8.0	7.4
<b>Group total</b>	<b>351.6</b>	<b>666.9</b>	<b>1,018.5</b>	911.7
<b>University</b>				
	<b>Expendable £m</b>	<b>Permanent £m</b>	<b>2011 Total £m</b>	2010 Total £m
Balance 1 August	150.0	591.2	741.2	648.4
New endowments received	23.9	21.5	45.4	44.9
Income receivable from endowment asset investments	5.1	26.2	31.3	28.9
Expenditure	(17.9)	(21.9)	(39.8)	(42.0)
Net transfer (to) / from income and expenditure account	(12.8)	4.3	(8.5)	(13.1)
Increase in market value of investments	9.0	48.5	57.5	61.0
<b>Balance 31 July</b>	<b>170.1</b>	<b>665.5</b>	<b>835.6</b>	741.2
Capital	158.9	587.8	746.7	662.2
Unspent income	11.2	77.7	88.9	79.0
<b>Balance 31 July</b>	<b>170.1</b>	<b>665.5</b>	<b>835.6</b>	741.2

**NOTES TO THE ACCOUNTS (continued)****24 Reserves Group**

	<b>General reserves</b>	<b>Operational property revaluation reserve</b>	<b>Fixed asset investment revaluation reserve</b>	<b>2011 Total</b>	<b>2010 Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Balance 1 August	739.1	139.2	80.5	958.8	851.9
Surplus retained for the year	3.4	–	–	3.4	20.1
Actuarial loss	(29.5)	–	–	(29.5)	(7.6)
Transfer in respect of depreciation on revalued operational properties	6.0	(6.0)	–	–	–
Transfer in respect of disposals of fixed asset investments	47.7	–	(47.7)	–	–
(Loss) / gain arising on foreign currency translation	(3.6)	–	–	(3.6)	5.9
Increase in market value of investments	–	–	86.9	86.9	88.5
<b>Balance 31 July</b>	<b>763.1</b>	<b>133.2</b>	<b>119.7</b>	<b>1,016.0</b>	<b>958.8</b>

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

Reserves before net liabilities in respect of retirement benefits	1,087.1	133.2	119.7	1,340.0	1,248.3
Effect of pension liability (see note 20)	(308.1)	–	–	(308.1)	(274.4)
Effect of liability for other retirement benefits (see note 21)	(15.9)	–	–	(15.9)	(15.1)
<b>Reserves balance at 31 July</b>	<b>763.1</b>	<b>133.2</b>	<b>119.7</b>	<b>1,016.0</b>	<b>958.8</b>

**University**

	<b>General reserves</b>	<b>Operational property revaluation reserve</b>	<b>Fixed asset investment revaluation reserve</b>	<b>2011 Total</b>	<b>2010 Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Balance 1 August	805.8	139.2	56.5	1,001.5	909.8
Surplus retained for the year	8.3	–	–	8.3	15.3
Actuarial loss	(3.3)	–	–	(3.3)	(0.9)
Transfer in respect of depreciation on revalued operational properties	6.0	(6.0)	–	–	–
Transfer in respect of disposals of fixed asset investments	38.0	–	(38.0)	–	–
(Loss) / gain arising on foreign currency translation	(2.1)	–	–	(2.1)	6.3
Increase in market value of investments	–	–	65.5	65.5	71.0
<b>Balance 31 July</b>	<b>852.7</b>	<b>133.2</b>	<b>84.0</b>	<b>1,069.9</b>	<b>1,001.5</b>

**25 Reconciliation of consolidated operating deficit to net cash inflow from operating activities**

Deficit on continuing operations	(9.6)	2.0
Depreciation of fixed tangible assets	71.0	67.0
Amortisation of goodwill	1.8	1.3
Surplus on disposal of tangible fixed assets	(3.1)	(1.2)
Deferred capital grants released to income	(32.1)	(30.4)
Donations of, and for the purchase of, heritage assets	(1.3)	(3.6)
Investment income	(17.0)	(18.1)
Interest payable	10.0	12.9
Pension cost less contributions payable (see note 20)	(1.8)	(2.6)
Other retirement benefits – cost less contributions payable (see note 21)	0.3	–
Currency adjustments	(5.8)	5.1
	<b>12.4</b>	<b>32.4</b>
(Reduction) / increase in stock	4.3	(10.8)
(Reduction) / increase in debtors	0.1	(36.7)
Increase in creditors	23.3	69.9
<b>Net cash inflow from operating activities</b>	<b>40.1</b>	<b>54.8</b>

