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ANNUAL REPORTS OF THE COUNCIL  
AND THE GENERAL BOARD  
FOR THE ACADEMICAL YEAR 2011–12

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 JULY 2012

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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 2011–12 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 2012 (which are also published in this issue) will be brought forward for consideration at the Discussion to be held on **22 January 2013**.

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## Annual Report of the Council for the academical year 2011–12

The COUNCIL begs leave to report to the University:

### The Chancellor

In its last Annual Report, the Council reported the election, in October 2011, of Lord Sainsbury of Turville, *K*, as Chancellor of the University in succession to HRH The Duke of Edinburgh. Lord Sainsbury was installed as Chancellor in the Senate-House on 21 March 2012, and has carried out duties for the University since his election, including briefing meetings on University business, visits to Departments, Faculties, and Colleges, presiding at the annual ceremonies to confer Honorary Degrees and membership of the Guild of Cambridge Benefactors, and attendance at official functions on behalf of the University.

### The Vice-Chancellor

On 1 October 2011, the Vice-Chancellor, Professor Sir Leszek Borysiewicz, *W*, addressed the University on *The new imperatives*, reiterating the University's commitment to its values, and drawing attention to the need to assess and describe Cambridge's contribution to society; to develop strategic, considered research directions; to nurture the diverse communities within Cambridge; and to strengthen the University's external relationships. These themes retained their importance throughout the academical year, for example in the evolving plans for North West Cambridge, and have been the subject of the Council's close and ongoing attention. The Council continues to value the strong and decisive leadership of the Vice-Chancellor in an uncertain, challenging, and competitive national and international context.

### The Pro-Vice-Chancellors

The term of office of three Pro-Vice-Chancellors came up for renewal in 2011–12. After a formal review in each case, the Council reappointed Professor Stephen Young, *EM*, as senior Pro-Vice-Chancellor (Planning and Resources) for a further period, until 31 July 2015; and Professor Lynn Gladden, *T*, as Pro-Vice-Chancellor (Research), and Dr Jennifer Barnes, *MUR*, as Pro-Vice-Chancellor (International Strategy) until 31 December 2015. The Council recognizes and appreciates the importance of the work of all of the Pro-Vice-Chancellors and their dedication to their respective portfolios.

### The Council and its Committees

#### (i) *The Council: responsibilities and operation*

The Council is defined by Statute A as the principal executive and policy-making body of the University, having general responsibility for the administration of the University, for the planning of its work, and for the management of its resources. It is declared to have power to take such action as is necessary for it to discharge these responsibilities. It 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.

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

The Council 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/>.

#### (ii) *Council membership*

The membership of the Council during the 2011–12 academical year is appended as Annex A.

Dame Mavis McDonald's and Dr Vanessa Lawrence's first terms of office will expire on 31 December 2012. Dame Mavis McDonald will seek reappointment; Dr Lawrence will not. The Council is grateful to her for the contribution which she has made and continues to make to the Council's deliberations and work. In accordance with the provisions in Ordinance, the Council appointed Mr John Shakeshaft to chair the Nominating Committee for members of the Council in class (e). The Committee submitted a recommendation to the Council on 22 October 2012.<sup>1</sup>

In the course of the 2009–10 academical year, the Council's Standing Advisory Committee on Student Matters (SACSM) considered a submission from its student members proposing substantive changes to the process for electing student members of the Council and the General Board. During the Michaelmas Term 2011, the Council and the General Board received and considered detailed proposals. A Joint Report of the Council and the General Board on student membership of the two bodies was approved by Grace 10 of 15 February 2012. With effect from the elections in Lent Term 2013, candidates standing for election as Presidents of the respective Student Unions will also stand, in a personal capacity, for election to the Council. It will remain possible to elect a candidate who is independent of both Student Unions.

#### (iii) *Working group on Council business*

The working group on Council business chaired by Mr John Shakeshaft submitted an interim report about the submission and presentation of Council business to the Council's strategic meeting in September 2011. Formal recommendations were submitted and approved during the Michaelmas Term 2011, resulting in significant changes to the format of the materials presented to the Council from 1 January 2012. The Council considers that these changes have done much to increase the clarity and transparency of Council materials and to focus discussion; it is anticipated that other Council Committees will now adopt a similar format.

In the second phase of its activities, the working group has considered broader questions around the Council's role and functioning. Following extensive consultation with current and previous members of the Council, the working group submitted proposals to the Council at its meeting on 16 July 2012, for revisions to the style and content of the Council handbook. In particular, it was proposed that there should be a section setting out the legal duties and responsibilities of members of the Council as Charity Trustees. The Council's Standing Orders were also

<sup>1</sup> Nomination of members of the Council in class (e): external members, Regulation 1 (*Statutes and Ordinances*, p. 116). Graces reappointing Dame Mavis McDonald and appointing Dr Shirley Pearce and Mr Mark Lewisohn were subsequently approved (*Reporter*, 6284, 2012–13, p. 117).

significantly revised. The Council approved these materials at its meetings on 16 July and 22 October 2012 for adoption for use with effect from 1 January 2013.

(iv) *Routine reporting to the Council*

During 2011–12, the Council received a progress report on the North West Cambridge Project at every meeting. Cambridge University Press and the Local Examinations Syndicate (Cambridge Assessment) report annually to the Council; the respective Chief Executive Officers and the Chairs of the Syndicates attend to present their reports and to answer questions. The Office of External Affairs and Communications and the University Development Office also report annually.

(v) *Review of the Unified Administrative Service (UAS)*

During 2011–12, the Council considered the recommendations made by the review of the strategy, plans, and budget of the Unified Administrative Service (UAS), chaired by Dame Mavis McDonald, together with the Registrar's response. The review, on the basis of a thorough analysis of the data and written submissions provided to it, had endorsed the overall strategy of the UAS.

(vi) *Review of IT infrastructure and support*

The review of IT infrastructure and support in the University, chaired by Professor Keith Burnett, Vice-Chancellor of the University of Sheffield, which was initiated by the Council during 2010–11, has completed its deliberations and will report during Michaelmas Term 2012.

(vii) *Revisions to the University's Sites and Buildings Regulations*

During the year, both the Council and the General Board have discussed revisions to the University's Sites and Buildings Regulations. A Joint Report was published on 30 November 2011 (*Reporter*, 6247, 2011–12, p. 269) and the new Regulations were brought into force in February 2012 (*Reporter*, 6255, 2011–12, p. 458). This followed an extensive process to bring together all the many elements by which the University's estate is managed through statute, ordinance, and committee practice and record them in one set of regulations. While no substantive changes were made, the new Regulations provide some much needed clarity and accessibility for officers and committee members with responsibilities in this area and in addition, clarify the basis on which Departments can, with the approval of the Buildings Committee, take direct responsibility for minor building works and maintenance. A process has also been established for the issue of a *Reporter* Notice prior to the undertaking of building works considered not to require Regent House approval.

**Governance and constitutional matters**

(i) *Technical Advisory Group: Review of the Statutes, and Ordinances*

The work of the Technical Advisory Group on the Review of the Statutes, and Ordinances, chaired by Professor David Yates, Warden of Robinson College, is reaching fruition. A Report comprising a full set of revised Statutes was published in the *Reporter* of 28 June 2012 seeking approval in principle by the Regent House. The Report asked the Regent House to consider for the first time the introduction of a form of 'Special Ordinance', primarily intended to contain material previously enshrined in Statute, which would not be subject to Privy Council approval but which could only be amended by means of a

Report to the Regent House, followed by a Discussion and Grace. The introduction of Special Ordinances would enable the focus of the Statutes to be the more fundamental constitutional matters, with the removal to Special Ordinance of a significant amount of detailed material.

A Discussion took place on 2 October 2012 and the Council has published its response to the remarks made in Discussion (*Reporter*, 2012–13; 6280, p. 37; 6283, p. 85). The Regent House has subsequently approved a Grace giving approval in principle to the form of the new Statutes (*Reporter*, 6285, 2012–13, p. 124). It is expected that a final Report seeking approval of the new Statutes will be issued in the Easter Term 2013 and that, if approved by Her Majesty in Council, the revised Statutes and accompanying Special Ordinances will come into effect by early 2014.

(ii) *Electronic voting in ballots of the Regent House*

In November 2005, the Council published a Report on voting arrangements which suggested, *inter alia*, that consideration be given as to whether electronic voting by the Regent House could be introduced (*Reporter*, 6018, 2005–06, p. 190). During Lent Term 2012, the Council considered and approved in principle a proposal for the introduction of electronic voting (with a retained provision for paper voting) in all ballots of the Regent House. A working group has been established to consider the costs and practical workings of the proposals and will submit detailed recommendations to the Council during Lent Term 2013. The Council will submit a Report to the University thereafter.

**Accountability and audit**

(i) *Accountability and the University's governance arrangements*

The last of three annual accountability exchange meetings took place between HEFCE and the University in accordance with the action arising from the HEFCE Quinquennial Assurance Review in June 2008. The University continues to enjoy full assurance. In response to a request from the HEFCE in August 2011, the University agreed to review its governance arrangements in the light of the changing Higher Education context by the end of the 2013–14 academical year and inform the HEFCE of its conclusions. The Audit Committee has asked the Council to consider how such a review might best be conducted and has suggested that it might follow the model of self-reflection which had been adopted for preparation of the quinquennial visit by HEFCE in 2008.