**NOTES TO THE ACCOUNTS (continued)**

<b>26 Cash flows</b>	<b>2011</b>	<b>2010</b>		
	<b>£m</b>	<b>£m</b>		
<b>Returns on investments and servicing of finance</b>				
Endowment and investment income received	<b>17.0</b>	18.1		
Interest paid	<b>(0.3)</b>	(0.4)		
Net cash inflow from returns on investments and servicing of finance	<b>16.7</b>	17.7		
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets	<b>(107.6)</b>	(103.7)		
Acquisition of goodwill and other intangible fixed assets	<b>(1.0)</b>	(0.9)		
Donations for buildings and other deferred capital grants received	<b>42.9</b>	69.7		
Proceeds of disposal of tangible fixed assets	<b>7.2</b>	4.8		
Net purchase of long-term investments (excluding investments held on behalf of others)	<b>(43.9)</b>	(84.0)		
New endowments received	<b>49.1</b>	47.8		
Net cash outflow from capital expenditure and financial investment	<b>(53.3)</b>	(66.3)		
<b>Financing</b>				
Repayment of long-term loans	<b>(1.6)</b>	(1.5)		
Net cash outflow from financing	<b>(1.6)</b>	(1.5)		
<b>27 Analysis of the balances of cash and bank overdraft</b>	<b>Group</b>	<b>Group</b>	<b>University</b>	<b>University</b>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Bank overdrafts	<b>(3.3)</b>	(1.9)	<b>(3.2)</b>	(1.7)
Bank balances held directly by trust funds	<b>3.7</b>	1.0	–	–
Cash at bank and in hand	<b>47.3</b>	38.6	<b>25.2</b>	17.3
	<b>47.7</b>	37.7	<b>22.0</b>	15.6
Add short term deposits:				
Endowment asset investments	<b>0.2</b>	8.3	–	–
Net funds	<b>47.9</b>	46.0	<b>22.0</b>	15.6
<b>28 Capital commitments</b>			<b>2011</b>	<b>2010</b>
			<b>£m</b>	<b>£m</b>
Commitments contracted at 31 July			<b>81.4</b>	96.4
Authorised but not contracted at 31 July			<b>1.4</b>	–

Of the capital expenditure committed at 31 July 2011, approximately 65% (2010: 58%) will be funded by specific grants and donations.

## NOTES TO THE ACCOUNTS (continued)

### 29 Pension schemes

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

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

#### Universities Superannuation Scheme (USS)

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

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

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

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

At 31 March 2011 the actuary has estimated that the funding level had fallen from 103% to 98%. Over the last twelve months, the estimated funding level improved from 91% (as at 31 March 2010) to 98%. This estimate was based on the funding level at 31 March 2008, as noted above, adjusted to reflect the scheme's actual investment performance over the intervening three years and changes in market conditions. Specific changes taken into account by the actuary include: a slight increase over the three years in the market's assessment of inflation; and the change in inflation measure from Retail Prices Index to Consumer Prices Index announced by the UK Government.

The next formal triennial actuarial valuation, as at 31 March 2011, is in progress at the date of approval of these financial statements.