(ii) *Woolf Inquiry Report: Audit Committee Working Group*

The Audit Committee Working Group, which is responsible for considering the University's policies and procedures in the context of the findings and recommendations of the Woolf Inquiry Report continues to make good progress. The Group, chaired by Mr John Shakeshaft, will report in due course on changes, as necessary, to current policies, practices, and governance arrangements concerning the acceptance of benefactions, the admission of postgraduate students, the acceptance of research funding, and the establishment of international partnerships.

(iii) *Cambridge University Press: Joint Oversight Group*

A Joint Oversight Group is providing support to the Cambridge University Press executive and is monitoring the Press's response to the questions raised in the external auditors' report for the academical year 2010–11 about the suitability and effectiveness of the Press's financial and

operational controls. The Group, chaired by Mr John Shakeshaft, is assisting and advising the Press on the introduction, implementation, and acceptance of appropriate risk-based controls over several reporting periods and a finance change programme in support of the business including a major new systems implementation.

*(iv) Policy against bribery and corruption*

A policy against bribery and corruption was approved on 23 April 2012 and subsequently published in the *Reporter* (*Reporter*, 6265, 2011–12, p. 593). The policy sets out the responsibilities and legal liabilities which the Bribery Act 2010 confers on the University as an institution; on individual employees; and on third parties supplying services to the University.

*(v) Risk, emergency, and continuity management*

In response to an internal audit report on the University's business continuity arrangements, a new emergency and continuity planning framework, emergency management policy, and an updated continuity planning policy were approved by the Council on 28 May 2012. Since then, a thorough review of emergency management arrangements has taken place and, as a result, revised emergency response plans at University and local level have been drafted for approval by the Risk Steering Committee on behalf of the Council in Michaelmas 2012 with roll-out anticipated during 2012–13. The new plans encompass both the emergency management and business continuity aspects of emergency response.

*(vi) Review of the University's subsidiary companies' governance and risk management procedures*

In September 2011, the Council approved the Audit Committee's report on its review of the University's subsidiary companies' governance structures and risk management procedures. In May 2012, a follow-up report was received outlining the actions taken by each of the subsidiaries in response to the Committee's recommendations. Good progress had been made. Some more work was required with Fitzwilliam Museum Enterprises Ltd and with IfM Education and Consultancy Services Ltd and JBS Executive Education Ltd where reviews of governance structures were underway but not completed. The Audit Committee will be receiving an update by the end of the calendar year.

*(vii) Membership*

There was one change in the Audit Committee's membership during the academical year. In October 2011, Dr Susan Lintott stepped down as a class (d) member and the Committee resolved to co-opt Dr Keith Carne, First Bursar at King's College, in her stead.

**University resources**

*(i) Financial position and pressures*

The 2012 Budget Report indicated some signs of improvement in the financial position. The pessimistic outlook of the previous year was replaced by cautious optimism as the cumulative Chest deficit predicted for the period 2009–10 to 2015–16 reduced from £36m to £23m, and with a return to surplus expected in 2014–15 – one year ahead of schedule. In part, this recovery is driven by the efficiencies attained over the past few years. Allocations for 2011–12 were reduced by 2% compared to the previous year, and the voluntary severance scheme has removed just under £4m from the baseline. The pay award of a flat £150 p.a. in August 2011 was less than the budgeted 0.5%.

Against this, however, is the unwelcome indication that the £9,000 fee will be frozen at that value in 2013–14 and possibly for longer. Institutions charging less than the maximum will be able to apply an inflationary increase but the fixed value of the cap will represent a real terms cut for those, like Cambridge, charging the maximum fee.

Further financial pressure arises from the implementation of the recommendations of the Wakeham Report, whereby the indirect costs chargeable to Research Council grants are reduced in order to drive efficiency savings within HEIs. This is a departure from the principles of full economic costing. Whilst Cambridge has achieved efficiencies, the effect of the Wakeham reforms is to reduce the savings with a corresponding impact on the University's bottom line.

*(ii) 2012 Budget Report*

In view of these and other cost pressures, the 2012 Budget Report did not recommend the relaxation of the projected 1% increase in Allocations in 2012–13 and onwards. The Council, through the Planning and Resources Committee (PRC), has agreed that the 1% increase should apply for the whole of the next planning period. This represents a continuing real-terms cut in Allocations.

*(iii) College fee transfer*

Negotiations with the Colleges over the value of the transfer of funding under the new fee regime were concluded satisfactorily during the year and included a new approach to the division of costs to support bursaries and other elements of student support. The Council is grateful to the Colleges for the co-operative spirit in which the negotiations were conducted.

*(iv) The Capital Plan*

The Capital Planning Framework introduced in 2010–11 was developed in consultation with Schools. The Capital Plan assigns building projects to a green zone (firm intention to build) and an amber zone (not as yet a firm intention) according to School (and other) priorities approved by the PRC. Approval to proceed was given to the first of the projects to receive contributions from the Capital Fund: the new Chemical Engineering and Biotechnology building, the Data Centre, and an extension to the Wolfson Brain Imaging Centre. The Capital Fund also provides funding assistance for the purchase of the equipment needed for grant-supported research projects and for the provision of urgently needed general teaching and learning and research equipment. The Capital Plan assumes a contribution of £33m annually from a variety of sources. Funding for building projects is supplemented by donation support of not less than 15%, which must be underwritten by Departments.

*(v) Sustainability metrics*

To assist in longer term strategic planning, a set of sustainability metrics are being developed covering the full range of the University's operations. These will allow the Council to track performance over time and make comparisons with cognate institutions. Although initially paper-based, the metrics will eventually be accessible via a live, web-based system with the opportunity to drill down on individual metrics and review the supporting data.

*(vi) External financing*

The Council, on the recommendation of the Finance Committee, agreed, in December 2010, to seek authority in advance from the Regent House to arrange external

borrowing of up to £350 million. This was granted by Grace in February 2011. Rothschild's Debt Advisory Department was commissioned to advise on external financing and presented a first report to the Finance Committee at its meeting on 14 September 2011. The report was subsequently considered by the Council at its strategic meeting on 26 and 27 September 2012. Further reports had been brought to the Finance Committee on 14 March 2012, 9 May 2012, and 11 July 2012. On each occasion, the Finance Committee had reaffirmed its recommendation to the Council that external borrowing should be pursued. Moody's rating agency visited the University in June 2012 and indicated a rating.

Although not within the reporting period, the Council is pleased to confirm to the University that, at its meeting on 24 September 2012, it accepted the Finance Committee's recommendation that the University should issue, as soon as possible, a bond of up to £350m for general corporate purposes to promote the wider academic mission of the University. Moody's published its Aaa rating (with a stable outlook) on 2 October 2012. On 9 October 2012, the University agreed the terms of that bond issue. The amount is £350 million, the coupon is 3.750 *per centum per annum*, and the maturity date is 2052. The Council and Finance Committee consider that the factors of cost, flexibility, tenor, risk (current and future), and affordability of borrowing are appropriate and manageable in the context of the University's current financial constraints, risks, and outlook.

### Government policy and the national environment

#### (i) *The new fee regime and its implications*

In its Annual Report for 2010–11, the Council noted that it had 'conducted its business and made its decisions in a difficult and rapidly changing environment'. The same has been true in 2011–12. The new fee regime and its implications continue to be the subject of discussion and debate and, indeed, protest and activism. The University will continue to monitor the impact on access of the new fee regime.

The Council last year reflected on the University's response to the occupation of the Combination Room and noted the University's commitment to permitting the lawful expression of opinion. On Tuesday, 22 November 2011, a protest prevented the Minister of State for Universities and Science from giving a lecture on *The idea of the university* as part of a lecture series hosted by the Centre for Research in the Arts, Social Sciences, and Humanities. The Council issued a statement noting the value which it attached to the diversity of opinion and view; its belief that freedom of expression is a fundamental principle of the University; and its view that the protest violated that principle.

The subsequent charge of a student by the University Advocate and the verdict and sentence which, on 14 March 2012, the Court of Discipline delivered in the case generated strong feelings and vigorous representations. A topic of concern was brought forward by members of the Regent House and was the subject of a Discussion on 24 April 2012. On 22 June 2012, the Septemviri heard an appeal from the decision and sentence of the Court of Discipline. A Notice, setting out the decision of the Septemviri to uphold the Court of Discipline's guilty verdict but to substitute a sentence that the defendant be rusticated for one term rather than the seven originally imposed by the Court of Discipline was published together with the reasoned decisions of both the Court of Discipline and the Septemviri (*Reporter*, 6273, 2011–12, p. 750).

The University's Courts are bodies independent of the Council over which the Council has no jurisdiction. The Council did not, therefore, at any point, seek to interfere with or to comment upon the case while it continued. Once the case was concluded, the Council published a Notice in response to the remarks made in Discussion (*Reporter*, 6283, 2012–13, p. 84).

#### (ii) *Government immigration policy*

The Council, in its 2010–11 Report, noted that the Home Office's new rules on immigration had potentially serious implications for the University's capacity to recruit the best international academics and students. The Vice-Chancellor has, in the course of the past year, regularly raised the University's concerns about the negative impact on higher education of the government's current immigration policies with the Minister of State for Universities and Science, the Home Secretary, and other government ministers and officials. Following its meeting on 18 June 2012, the Council issued and published on the University website, a statement deploring the current policy.

### Teaching and research

Teaching and research is the responsibility of the General Board and of the Schools, Faculties, and Departments. The General Board report annually to the Council. Their Report for 2011–12 is annexed to this Report.

#### (i) *Governance arrangements for the Fitzwilliam Museum and Kettle's Yard*

The Joint Report of the Council and the General Board on the governance arrangements for the Fitzwilliam Museum and Kettle's Yard, approved by Grace 2 of 18 July 2012, transferred responsibility for those institutions to the General Board with, it is anticipated, consequential benefits to the University's educational provision and research output as well as to the overall governance arrangements for the University's Museums and Collections.

The Fitzwilliam Museum was an Institution under the supervision of the Council when valuable and important pieces of jade were stolen on 13 April 2012. The Council therefore had a legitimate interest in the theft and in the measures taken to enhance security at the University's museums and was reassured to learn that, notwithstanding previous reports on the satisfactoriness of the security arrangements, three reviews of security at the Museum had taken place in the days following the theft. The National Security Adviser for the Arts Council had been asked to bring forward the date of his annual visit and to review security prior to the start of the exhibition: *The Search for Immortality: Tomb Treasures of Han China*. His report concluded that 'security measures mitigate or reduce risks to Very Low, and at an acceptable level to allow UK Government Indemnity to be granted' for the exhibition. Further reviews were undertaken by companies which insure objects at the Museum. The recommendations of those reviews are being implemented.

#### (ii) *Educational development*

Amongst the educational developments described more fully in the General Board's Report, attention is drawn to the introduction of new Triposes, with effect from October 2013, in Human, Social, and Political Sciences and in Psychological and Behavioural Sciences (approved by Grace 4 of 12 October 2012), and to significant reforms to the English Tripos (summarized in the General Board's Notice (*Reporter*, 6276, 2011–12, p. 869)) arising from the General Board's Strategic Review of that Faculty.

*(iii) HEFCE: policy and consultation*

The General Board responded to a HEFCE consultation on a risk-based approach to quality assurance and to a HEFCE/UUK/Guild HE consultation on public information about Higher Education. (These responses can be found at the Academic Division's Educational and Student Policy website (<http://www.admin.cam.ac.uk/offices/education/consultations/index.html>.) In connection with the latter, the University's entries for the public Key Information Sets, required by HEFCE and intended to provide standard information about undergraduate programmes across the sector, were published in October 2012 as part of the online Undergraduate Prospectus.

*(iv) The University and A level reform*

The Board has, particularly by means of the external engagements of the Vice-Chancellor and the Pro-Vice-Chancellor (Education), been considering the extent of the University's and the Russell Group's engagements with changes to A levels, as proposed by the Secretary of State for Education and by OFQUAL.

*(v) International strategy*

An International Strategy Committee was formed, as a Joint Committee of the Council and the General Board, to take forward and provide oversight for the University's international activities at the institutional level. A paper on International Engagement has been issued for consultation in the University.

*(vi) Strategic research initiatives*

Over the last two years, eight strategic research initiatives have been developed. These initiatives, which include 'Energy', represent the University's most important areas for future research. Within this framework the University was successful in gaining funding for a Cambridge Centre for Advanced Research in Energy Efficiency (CARES) in Singapore. CARES will serve as an intellectual hub for research, scholarship, entrepreneurship, and for postgraduate/postdoctoral training, and will be located in Singapore within the Centre for Carbon Reduction in Chemical Technology. The initial phase of the project is directed towards minimizing the carbon footprint of petrochemical and refining technologies.

**University employment***(i) Employer Justified Retirement Age*

The Human Resources Committee, in response to the government's announcement of the abolition of the national retirement age with effect from 6 April 2011, finalized a Report for Council and the General Board. This Report was put to the Regent House in December 2011 (*Reporter*, 6249, 2011–12, p. 347) and a proposal for an Employer Justified Retirement Age (at age 67) for established Officers only was accepted. A new Retirement Policy has now been implemented.

*(ii) Changes to the Cambridge University Contributory Pension Scheme (CPS)*

The University and Assistants' Joint Board (UAJB) on 8 May 2012 approved the recommendations arising from the Special Joint Negotiating Committee on revisions to the Cambridge University Contributory Pension Scheme (CPS). This followed the formal staff consultation which took place between 5 August 2011 and 11 November 2011. The CPS trustees have been consulted in parallel. The final revisions have been endorsed by the General Board and

Council and a Notice concerning the changes has been published (*Reporter*, 6282, 2012–13, p. 55).

*(iii) Equality objectives*

The University consulted widely to develop equality objectives, a requirement of the Equality Act 2010. The objectives identify the priorities for the next four years, including seeking to improve the University's gender balance at senior levels of the organization, and continuing to provide an inclusive environment for work and study. The draft objectives were published in April 2012 and formally adopted in July 2012. In addition, the University's Combined Equality Scheme was updated in January 2012 to reflect the Equality Act. It emphasizes the University's commitment to fair and equal treatment for all legally protected groups.

*(iv) Revision to Statute U, Grievance Procedure*

The Council considered and approved the proposed revisions to the Statute U, Grievance Procedure, subject to further work also being carried out on the Disciplinary Procedure. Following a Discussion in the Regent House, an amended Grace was approved on 27 July 2012.

*(v) Review of the Senior Academic Promotion process*

The University set up a Working Group in 2010 to review the Senior Academic Promotion process. A number of recommendations were implemented at the time and during the course of this year a change to the scoring methodology was approved for implementation in the 2013 round, following a number of minor changes that were approved for incorporation in the previous round. A new numerical scoring system will assist the Faculty Promotions Committees and Sub-Committees in the task of creating a numerical rank order of applicants for each of the Offices.

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

A sub-committee chaired by the Pro-Vice-Chancellor (Institutional Affairs) was set up to review aspects of Pay and Reward including market supplements and an extension of the grade 12 pay scales. The current pay and reward provisions had been implemented with the single salary spine in 2006. There have, in the intervening period, been significant changes in the external market employment conditions for both academic and academic-related staff which are hindering the University's capacity to recruit and retain senior staff. Market supplements are an increasingly unsatisfactory means of addressing the misalignment between University salaries and those elsewhere both within and outside the sector. The sub-committee is planning to consult on proposals during the Michaelmas Term 2012.

**North West Cambridge**

Following submission of the overall outline planning application for the project in September 2011, a public consultation was undertaken by Cambridge City Council and South Cambridgeshire District Council, the local authorities responsible for determining the application. This resulted in a number of technical changes to the application being requested, which were completed in March 2012. It was also agreed with the local authorities that negotiation of the Heads of Terms for the section 106 legal agreement would be undertaken in order that they could be considered for approval alongside the planning application. The grant of planning consent would then be

secured once the section 106 legal agreement was signed. Following extensive discussions with officers and members, the application was formally considered by the local authorities' Joint Development Control Committee (Fringe Sites) at its meeting on 8 August 2012. A resolution to grant consent was unanimously approved, subject to site-wide planning conditions, completion of design codes, and approval of Reserved Matters relating to each phase of development. The section 106 legal agreement is now in course of preparation and is anticipated to be available for completion and planning consent legally secured in December 2012.

In October 2011, the Council requested that the West and North West Cambridge Estates Syndicate bring forward proposals for a first phase of development comprising some 530 'key worker' residential units for qualifying University and College staff, approximately 300 postgraduate accommodation units, and development sites for approximately 350 units for market sale to residential developers. In order to ensure that there is a functioning community from the outset, the local centre and community facilities comprising foodstore, local shops, primary school, nursery, community rooms, doctors' surgery, Police office, and playing field facilities should also be completed as part of the first phase. Development of the first phase will require completion of substantial infrastructure comprising roads, drainage, and services, including an energy centre that will supply a district heating main serving all the residential units on the site, as part of the requirement for all homes to be built to the Code for Sustainable Homes Level 5.

Although not within the reporting period, it should be noted that the Council, at its meeting on 22 October 2012, agreed to publish a Report to the University seeking authority to commence development of University land at North West Cambridge. A ballot of the Regent House will take place in January 2013. If a Grace approving expenditure on the proposal is given, commencement of infrastructure works on site could begin in spring 2013, with building works starting at the end of the year, leading to completion of the majority of the phase 1 elements by July 2015.

## Development

### (i) Closure of the 800th Anniversary Campaign

In last year's Annual Report, it was reported that the Council and the Colleges' Committee had decided to bring

the 800th Anniversary Campaign to a close. The closure of the Campaign was formally announced at a reception for donors and supporters in London in November 2011. The final Campaign total was £1.172bn and the Council received a full analysis of the funds raised against the original objectives for the Campaign at its meeting on 20 February 2012.

### (ii) A new Campaign: focus, form, organizational structures, leadership

Since the decision to close the 800th Anniversary Campaign, the Council and the Colleges' Committee have been considering the form of a new Campaign. To assist the Council in its consideration, external consultants were commissioned to advise on the nature of the new Campaign and also on the organizational structures that would be necessary to support its ambitions. The findings of these reviews were considered by the Council at its strategic meeting on 23 April 2012. The Council agreed that detailed proposals for the themes and priorities for a new Campaign, and the strengthening of the University's Development Office and how it should be funded in the future, would be brought forward for further discussion at its next strategic meeting in September 2012. There would then be formal consideration of the resultant recommendations by the relevant senior bodies in the University.

Following the resignation of Mr Peter Agar from the post of Director of Development, with effect from 31 March 2012, a committee has been established to consider candidates for appointment to this post. In parallel with these developments, the Council has considered initially a proposal from Cambridge University Health Partners (the Academic Health Science Centre comprising the University, Cambridge University Hospitals Foundation NHS Trust, Papworth Hospital Foundation NHS Trust, and Cambridgeshire and Peterborough Foundation NHS Trust) for the creation of a new charity from the current charitable arrangements of the NHS partners in CUHP. This would not involve the transfer of any University assets. The proposal also includes a commitment to create an integrated office for fundraising for medical and health purposes to assist all four partners, jointly and severally, in securing greater benefit from philanthropy for strategic priorities in these fields and for the patients whom they serve. Formal proposals will be considered by the Council and the NHS Trusts in early 2013.