The contribution rate payable by the University in the year ended 31 July 2011 was 16% of pensionable pay. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

#### Cambridge University Assistants' Contributory Pension Scheme (CPS)

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

#### Triennial valuation of the scheme

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



**NOTES TO THE ACCOUNTS (continued)****29 Pension schemes (continued)****CPS: Pension costs under FRS 17**

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

	2011	2010
Discount rate	<b>5.30%</b>	5.40%
Expected rate of return on scheme assets at beginning of year	<b>6.70%</b>	6.90%
Rate of increase in salaries	<b>4.25%</b>	4.05%
Rate of increase in pensions in deferment	<b>3.50%</b>	3.30%
Rate of increase in pensions in payment	<b>3.50%</b>	3.30%
Age at retirement:		
Males – active	<b>63</b>	63
Males – deferred	<b>61</b>	61
Females – active	<b>61</b>	61
Females – deferred	<b>60</b>	60
Mortality – equivalent life expectancy for members reaching retirement age:		
Males	<b>85</b>	85
Females	<b>89</b>	89

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

	Present value of defined benefit obligation		Fair value of scheme assets		Net liability recognised in the balance sheet	
	2011	2010	2011	2010	2011	2010
	£m	£m	£m	£m	£m	£m
Opening	<b>(516.5)</b>	(458.7)	<b>320.4</b>	275.9	<b>(196.1)</b>	(182.8)
Current service cost	<b>(24.0)</b>	(22.0)	–	–	<b>(24.0)</b>	(22.0)
Employer contributions	–	–	<b>23.2</b>	22.9	<b>23.2</b>	22.9
Expected return on scheme assets	–	–	<b>22.3</b>	19.9	<b>22.3</b>	19.9
Contributions by members	<b>(0.5)</b>	(0.5)	<b>0.5</b>	0.5	–	–
Interest cost	<b>(28.1)</b>	(27.8)	–	–	<b>(28.1)</b>	(27.8)
Actuarial (losses) / gains	<b>(34.9)</b>	(22.1)	<b>9.3</b>	15.8	<b>(25.6)</b>	(6.3)
Benefits and expenses paid	<b>16.3</b>	14.6	<b>(16.3)</b>	(14.6)	–	–
Closing defined benefit obligation	<b>(587.7)</b>	(516.5)	<b>359.4</b>	320.4	<b>(228.3)</b>	(196.1)

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

	2011	2010
	£m	£m
In staff costs: current service cost	<b>24.0</b>	22.0
In interest and other finance costs:		
Expected return on pension scheme assets	<b>22.3</b>	19.9
Interest on pension scheme liabilities	<b>(28.1)</b>	(27.8)
	<b>(5.8)</b>	(7.9)

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

	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Defined benefit obligation	<b>(587.7)</b>	(516.5)	(458.7)	(405.5)	(372.5)
Plan assets	<b>359.4</b>	320.4	275.9	290.8	313.9
Deficit at the balance sheet date	<b>(228.3)</b>	(196.1)	(182.8)	(114.7)	(58.6)
Experience (losses) / gains for the year on plan liabilities	<b>(1.6)</b>	7.1	3.9	(1.3)	(4.1)
Experience (losses) / gains for the year on plan assets	<b>9.3</b>	15.8	(41.2)	(51.2)	14.8

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

**NOTES TO THE ACCOUNTS (continued)****29 Pension schemes (continued)****Cambridge University Press UK defined benefit schemes (PCPF and PSSPS)****Triennial valuation of the schemes**

Full triennial valuations of the schemes were carried out by the actuary for the trustees of the schemes for funding purposes as at 1 January 2010.

**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 2010 valuations to 31 July 2010 and 31 July 2011 for the purposes of the University's financial statements.

The principal assumptions used by the actuary for both schemes were:	<b>2011</b>	2010
Discount rate	<b>5.30%</b>	5.40%
Expected rate of return on scheme assets at beginning of year	<b>5.90%</b>	6.30%
Rate of increase in salaries - schemes are now on frozen current salary basis	<b>0.00%</b>	0.00%
Rate of increase in pensions in deferment	<b>3.50%</b>	3.30%
Rate of increase in pensions in payment	<b>3.50%</b>	3.30%
Mortality – equivalent life expectancy for members at age 65:		
Males	<b>87</b>	87
Females	<b>90</b>	90