26 November 2012

L. K. BORYSIEWICZ, *Vice-Chancellor*

DAVID ABULAFIA

N. BAMPOS

RICHARD BARNES

CHARLES BELL

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

ROSALYN OLD

SUSAN OOSTHUIZEN

RACHAEL PADMAN

JOHN SHAKESHAFT

SAM WAKEFORD

A. D. YATES



## ANNEX A

**Council membership 2011–12**

## The Chancellor and the Vice-Chancellor

	<i>To 31 December 2012</i>	<i>To 31 December 2014</i>
<i>Elected as Heads of Colleges</i>	Prof. David Yates, <i>R</i> Sir Christopher Hum, <i>CAI</i>	Prof. Francis Patrick Kelly, <i>CHR</i> Prof. Robert David Lethbridge, <i>F</i>
<i>Elected as Professors or Readers</i>	Prof. David Samuel Harvard Abulafia, <i>CAI</i> Prof. Dame Athene Margaret Donald, <i>R</i>	Prof. Nicholas John Gay, <i>CHR</i> Prof. Andrew Hopper, <i>CC</i>
<i>Elected as members of the Regent House</i>	Dr Richard James Barnes, <i>EM</i> Mr Robert John Dowling, <i>SID</i> Dr David Arthur Good, <i>K</i> Dr Rachael Padman, <i>N</i>	Dr Nick Bampos, <i>TH</i> Dr Stephen John Cowley, <i>SE</i> Mr Ian Mark Le Mercier Du Quesnay, <i>N</i> Dr Susan Marian Oosthuizen, <i>W</i>
<i>Members in class (e) (external members)</i>	Dr Vanessa Vivienne Lawrence Dame Mavis McDonald (Deputy Chair, 2011)	Mr Dominic Casserley, <i>JE</i> Mr John Shakeshaft, <i>T</i>
	<i>Student members (to 30 June 2012)</i> Mr Thomas Parry-Jones, <i>JN</i> Mr Gerard Tully, <i>TH</i> Mr Morgan Wild, <i>SID</i>	<i>Student members (from 1 July 2012)</i> Mr Charles Bell, <i>Q</i> Ms Rosalyn Old, <i>R</i> Mr Sam Wakeford, <i>TH</i>

*Secretary*: the Registry

## ANNEX B

## STATEMENT OF PRIMARY RESPONSIBILITIES

The Council has adopted this Statement of Primary Responsibilities.

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

- (a) *The Council shall be the principal executive and policy-making body of the University. The Council shall have general responsibility for the administration of the University, for the planning of its work, and for the management of its resources; it shall have power to take such action as is necessary for it to discharge these responsibilities. It shall also perform such other executive and administrative duties as may be delegated to it by the Regent House or assigned to it by Statute or Ordinance.*
- (b) *The Council shall have the right of reporting to the University. It shall advise the Regent House on matters of general concern to the University.*
- (c) *The Council shall perform such duties in connection with financial matters as are assigned to it by Statute F, I.*
- (d) *The Council shall make an Annual Report to the University, and shall initiate and submit a Grace for the approval of the Report by the Regent House.*
- (e) *The Council shall have the power of submitting Graces to the Regent House and to the Senate. The procedure for the submission of Graces shall be prescribed by Ordinance.*
- (f) *The Council shall oversee the work of all those institutions in the University which are placed under its supervision, and shall ensure that the University officers assigned to those institutions are satisfactorily performing the duties and fulfilling the conditions of tenure of their offices.*

Pursuant to these responsibilities the Council:

- through its Finance Committee, its Audit Committee, and the Planning and Resources Committee ensures the University's accountability for the proper use of public funds;
- supervises the financial position of the University through its statutory Finance Committee;
- arranges audit through its statutory Audit Committee;
- conducts legal business and ethical scrutiny, especially in respect of the acceptance of benefactions and investment responsibility, through its Executive Committee;
- discharges its responsibilities in relation to the University as an employer through the Human Resources Committee (HRC), a joint Committee with the General Board;

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

The Council has published the following statement (*Statutes and Ordinances*, 2012, 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 2011–12

### 1. Introduction

1.1 The General Board present this Annual Report on their work for the academical year 2011–12.

1.2 The year under review saw the completion of major organizational tasks referred to in previous years' reports, in particular:

- (a) The follow-up actions from the review of teaching and research in the social sciences (*Reporter*, 6217, 2010–11, p. 600) were substantially concluded with the publication of three further Reports:
  - on the introduction of new Triposes in Human, Social, and Political Sciences and in Psychological and Behavioural Sciences (*Reporter*, 6230, 2010–11, p. 958).
  - on the constitution of a (unified) Department of Psychology (*Reporter*, 6271, 2011–12, p. 740); and
  - on the area Centres, bringing them within the Department of Politics and International Studies (*Reporter*, 6251, 2011–12, p. 392).
- (b) The Faculty Board of English responded positively to the recommendations of the review of the Faculty, chaired by the Provost of King's College. Among the most significant developments, the Board approved a major reform of the English Tripos (see paragraph 3.2). In addition the Board, in consultation with the Council of the School of Arts and Humanities, approved a significant increase in the Faculty's teaching resources, through a programme to establish new University Lectureships which, over time, should reduce the Faculty's current over-reliance on College Teaching Officers for core teaching and examining.
- (c) The Joint Report of the Council and the General Board on the governance arrangements for the Fitzwilliam Museum and Kettle's Yard, approved by Grace 2 of 18 July 2012, transferred responsibility for those institutions to the General Board with, it is anticipated, consequential benefits to the University's education provision and research output as well as to the overall governance arrangements for the University Museums and Collections.

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

2.1 The Board of Graduate Studies reported to the University (*Reporter*, 6231, 2010–11, p. 998) on proposed changes to the arrangements for consideration of graduate matters, to: bring together cognate activities regardless of student type; 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.

2.2 Following approval of the Board's Report, responsibility for matters of policy relating to Graduate Students and the qualifications for which they may be registered transferred from the Board of Graduate Studies to the General Board's Education Committee. Implementation has enabled the Board of Graduate Studies, which had hitherto had a very heavy agenda, to give increased attention to individual student cases and operational matters. The Education Committee considers the Minutes of the Board of Graduate Studies, the Board of Examinations, the Board of Executive and Professional Education, and those of the Senior Tutors' Standing Committee on Education. This enables the Education Committee to take a holistic approach to the University's educational provision, irrespective of mode of study.

2.3 The new Standing Committee of the Education Committee on Equality and Diversity has taken forward recommendations of the 2010–11 Gender Working Group, and has developed a Code of Practice on reasonable adjustments to teaching and assessment for disabled students. The Code of Practice sets clear expectations that certain adjustments to teaching will be made where recommended for an individual student, and sets out a procedure for consideration of requests for alternative modes of assessment. The Board have approved the Code for implementation with effect from 2012–13: [http://www.admin.cam.ac.uk/offices/education/support/reasonable\\_adjustments.pdf](http://www.admin.cam.ac.uk/offices/education/support/reasonable_adjustments.pdf).

2.4 The Teaching and Learning Support Services Steering Group made its first set of grants from the Teaching Innovation Fund for implementing innovative practice in learning and teaching provision. Eight grants were made, worth c. £120,000. The Group continued its discussion of CamTools and Virtual Learning Environment (VLE) provision.

2.5 Learning and teaching reviews were undertaken of the following: the Departments of Chemistry and of Earth Sciences; the Faculty of Asian and Middle Eastern Studies; the Institute of Criminology; and the Language Centre. The then Department of Experimental Psychology and Department of Social and Developmental Psychology were reviewed jointly with the Review Panel also asked to consider, at the Board's request, the question of a proposed merger of these institutions. In this connection the merger, proposed by the Board's Report on the constitution of a Department of Psychology, was approved by Grace 4 of 18 July 2012. The Board also approved recommendations arising from their Strategic Review of the Department of Genetics. Responses to reviews of the following institutions were considered and recommendations taken forward: the Cambridge Programme for Sustainability Leadership; the Faculties of History and of Mathematics; and the Departments of Materials Science and Metallurgy, of Pathology, of Pharmacology, and of Physics.

### 3. Degrees, courses, and examinations

3.1 The major development was the approval, at the beginning of the academical year, of the new Triposes in Human, Social, and Political Sciences and in Psychological and Behavioural Sciences, to be offered to undergraduates from October 2013. Following approval of that Report, steps were taken both to publicize the new Triposes externally and to establish appropriate governance arrangements, as well as liaison with the Colleges.

3.2 Following the Board's Full Review of the Faculty of English, the Education Committee approved a set of recommendations for reform of the Tripos from 2013–14. The recommendations aimed to co-ordinate College and Faculty teaching and reduce demands upon Part I students; strengthen the relationship between teaching and research; and to make more effective use of resources. Details were set out in the Board's Notice on Regulations for Examinations (*Reporter*, 6276, 2011–12, p. 869).

3.3 The Board considered proposals from the Faculty Board of Clinical Medicine to introduce two routes to a primary M.D. Degree: a standard route for registered Graduate Students conducting research part-time; and a route for Cambridge graduates. It was further proposed that the traditional M.D. Degree be re-named the Doctor of Medical Science to distinguish it from the primary degree. The proposals were the subject of a Report approved by the

Regent House in the Michaelmas Term (*Reporter*, 6248, 2011–12, p. 314).

3.4 New M.Phil. courses were approved in: Astronomy; International Relations; Materials Science and Metallurgy; and in Public Policy. A new part-time M.St. course in Creative Writing was approved, and the M.St. course in Historic Environment was temporarily suspended for 2011–12. A new M.Res. course in Ultra-Precision, in collaboration with Cranfield University, was approved.

3.5 The Board approved changes to the regulations for the Ph.D. Degree to permit the submission of other work, for example musical compositions, in addition to the dissertation. Following consultation via the Schools, the Board also agreed further to amend the regulations for the degree by removing the facility for candidates to submit additional published work which is not connected with the subject of their theses.

#### 4. External scrutiny and stakeholder engagement

4.1 The University participates in three national student surveys: the National Student Survey (NSS) for final-year undergraduates; the Postgraduate Research Students Survey (PRES); and the Postgraduate Taught Student Survey (PTES).

4.2 The response rate to the 2011 NSS was 54%, and the Board were pleased to note that the University had ranked top, at 94%, for student satisfaction amongst UK universities in the NSS. On the whole the few Departments that had received lower than average scores in the 2010 survey had improved in 2011. With modest sample sizes, it is unsurprising that data showed year-on-year fluctuations. Concern was expressed, however, that Economics had scored below average for three years in a row, and the Faculty was asked for a plan to address the issues raised in the NSS responses.

4.3 Participation in PRES 2011 was 54%, a significant increase over the previous response rate of 34%. This allowed results to be split down by institution. Some 86% of respondents said that the overall experience of their research programme met or exceeded their expectations. This figure matched that nationally and for the Russell Group, and had improved from 81% in 2009. However, the results, in particular in relation to supervision, have caused the Board of Graduate Studies to undertake work to determine what action should be taken to improve the position.

4.4 The response rate to the 2012 PTES was 48.2%, which showed a marked increase in postgraduate students' engagement with the survey. A detailed analysis of the results will be considered by the Education Committee in the Michaelmas Term 2012.

4.5 A number of teaching programmes were subject to scrutiny by professional, statutory, and regulatory bodies. The Board received positive reports on visits by: the Architects Registration Board (ARB) for the M.Phil. in Environmental Design in Architecture (Department of Architecture), the British Computer Society and Institute of Engineering and Technology for the Computer Science Tripos; the Office for Standards in Education (OFSTED) for the P.G.C.E. Early Years, Primary, and Secondary programmes offered by the Faculty of Education; and the Engineering Accreditation Board (EAB) for the M.Eng.

4.6 The Education Committee oversaw a significant project to collect data required by HEFCE to provide information for applicants for admission in the form of the Key Information Sets (KISs), published in September 2012 for each Tripos. These include data on teaching time and methods, and assessment; data drawn directly by HESA on student satisfaction from the University's

National Student Survey results; and employment data drawn from the Destination of Leavers from Higher Education Survey (DLHE). The results can be found in the individual subject pages of the online Undergraduate Prospectus at <http://www.study.cam.ac.uk/undergraduate/index.html>.

4.7 The Board, through their Education Committee, submitted a mid-cycle follow-up report to the Quality Assurance Agency (QAA) on actions taken in response to recommendations made in the Agency's 2007 Institutional Audit, which was approved by the Agency. Representations were made by the Vice-Chancellor in response to a request by the QAA to review the University again in 2011–12; agreement was reached to defer review until the Lent Term 2013. Preparations are well underway.

4.8 The Board responded to a number of national consultations, including a HEFCE Consultation on a risk-based approach to Quality Assurance, a HEFCE/UUK/Guild HE Consultation on Public Information, and a number by the QAA as part of its on-going review of the UK Quality Code for Higher Education. A response was also made to a consultation by the Office of the Independent Adjudicator (OIA) on its role. Responses are published on the web at <http://www.admin.cam.ac.uk/offices/education/consultations/index.html>. Common themes running through these responses were support for a more risk-based approach by external regulators and a reduction in the resources required in dealing with external regulatory requirements.

#### 5. International activities

5.1 In the Michaelmas Term the Board approved a protocol to support Schools, Faculties, and Departments in initiating international partnerships, providing better co-ordination of international activities and ensuring that legal and reputational factors are incorporated. The protocol will be kept under review and amendments will be proposed following feedback from the Schools. The revised Financial Regulations were approved, requiring the written consent of the Director of Finance for any overseas activity involving either or both setting up any establishment and employing individuals overseas.

5.2 In the Lent Term 2012 the Board approved a strategy underpinning our approach to India. In May 2012 the International Strategy Office (ISO) and University Research Office (URO) established a joint Europe Working Group of EU specialists from the ISO and URO to provide analysis and internal policy recommendations for the University's relationship with the European Union. The International Strategy Office specifically focused on interaction with the UK government and the legislative processes in Brussels to ensure the University is well positioned to contribute to the new EU Framework Programme for Research and Innovation, 'Horizon 2020'. The ISO has supported Schools, Faculties, and Departments in hosting working visits to enable Principal Investigators to develop collaborations with the US, China, Brazil, and Africa.

5.3 A draft paper on International Engagement was received by the Board on 9 May 2012 and referred to the newly established International Strategy Committee (ISC) (a joint committee of the Council and General Board). The International Strategy Committee has launched a formal consultation incorporating the work of several key areas of the Collegiate University, including a survey of each College's international engagement. Recommendations from the ISC collated from these core constituents will inform a revised paper to be presented initially to the General Board in 2013.

## 6. Research

6.1 Research income grew by 9% compared with 2010–2011, most of which is attributable to grants from the European Commission. The Research Councils and UK Charities continued to be the University's main sponsors, generating 37% and 26% respectively of the total research income received while funds received from the European Research Council now represent 22% of this total. As noted last year, Research Council income has continued to fall, albeit marginally (2%). However, the value, based on 100% full economic costing (fEC) of applications and contracts submitted by the University to all funders increased during 2011–12 to £1.54 billion, compared to £1.26 billion in 2010–11.

6.2 The Research Policy Committee remains concerned at the University's low overhead recovery rate, especially when compared with our major UK competitors, and it intends to address this in detail during the forthcoming year. In support of the need to keep up to date with changes to UK research funding, during 2011–12 the University engaged with eight other Russell Group members in a project to enable the exchange between them of directly comparable research management information. In parallel with this, and building on the X5 project, which facilitates the research grant application process, a joint MISD–Research Office project has begun to undertake a comprehensive update of the University's Research Office systems and procedures.

6.3 In January 2012 the Research Services Division joined the Academic Division as part of the University Research Office. This now comprises a Research Operations Office, which has remained in Mill Lane, and a Research Strategy Office, including support for the Research Excellence Framework (REF), which is based in the Old Schools to provide enhanced support for the Pro-Vice-Chancellor (Research).

6.4 The 2011–12 academical year was the first in which the University was faced with the indirect costs-saving measures introduced by the Research Councils in accordance with the recommendations of the Wakeham Review (published June 2010). A further recommendation was that the Research Councils should encourage more intensive use of existing assets across the research base. Alongside this recommendation, a reduction in their budgets for capital funding led Research Councils to revise the requirements for requesting funding for equipment and facilities in grant proposals from mid-2011. In light of these changes, a project, South East England Science and Engineering Collaborative (SEESec) was initiated by the Pro-Vice-Chancellors for Research from Imperial College, Oxford, Southampton, UCL, and Cambridge to support the sharing of research facilities across these universities with the intention of giving academic staff access to a wider pool of facilities, as well as increasing utilization of existing resources and the opportunity for new collaboration. Led by the University's Research Office, a working group was set up in Michaelmas Term 2011 to build a database of all equipment costing over £10,000 in University of Cambridge STEM Departments, and the availability of these resources for external usage. The first phase of the project has now been completed at all the collaborating institutions, with the University launching its online record system in August 2012: <http://www.admin.cam.ac.uk/offices/research/equipment/default.aspx>.

6.5 In July 2012, RCUK launched its Concordat to support Research Integrity to provide a comprehensive, but flexible, national framework for good research conduct

and its governance: <http://www.rcuk.ac.uk/media/news/2012news/Pages/120711.aspx>. In addition to the Research Councils, initial signatories to the Concordat included DfEL, HEFCE, NIHR, Universities UK, and the Wellcome Trust. All HEIs are likely to become signatories since the major funding bodies have announced already that they will require this as a condition of future awards. HEFCE and the Research Councils have also announced that they will gather feedback through their existing assurance mechanisms. Additionally, every signatory will be required to produce an annual statement which must be made publicly available and which outlines actions taken to support and strengthen understanding of research integrity as well as providing both an assurance that processes for dealing with allegations of misconduct in research are transparent, robust, and fair and also a statement on any formal investigations in this area.

6.6 In view also of information on future expectations relating to Open Access received from certain Funding Councils and major charities, the Research Policy Committee (RPC) has set up a working group to consider the University's position. The Working Group has met twice and expects to report to the RPC and also to the General Board during Michaelmas Term 2012.

6.7 University preparations for the 2014 REF have gathered momentum during 2011–12. Governance and advisory mechanisms have been set up, headed by the REF Policy Committee, comprising the Pro-Vice-Chancellor (Research), the Heads of Schools, and the Head of the Research Office. This is underpinned by supporting committees established to gather advice and guidance from across the University as well as from colleagues with HEFCE REF Panel duties. The task of compiling staff data and accompanying research outputs in the appropriate format has been simplified considerably from previous Research Assessment Exercises by the introduction of a computer system which collects most of the publications information required, particularly in the science, technology, engineering, and medical disciplines where electronic publications have become the norm. To date, most University Units of Assessment (UoA) Committees appear to be making good progress against the University's REF timetable, using the above system to score research outputs and to record salient information. Meanwhile, the University's REF Equality Code of Practice was one of a very small number approved by HEFCE's Equality Committee at the first pass while REF work undertaken to date has also been approved by the University's own Equality Assurance Committee.