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

	Present value of defined benefit obligation		Fair value of scheme assets		Net liability recognised in the balance sheet	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Opening	<b>(223.2)</b>	(208.6)	<b>152.4</b>	139.8	<b>(70.8)</b>	(68.8)
Current service cost	<b>(2.4)</b>	(2.2)	–	–	<b>(2.4)</b>	(2.2)
Employer contributions	–	–	<b>3.4</b>	3.6	<b>3.4</b>	3.6
Expected return on scheme assets	–	–	<b>9.0</b>	8.8	<b>9.0</b>	8.8
Contributions by members	<b>(0.3)</b>	(0.4)	<b>0.3</b>	0.4	–	–
Interest cost	<b>(12.0)</b>	(12.4)	–	–	<b>(12.0)</b>	(12.4)
Actuarial (losses) / gains	<b>(12.6)</b>	(8.3)	<b>10.9</b>	8.5	<b>(1.7)</b>	0.2
Benefits and expenses paid	<b>9.2</b>	8.6	<b>(9.2)</b>	(8.6)	–	–
Closing defined benefit obligation	<b>(241.3)</b>	(223.3)	<b>166.8</b>	152.5	<b>(74.5)</b>	(70.8)

The amounts recognised in the income and expenditure account were as follows:	<b>2011</b>	2010
	<b>£m</b>	£m
In staff costs: current service cost	<b>2.4</b>	2.2
In interest and other finance costs:		
Expected return on pension scheme assets	<b>9.0</b>	8.8
Interest on pension scheme liabilities	<b>(12.0)</b>	(12.4)
	<b>(3.0)</b>	(3.6)

Amounts for the current and previous four years were as follows:	<b>2011</b>	2010	2009	2008	2007
	<b>£m</b>	£m	£m	£m	£m
Defined benefit obligation	<b>(241.4)</b>	(223.2)	(208.6)	(192.3)	(181.4)
Plan assets	<b>166.9</b>	152.4	139.8	151.4	163.1
Deficit at the balance sheet date	<b>(74.5)</b>	(70.8)	(68.8)	(40.9)	(18.3)
Experience losses for the year on plan liabilities	<b>(12.6)</b>	(8.3)	(5.3)	(3.8)	(0.4)
Experience (losses) / gains for the year on plan assets	<b>10.9</b>	8.5	(18.5)	5.2	8.3

**NOTES TO THE ACCOUNTS (continued)****29 Pension schemes (continued)**

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:

	<b>2011</b>	2010
	<b>£m</b>	£m
USS: contributions	<b>54.4</b>	52.0
CPS: charged to income and expenditure account	<b>24.0</b>	22.0
PCPF: charged to income and expenditure account	<b>2.1</b>	2.0
PSSPS: charged to income and expenditure account	<b>0.6</b>	0.6
NHSPS: contributions	<b>1.9</b>	1.8
Contributions to other pension schemes	<b>6.1</b>	3.5
	<b>89.1</b>	82.0

**NOTES TO THE ACCOUNTS (continued)****30 Principal subsidiary and associated undertakings and other significant investments**