6.8 As anticipated in last year's Report, the major area of concern to UoA Committees is the compilation of impact case studies together with additional information on eligible types of impact, which was released by HEFCE in February 2012. Since April 2012, there has been constant interaction between the University's central REF team, UoA Chairs and the researchers concerned since working up case studies usually involves several iterations. It also frequently necessitates obtaining substantive evidence, usually from external sources, to support claims for excellence of the research impact. Valuable input is also provided by Cambridge Enterprise and the Office of External Affairs and Communications, and this will become of increasing importance as case studies are finalized in readiness for inclusion in the University submission to be made in November 2013.

## 7. Finance and planning

7.1 The Board welcomes the signs of improvement in the financial position set out in the 2012 Budget Report, whereby the cumulative Chest deficit predicted for the period 2009–10 to 2015–16 reduced from £36m to £23m, and with a return to surplus expected in 2014–15 – one year ahead of schedule. The Board are grateful to the Councils of the Schools and institutions for exercising prudent financial management within the guidelines set by the Planning and Resources Committee.

7.2 This year was the first in which undergraduate applications were received in the new fee environment, and the impact of these and new HEFCE student number controls were the subject of intense media coverage. Whilst UCAS recorded a national decline in students applying and ultimately being accepted by the HE sector, applications to Cambridge remained steady and initial data suggests that significant progress will have been made against targets, including those for expenditure on bursaries, fee-waivers, and widening participation, agreed with OFFA. The knock-on effects for postgraduate recruitment remain a matter of concern. The capped fee for Home/EU students is the only regulated fee; the announcement that the maximum would not be increased in 2013 will have an adverse financial impact. The Planning and Resources Committee has continued to evolve policy for all other unregulated fees, abolishing the separate Island rate for new admissions from 2013. Responding to comments that the general rate of increase of overseas fees caused problems for continuing students, overseas fees now depend on year of entry. The PRC has further modified this so that the fee for overseas Ph.D. students admitted in 2013 will be fixed at the same cash value for each of the three years of their course. This is intended to provide much greater certainty of future costs under the ‘fee for the course’ policy for research students. The policy is less easy to introduce where courses are longer or where fees are set with reference to annual announcements of the maximum that sponsors will pay, but the position will be kept under review.

7.3 A Working Group on Student Numbers, set up jointly with the Colleges, reported and the Group’s recommendations were the subject of wider consultation. Postgraduate student numbers will be allowed to increase at 2% a year, with a review in 2015; undergraduate numbers will be maintained at the current level.

## 8. Establishment of new senior positions

8.1 As the result of generous benefactions, the Board proposed the establishment of a Chong Hua Professorship of Chinese Development in the Department of Politics and International Studies and a Florence Nightingale Foundation Professorship of Clinical Nursing Research in the Department of Medicine.

8.2 With the support of the Medical Research Council, the Board proposed the establishment of MRC Research Professorships of Biostatistics and of Mitochondrial Medicine.

8.3 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 Statistics in the Department of Pure Mathematics and Mathematical Statistics;
- Professorship of Sustainable Reaction Engineering in the Department of Chemical Engineering and Biotechnology;
- Professorship of General Practice in the Department of Public Health and Primary Care.

8.4 The Board proposed the establishment of the following (proleptic) Professorships to enhance the University’s submission to the Research Excellence Framework (REF) in 2014:

- Professorship of Politics in the Department of Politics and International Studies;
- Professorship of Information Engineering in the Department of Engineering;
- Professorship of Genetics in the Department of Genetics.

## 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 as follows:

9.2 In response to the government’s announcement of the abolition of the national retirement age with effect from 6 April 2011, the Human Resources Committee finalized a Report for Council and the General Board. A Discussion was followed by a vote, in which the proposal for an Employer Justified Retirement Age for established Officers only (at age 67) was accepted. A new Retirement Policy has now been implemented.

9.3 The University and Assistants’ Joint Board (UAJB) on 8 May 2012 approved the recommendations arising from the Special Joint Negotiating Committee on revisions to the Cambridge University Contributory Pension Scheme (CPS). This followed the formal staff consultation which took place between 5 August 2011 and 11 November 2011. The CPS Trustees were also consulted in parallel. The final revisions were endorsed by the Board (and subsequently the Council and the Regent House, following approval of Grace 1 of 24 October 2012).

9.4 The Human Resources Committee consulted widely to develop equality objectives, a requirement of the Equality Act 2010. These reflected priority areas that will be progressed over the next four years, including seeking to improve the University’s gender balance at senior levels of the organization, and continuing to provide an inclusive environment for work and study. The draft objectives were published in April 2012 and formally adopted in July. In addition, the University’s Combined Equality Scheme was updated in January 2012 to reflect the Equality Act. It emphasizes the University’s commitment to fair and equal treatment for all legally protected groups.

9.5 The Board considered and approved the proposed revisions to the Statute U, Grievance Procedure, subject to further work also being carried out on the Disciplinary Procedure. Following Discussion in the Regent House an amended Grace was approved on 27 July 2012.

9.6 The Board had previously set up a Working Group to review the Senior Academic Promotion process. A number of minor changes, recommended by the Group, were implemented for the 2012 Senior Academic Promotions exercise. During the course of this year a revised scoring methodology was approved for implementation in the 2013 round together with some modifications to the arrangements for Faculty Promotions Committees, which were the subject of a Report (*Reporter*, 6266, 2011–12, p. 606).

9.7 The Human Resources Committee set up a sub-committee, chaired by the Pro-Vice-Chancellor (Institutional Affairs), to review aspects of Pay and Reward since the adoption of the current pay and reward provisions and the single salary spine in 2006. There have, in the intervening period, been significant changes in the external market employment conditions for both academic and academic-related staff which are impacting on the

University's capacity to recruit and retain senior staff. The sub-committee concluded its work in the summer and its proposals will be the subject of consultation in the University in the Michaelmas Term 2012.

9.8 In addition, the Human Resources Committee has continued to update its policies, for example the draft probation policy, and work has commenced to review the disciplinary procedures for unestablished staff and changes have been made to the arrangements for paying and issuing agreements to casual workers.

9.9 The Board congratulated twenty-two academic staff who were elected to Fellowships of the British Academy (four), the Royal Society (six), the Academy of Medical Sciences (seven), and the Royal Academy of Engineering (five).

## 10. Health and safety

10.1 The established and embedded management systems for health and safety in the University, overseen by the Health and Safety Executive Committee, have continued to provide a well regulated environment in support of the core activities of teaching and research together with oversight of the broader scope of all University operations. This is achieved by a commitment at the highest level of University governance to the support of those parts of the UAS involved in health and safety management, senior management membership, and attendance at both the Consultative Committee for Safety (CCFS) and Health and Safety Executive Committee (HSEC) and sub-committees, combined with the positive, proactive stance taken by Departments in managing the safety of their staff, students, and buildings with the

support of the Occupational Health and Safety Service (OHSS) and Estate Management (EM).

10.2 Heads of Departments are made aware of their responsibility for ensuring effective health and safety management together with updates in policy and legislation through yearly briefing sessions, targeted letters and email communications, and one-to-one meetings with the Director of Health and Safety when necessary. The University continues to assure itself of the effectiveness of these management systems through its auditing programme, which covers general safety audits and 'subject-specific' audits for radioactivity, lasers, chemicals, hazardous waste management, biological agents, laboratory security, and fire risk assessment. Summaries of the outcomes of these audits are presented to HSEC for members to consider further actions by Departments should they feel that issues have not been resolved adequately in the first instance.

10.3 Certain aspects of safety management within the UAS have been restructured, including the incorporation of fire safety training and auditing into the OHSS, the outsourcing of food safety inspection and audit linked to a central purchasing agreement with approved caterers, and the relocation of the Occupational Health Service adjacent to the Safety Office at a central site offering improved access for all staff and students.

10.4 The Executive Committee continues to monitor the changes in UK health and safety regulation in response to the recent government reviews to ensure that our policies and procedures effectively manage health and safety risk without unnecessary restriction or overly bureaucratic systems.

28 November 2012 L. K. BORYSIEWICZ, *Vice-Chancellor*  
PHILIP ALLMENDINGER  
N. BAMPOS  
H. A. CHASE  
SARAH COAKLEY

MARTIN DAUNTON  
SIMON FRANKLIN  
C. A. GILLIGAN  
DAVID GOOD  
ROBERT KENNICUTT

PATRICK MAXWELL  
SADIE JARRETT  
RACHAEL PADMAN  
JOHN RALLISON  
AMANDA TALHAT

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## FINANCIAL REVIEW

### Preliminary

The commentary that follows is intended to give the readers of the financial statements an overview of the finances and operations of the University group including Cambridge Assessment and Cambridge University Press. It should be read in conjunction with the Annual Report of the Council and the Annual Report of the General Board to the Council for the academic year 2011–12, which are published alongside these financial statements. The financial position of the teaching and research activities of the University may be seen more clearly in the Financial Management Information published in the *Reporter*. Further detailed information about the finances and operations of Cambridge Assessment and Cambridge University Press is given in the annual reports of those entities which are also published.

### Scope of the Financial Statements

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

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

*The Gates Cambridge Trust and the Associated Trusts are separately constituted charities. They are deemed to be subsidiary undertakings of the University since the University appoints the majority of the trustees of each Trust. The purposes of 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 2012, distributions by the CUEF exceeded the income received from its underlying investments by £54m (2011: £48m), 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 £54m 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 2012 are summarized in Table 1.