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

Name	Notes	Principal activity
Cambridge Enterprise Limited		Consultancy and commercial exploitation of intellectual property
IFM Education and Consultancy Services Limited		Consultancy and commercial exploitation of intellectual property
Cambridge Investment Management Limited		Investment management
Cambridge Programme for Sustainability Leadership (Australia)	a	Sustainability leadership programmes
Cambridge Programme for Sustainability Leadership (South Africa)	b	Sustainability leadership programmes
Cambridge University Technical Services Limited		Consultancy and commercial exploitation of intellectual property
Challenge Fund Trading Company Limited		Providing funds to promote the transfer of research to business
Fitzwilliam Museum (Enterprises) Limited	c	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	d	Fund raising
<b>Associated Trusts</b>	d	
Cambridge Overseas Trust	}	Provision of scholarships, grants and other support for the education of overseas students in the University
Cambridge Commonwealth Trust		
Gates Cambridge Trust		
Cambridge European Trust		
Malaysian Commonwealth Studies Centre in Cambridge		
<b>Cambridge Assessment subsidiary undertakings</b>		
Cambridge Assessment Overseas Limited		Overseas office services
Cambridge Examinations Inc	e	Examination services
Cambridge ESOL Inc	e	Examination services
Fundacion UCLES		Examination services
Mill Wharf Limited		Training and consultancy
Oxford and Cambridge International Assessment Services Limited	d	Assessment services
Oxford Cambridge and RSA Examinations		Examination and assessment services
RSA Examinations Board		Assessment services
Sandonian Properties Limited		Property holding
The West Midlands Examinations Board		Examination services
<b>Cambridge University Press subsidiary undertakings</b>		
Cambridge Archive Editions Limited		Publishing
Global Grid for Learning Limited		Electronic educational publishing
Cambridge Knowledge (China) Limited	g	Representative office
Cambridge Printing Services Limited		Printing services
Cambridge University Press (Greece) EPE	h	Representative office
Cambridge University Press (Holdings) Limited		Holding company
Cambridge University Press India (Private) Limited	i	Publishing and distribution
Cambridge University Press Japan KK	j	Representative office
Cambridge University Press Panama SA	k	Representative office
Cambridge University Press South Africa (Proprietary) Limited	l	Publishing and distribution
Cambridge-Hitachisoft Educational Solutions PLC	m	Electronic educational publishing
Editorial Edicambridge Cia Ltda	n	Representative office
ELT Trading Limited	o	Publishing
United Publishers Services Limited	g	Distribution

**NOTES TO THE ACCOUNTS (continued)****30 Principal subsidiary and associated undertakings and other significant investments (continued)**

- 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 Fitzwilliam Museum (Enterprises) Limited has an accounting reference date of 31 January for commercial reasons. The effect of this is not material to the consolidated accounts.
- d The Cambridge Foundation, the Associated Trusts and Oxford Cambridge and RSA Examinations are exempt charities established by trust deeds (see note 33).
- e Cambridge Examinations Inc and Cambridge ESOL Inc are United States non-stock non-profit corporations.
- f Cambridge University Press subsidiary undertakings have an accounting reference date of 30 April for commercial reasons.
- g Cambridge Knowledge (China) Limited and United Publishers Services Limited are incorporated in Hong Kong.
- h Cambridge University Press (Greece) EPE is incorporated in Greece.
- i Cambridge University Press India Private Limited is a 51% subsidiary incorporated in India.
- j Cambridge University Press Japan KK is incorporated in Japan.
- k Cambridge University Press Panama SA is incorporated in Latin America.
- l Cambridge University Press South Africa (Proprietary) Limited is incorporated in South Africa.
- m The University holds 60% of the issued share capital in Cambridge-Hitachisoft Educational Solutions PLC.
- n Editorial Edicambridge Cia Ltda is incorporated in Equador.
- o ELT Trading Limited is incorporated in Mexico.

The University has interests in a number of spin-out companies formed to exploit intellectual property rights or inventions. These are included at valuation in fixed asset investments (see note 13) and endowment assets (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
Bluegnome Limited	20	Commercial exploitation of intellectual property
Cambridge CMOS Sensors Limited	24	Commercial exploitation of intellectual property
Cambridge Flow Solutions Limited	25	Commercial exploitation of intellectual property
Cambridge in America	22	Fund raising
Cambridge Lab on Chip Limited	32	Commercial exploitation of intellectual property
Cambridge Superconductors Limited	20	Commercial exploitation of intellectual property
Enval Limited	24	Commercial exploitation of intellectual property
Green PB Limited	20	Commercial exploitation of intellectual property
Inotec AMD Limited	25	Commercial exploitation of intellectual property
Microbial Technics Limited	23	Commercial exploitation of intellectual property
Sphere Fluidics Limited	54	Commercial exploitation of intellectual property
Sure Laboratories Limited	20	Commercial exploitation of intellectual property
The CRISP Consortium Limited	45	Commercial exploitation of intellectual property
Vivamer Limited	58	Commercial exploitation of intellectual property

## NOTES TO THE ACCOUNTS (continued)

### 31 Related party transactions

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

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 organisations in which members of the Council or senior officers may have an interest. Transactions with Colleges are summarised in note 32 below. All transactions involving organisations in which members of Council or senior officers may have such an interest are conducted in accordance with the University's financial regulations and usual procurement procedures.