	<b>2011–12</b>	<b>2010–11</b>	<b>Change</b>
	<b>£m</b>	<i>Restated</i> <b>£m</b>	<b>%</b>
Income	1,322	1,251	+5.6%
Expenditure	(1,317)	(1,261)	+4.5%
(Deficit) / surplus on continuing operations	5	(10)	
Minority interests	(1)	–	
Transfer from restricted endowments	44	43	
Surplus for the year retained within general reserves	48	33	
Net assets	2,641	2,590	+2.0%

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

	<b>2011–12</b>	<b>2010–11</b>
	<b>£m</b>	<b>£m</b>
Income	1,376	1,299
Surplus for the year retained within general reserves	70	51

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

*Table 2*  
*Surplus / (deficit) on continuing operations*

		<b>Income</b>	<b>Expenditure</b>	<b>Surplus / (deficit)</b>
		<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Results by segment</b>	Education and research	799	822	(23)
	Cambridge Assessment	309	280	29
	Cambridge University Press	247	250	(3)
Financial support to the University from Cambridge Assessment		(33)	(33)	–
Pension scheme and other adjustments		–	(2)	2
		<b>1,322</b>	<b>1,317</b>	<b>5</b>

The education and research activities of the University Group were in deficit for the year, after accounting for investment income as described above. The recurrent and special grants from HEFCE reduced by £5m as cuts in government funding impacted. Fees and support grants increased by £22m, of which £14m related to studentships funded by Research Councils, now included as the University's income as explained more fully in Note 2 to the Accounts. Research grants and contracts income increased by £20m, a little over 3%, but within this, revenue from Research Councils remained flat with the increase primarily from charity and European Commission sources. Despite the overall increase in sponsored research income, recovery of the indirect costs of research remained broadly level, reflecting the lower contribution made by those categories of sponsor.

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), Cambridge International Examinations (CIE), and University of Cambridge ESOL Examinations (English for Speakers of Other Languages). Income from its examination and assessment services was £300m in the year, an increase of 13% over 2010–11. The international businesses of English language testing and of international examinations were particularly strong, with the IELTS qualification being notably successful. Cambridge Assessment transferred £32.6m during the year in support of the University's teaching and research activities.

The Cambridge University Press is the University's publishing arm. Its mission is to further through publication the University's objective of advancing learning, knowledge, and research worldwide. The Press is organized into two main streams: academic publishing of books and journals, and English language teaching materials and educational publishing. Revenues from publishing and printing services increased 6.2% over 2011–12 to £241m. The Press has a growing programme of digital product in academic books and journals, and has expanded its collaboration with Cambridge Assessment in English language materials and testing.

**Change in financial position**

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

*Table 3**Movement in net assets*

	Education and research £m	Cambridge Assessment £m	Cambridge University Press £m	University Assistants Pension scheme £m	Total £m
Net assets at 31 July 2011	2,516	265	37	(228)	2,590
Surplus / (deficit) on continuing operations	(23)	29	(3)	2	5
Minority interests	–	–	(1)	–	(1)
Currency adjustments	–	–	(1)	–	(1)
New endowment capital	43	–	–	–	43
External funding for capital expenditure	5	–	–	–	5
Actuarial loss on retirement benefits	–	–	(26)	(40)	(66)
Increase in investment values	66	–	–	–	66
Net assets at 31 July 2012	2,607	294	6	(266)	2,641

Inflows to the endowment from benefactions and donations, increases in investment values, more than offset increased deficits on the University's pension schemes as accounted for on an FRS 17 basis.

**Capital expenditure programme**

The University continues its investment in refreshing, renewing, and expanding its academic estate and equipment and in the physical and technical facilities for Cambridge Assessment and Cambridge University Press.

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 capital funding stream from HEFCE has been reduced substantially. 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 propose capital expenditure on office and logistics buildings, and in enhanced business systems.

Over the year the University's total capital expenditure was £95m (of which £64m was in respect of the University's academic activities), including equipment expenditure of £25m. In addition, £6m of heritage assets were acquired, £5m by donation. Major items of expenditure are set out in Table 4, and include the new Materials Science building being constructed on the West Cambridge site, and completion of the Alison Richard Building; other investment was made over a number of projects across the University's main sites, and expenditure, primarily on systems and equipment, by Cambridge Assessment and Cambridge University Press.

*Table 4*

	£m
New Materials Science building	16
Alison Richard Building	4
Other new build	24
Extension / improvements	6
Refurbishment	2
Total academic estate buildings	52
Equipment for academic purposes	14
Cambridge Assessment total	17
Cambridge University Press total	12
	95
Heritage assets	6
	101

There are currently several major projects at various stages of implementation representing a significant capital investment: completion of the building for Materials Science and Metallurgy; a new building for Chemical Engineering and Biotechnology; the new Sports Centre; the proposed Data Centre (all these on the West Cambridge site); the conversion of the Arup Building for the Cambridge Conservation Initiative; and the development of facilities for Student Services.

### **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 held in the CUEF, which is managed by the University's Investment Office with the advice and oversight of the Investment Board. The CUEF is managed on a total return basis with a long-term investment objective of RPI plus 5.25%. The amount distributed for 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. The Gates Cambridge Trust and the Associated Trusts are substantially invested in the CUEF, and a number of Colleges have made investments.

As at 31 July 2012 the CUEF had a market value of £1,651m (2011: £1,550m) of which £46m was invested by Colleges. The increase was a result of investment performance and new funds invested during the year less the amounts distributed for spend on operations.

The investment performance of the CUEF is monitored to 30 June year-end. The CUEF gained 1.2% in the year to June 2012, a return below the fund's long-term objective but above that of broad equity markets (the MSCI AC World index in sterling fell 4.3%). Its investment managers within the fund's two largest asset classes, public equity and absolute return, materially outperformed their sector benchmarks. By contrast, the CUEF's lack of exposure to the very low-yielding gilts markets served as a drag on performance.

Over the period the US was the most buoyant region. Consumer staples was the best performing sector, attractive to investors in the highly uncertain macroeconomic environment on the basis of its defensive character and stable cash flow generation. By contrast cyclical sectors such as financials, materials, and energy suffered. The CUEF's equity allocations were well positioned for these relative movements.

The CUEF operates an evolving asset allocation and the proposed changes over the following twelve months are revised quarterly in discussion with the Investment Board. Over the year, the fund's broad asset allocation was not changed materially, but there was a measured increase in investment in less liquid credit markets. As at 30 June 2012, the actual asset allocation was global equities 60%, private investments 7%, absolute return including hedge funds 15%, credit 5%, real assets including property 11%, and fixed income including cash 2%. At the end of the year the exposure to assets denominated in sterling was 49%.

#### *(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 cost increased by a modest 1.4% over the previous year and made up 47% of the University Group's total operating expenditure and 57% in respect of the University's teaching and research activities. There was pay restraint in the challenging and uncertain economic conditions and the 2011 voluntary severance scheme has resulted in savings. The staff costs of Cambridge Assessment and Cambridge University Press again increased slightly in line with business growth.

The costs and risks of the pension schemes to which the University is exposed remain of concern. The Universities Superannuation Scheme (USS) is a very large multi-employer scheme. The triennial valuation as at 31 March 2011 showed a material deficit of £2.9 billion, a funding level of 92%, which the scheme actuary estimated had increased as at 31 March 2012 to a deficit of £9.8 billion, a funding level of 77%. The deficit of the USS is not reflected in the University's balance sheet but is a major exposure for the University. Changes have been introduced by the USS in benefits in respect of future service in order to make the scheme affordable and sustainable. The University's contribution to the USS continues at 16% of pensionable pay.

The University Group has three other major schemes: the Cambridge University Assistants' Contributory Pension Scheme (CPS) for assistant staff of the teaching and research activities of the University, and two schemes for staff of the Cambridge University Press. The CPS is a defined benefit scheme open to new joiners and for future accrual. 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 changes to future service benefits will take effect from 1 January 2013 in order to reduce risk and cost to the University. The CPS will nevertheless remain an attractive benefit to staff. The Cambridge University Press defined benefit schemes are closed to new joiners and are subject to recovery plan payments currently at £5.9m p.a. increasing in steps to £7.6m in 2022.

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 £308m to £369m, of which £95m relates to the Press's schemes.

### Development and alumni relations

The Cambridge 800th Anniversary Campaign was brought to a close in 2011 having raised a total of £1.172 billion across the University and Colleges. The University is currently considering the form, themes, and priorities of a new Campaign. In the course of 2011–12 £43m (2011: £49m) was raised in new endowment capital, with a further £14m (2011: £16m) received as unrestricted donations.

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 in building close relationships with its alumni and supporters internationally.

### North West Cambridge

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

The University considers there is a strong strategic case for proceeding with the development and is satisfied that the project is viable and that the projected capital investment required is affordable and will not impair the University's ability to continue to invest appropriately in academic budgets and capital. Subject to receiving the approval of the Regent House, the University expects to proceed with the first phase of the development in 2013. The first phase includes around 530 units for rental to qualifying staff on a subsidized basis, 300 units of postgraduate student accommodation, and some 700 units for sale on a market basis by residential developers under land sale agreements. This first phase is expected to involve a peak investment of approximately £250m by 2015.

### Bond issue

Subsequent to the 2011–12 year-end, on 17 October 2012 the University issued £350m of 3.75% unsecured bonds due October 2052. The bonds are listed on the London Stock Exchange. The proceeds of issue, less directly attributable transaction costs, amounted to £342m, and are for general corporate purposes, including investment in research facilities, accommodation, and other assets. The bonds proved attractive to investors and were almost four times oversubscribed, with pricing at 0.60% over the underlying reference government treasury stock.