### 32 Colleges

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

During the year payments were made by the University from HEFCE funding in respect of the College fees of publicly-funded undergraduates of £40.8m (2010: £39.5m). 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 £4.4m (2010: £3.4m). These payments are included in other operating expenses. Other operating expenses also include £5.4m (2010: £4.2m) in respect of payments to the Isaac Newton Trust, a charitable trust established by Trinity College, as contributions to a bursary scheme for students of the University.

The Cambridge Foundation distributed third party donations to the Colleges totalling £5.7m (2010: £3.7m). 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 (2010: £2.6m), and the Colleges provided accommodation, catering and other services to the University for which the University paid a total of £6.9m (2010: £7.1m).

During the year the Colleges made donations to the University totalling £2.0m (2010: £3.3m) which were credited to specific endowments. Current asset investments include £20.6m (2010: £13.1m) held on behalf of two Colleges in the form of CUEF units (see note 17).

<b>Colleges fund</b>	<b>2011</b>	2010
	<b>£000</b>	£000
Balance at 1 August	25	23
Contributions received from Colleges	3,498	3,514
Interest earned	4	2
Payments to Colleges	(3,500)	(3,514)
	<hr/>	<hr/>
Balance at 31 July included in creditors	27	25

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.



**NOTES TO THE ACCOUNTS (continued)****33 Exempt linked charities**

A number of charities are administered by or on behalf of the University and have been established for its general or special purposes. As a result they are exempt from registration with the Charity Commission. The movements in the year on these charities' funds as reported in their own accounts were as follows:

	<b>Opening Balance £m</b>	<b>Income £m</b>	<b>Expenditure £m</b>	<b>Market value increase £m</b>	<b>Closing balance £m</b>
<b>Subsidiary undertakings included in the University's financial statements (see note 30):</b>					
Cambridge Overseas Trust	20.3	7.9	7.7	1.5	22.0
Cambridge Commonwealth Trust	78.3	6.1	5.9	6.1	84.6
Gates Cambridge Trust	160.2	5.4	6.0	12.7	172.3
Cambridge European Trust	1.6	0.1	1.0	–	0.7
Malaysian Commonwealth Studies Centre in Cambridge	8.6	0.3	0.6	0.6	8.9
The Cambridge Foundation	3.4	50.5	48.4	–	5.5
Oxford Cambridge and RSA Examinations	62.1	118.3	110.3	4.4	74.5
Strangeways Research Laboratory	1.3	–	0.1	0.1	1.3
	<b>335.8</b>	<b>188.6</b>	<b>180.0</b>	<b>25.4</b>	<b>369.8</b>

Fund balances are included in the consolidated balance sheet as:

Expendable endowments	170.5	182.9
Permanent endowments	0.9	1.2
Reserves	161.2	181.4
Creditors: amounts falling due within one year	3.2	4.3
	<b>335.8</b>	<b>369.8</b>

**Other linked charities not included in the University's financial statements:**

Isaac Newton Trust, established by Trinity College (see note

32) to promote education, learning and research in the University (accounts drawn up to 30 June 2011)	23.1	8.7	9.3	2.3	24.8
One smaller scholarship trust	0.3	–	–	–	0.3
University of Cambridge Veterinary School Trust, for the support of veterinary education in the University	0.3	0.4	0.3	–	1.4

Registered clubs and societies (accounts drawn up to the end of the 2009–10 academic year):

Amateur Dramatic Club	0.1	0.1	0.1	–	0.1
Cambridge University Boat Club	1.6	0.3	0.3	–	1.6
Cambridge University Law Society	–	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
345 smaller clubs and societies	2.1	2.5	2.3	–	2.3
	<b>28.4</b>	<b>12.7</b>	<b>13.0</b>	<b>2.3</b>	<b>31.4</b>

**34 DIUS / HEFCE Access funds**

	<b>2011 £000</b>	2010 £000
Access to Learning Fund allocation	<b>162</b>	178
Disbursed to students	<b>162</b> <b>(162)</b>	178 (178)
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.