In preparation for the issue the University sought a rating from Moody's Investor Services, which assigned an Aaa (stable) rating to the University. Moody's noted that its assessment took account of the University's outstanding market position, significant amount of liquid assets, and strong governance structure. It also took into account the expected increase in the University's debt-to-revenue ratio.

### 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 the current year 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. The HEFCE recurrent grant for research has been maintained broadly level but there are increasing challenges in replacing its capital funding stream which has been reduced significantly.

Cambridge University Press continues to find its markets difficult, but remains broadly on track to increase its turnover and its surplus, so that it remains in a good position to continue to invest for the future. Cambridge Assessment is subject to increased regulatory scrutiny and costs in the United Kingdom, but its overseas activities, notably English language testing, are expected to continue to flourish. The business will be impacted by considerable investment in systems over the coming years.

Endowment returns reverted to a more muted, but still positive, level after the strong returns of the previous two years, and the average return over the tumultuous ten years to 31 July 2012 was 7.9%. However, the continued low interest rates and global economic uncertainties make the future long-term returns at the target levels challenging.

### Principal risks and uncertainties affecting the long-term financial position

The principal risks the University must address do not change: its long-term ability to maintain and develop its research funding, to attract the best staff and students, and to maintain and renew its physical facilities. The activities of Cambridge Assessment and the Press are subject to the pressures of international competition, and they must balance the need to generate sufficient net income to ensure that they thrive with the need to support the University's core academic activities whenever possible.

The key financial uncertainties and risks are:

- The possibility of further cuts to government support for teaching and research;
- The outcome of the Research Evaluation Framework exercise in 2014, which will have a major impact on the University's research funding;
- The impact of government policy on immigration, affecting both students and staff;
- Funding by charities and foundations of sponsored research, and their unwillingness to cover the full costs, and an increase in EC-sponsored research also at a level below full economic costs;
- Movements in investment markets reducing the value of the endowment and other investment assets;

- Increasing and uncertain costs of pension provision;
- Pay inflation, against a background of pay restraint in recent years;
- The ability to continue to invest in physical facilities, against a background of reduced government and research council capital funding;
- The support by benefactors for endowment, capital expenditure, and for current use;
- 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 summary**

The University Group's financial operating performance was a little ahead of break-even and a small surplus (in the context of the University's size) was retained in general reserves for future investment. Cambridge Assessment's operating performance was again at a significant surplus. Operating cash flows were strong and additional capital inflows, investment performance, and operating surplus, offset by worsening pension deficits, resulted in a small gain in net assets to £2.6 billion.

The University welcomes the affirmation of its financial soundness and governance and management systems evidenced by its Aaa rating, and overall the prospects do appear to be improving. The main uncertainties in government funding have now been resolved, although the next Comprehensive Spending Review will be critical. The new fee regime has been absorbed satisfactorily, the mix of research sponsors is changing as alternative funding sources are secured. Cambridge Assessment continues its strong performance. Costs have been tightly controlled and must remain so.

The University is one of the world's leading academic institutions and has a reputation for outstanding academic achievement. This reputation has been built up over a long time and is an important factor in attracting the best academic staff and the best students.

Maintaining the financial ability to continue to attract and retain the best staff and to provide research and teaching facilities commensurate with our standing as one of the world's leading universities remains an ongoing challenge. The recent bond issue will provide much needed flexibility in financing our strategic investments, especially the proposed North West Cambridge development and a number of other urgent infrastructure projects. In the longer term, we must continue to build and diversify our income streams especially from endowments and philanthropy generally.

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 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 2012***The Chancellor*

Lord Sainsbury of Turville

*The Vice-Chancellor*

Professor Sir Leszek Borysiewicz

*Elected as Heads of Colleges*

Sir Christopher Hum

Professor A. David Yates

Professor Francis Kelly

Professor Robert Lethbridge

*Elected as Professors or Readers*

Professor David Abulafia

Professor Dame Athene Donald

Professor Nicholas Gay

Professor Andrew Hopper

*Elected as members of the Regent House*

Dr Richard Barnes

Mr Robert Dowling

Dr David Good

Dr Rachael Padman

Dr Nick Bampos

Dr Stephen Cowley

Mr Ian Du Quesnay

Dr Susan Oosthuizen

*Student members 2011–12*

(to 30 June 2012)

Mr Thomas Parry-Jones

Mr Gerard Tully

Mr Morgan Wild

(from 1 July 2012)

Mr Charles Bell

Ms Rosalyn Old

Mr Sam Wakeford

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

Dr Vanessa Lawrence

Dame Mavis McDonald (Deputy Chair)

Mr Dominic Casserley

Mr John Shakeshaft

The Chancellor, external members, student members, Sir Christopher Hum, Professor Lethbridge, Professor Yates, 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 focussed 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 2012 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 Teaching Agency (formerly 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 2012 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 237 the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in pages 228 to 237 and in the Annual Reports of the Council and of the General Board to the Council to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and University's affairs as at 31 July 2012 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 Statutory Auditors  
Cambridge  
26 November 2012

### Notes:

- (a) The maintenance and integrity of the University of Cambridge's website is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

### **Basis of preparation**

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

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

### **Basis of accounting**

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

### **Basis of consolidation**

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

The 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 33.

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

### **Recognition of income**

#### *Recurrent grant*

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

#### *Restricted grant income*

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

#### *Charitable donations*

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

#### *Capital grants and donations*

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

#### *Academic fees*

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

#### *Examination and assessment services*

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

#### *Publishing and printing*

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

#### *Other income*

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

#### *Endowment and investment income*

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

#### **Foreign currency translation**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Where foreign branches and subsidiaries of Cambridge University Press (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 capitalized and depreciated so that it is written off on a straight line basis over its estimated useful life of between four and ten years.

##### *Heritage assets*

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

#### **Intangible fixed assets: goodwill**

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

#### **Investments**

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

#### **Stocks and work in progress**

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

**Endowment funds**

Endowment funds are classified under three headings:

- Where the donor has specified that the fund is to be permanently invested to generate an income stream for the general purposes of the University, the fund is classified as an unrestricted permanent endowment.
- Where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied for a restricted purpose, the fund is classified as a restricted permanent endowment.
- Where the donor has specified a particular objective other than the acquisition or construction of tangible fixed assets, and that the University must or may convert the donated sum into income, the fund is classified as a restricted expendable endowment.

**Pension costs**

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

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

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

**Segmental reporting**

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

**Consolidated income and expenditure account for the year ended 31 July 2012**

		Year ended 31 July 2012	Year ended 31 July 2011 <i>Restated</i>
	<i>Note</i>	£m	£m
<b>Income</b>			
Funding body grants	1	197	203
Academic fees and support grants	2	149	127
Research grants and contracts	3	293	284
Examination and assessment services	4	300	266
Publishing and printing services		241	227
Other income	5	123	127
Endowment and investment income	6	19	17
<b>Total income</b>		<b>1,322</b>	<b>1,251</b>
<b>Expenditure</b>			
Staff costs	7	579	571
Other operating expenses	8	656	609
Depreciation	8	71	71
Interest and other finance costs	8	11	10
<b>Total expenditure</b>	8	<b>1,317</b>	<b>1,261</b>
<b>Surplus / (deficit) on continuing operations</b>		<b>5</b>	<b>(10)</b>
<b>Minority interests in results of subsidiary undertakings</b>		<b>(1)</b>	<b>–</b>
<b>Surplus on continuing operations after minority interest</b>		<b>4</b>	<b>(10)</b>
<b>Transfer from restricted endowments</b>	24	<b>44</b>	<b>43</b>
<b>Surplus for the year retained in general reserves</b>	25	<b>48</b>	<b>33</b>

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

The transfer from restricted endowments for the year ended 31 July 2011 has been restated to ensure comparability with the basis used for the year ended 31 July 2012, as described in note 11.

**Note of consolidated historical cost result for the year ended 31 July 2012**

		Year ended 31 July 2012	Year ended 31 July 2011
	<i>Note</i>	£m	£m
Surplus / (deficit) on continuing operations		4	(10)
Realization of gains on disposal of fixed asset investments	25	11	48
Depreciation on revaluation element of tangible fixed assets	25	6	6
Historical cost surplus for the year		<b>21</b>	<b>44</b>

**Additional information:**

Total income and surplus on continuing operations as stated above do not include the element of Cambridge University Endowment Fund distributions funded out of long-term capital growth, as described in note 6, amounting to £54m (2011: £48m). The surplus retained in general reserves does not include the proportion of this element relating to reserves, amounting to £22m (2011: £18m). The corresponding figures including these elements are:

	Year ended 31 July 2012	Year ended 31 July 2011
	£m	£m
Total income on a distribution basis	<b>1,376</b>	<b>1,299</b>
Surplus for the year retained in general reserves on a distribution basis	<b>70</b>	<b>51</b>

## Consolidated statement of total recognised gains and losses for the year ended 31 July 2012

	<i>Note</i>	<b>Year ended 31 July 2012</b>	Year ended 31 July 2011
		<b>£m</b>	<i>Restated</i> £m
(Deficit) / surplus on income and expenditure account		4	(10)
Increase in market value of investments			
Endowment assets	24	39	101
Fixed asset investments	14, 25	27	57
New endowment capital	24	43	49
Loss arising on foreign currency translation	25	(1)	(4)
Actuarial loss	25	(66)	(29)
Total recognised gains relating to the year		<hr/> 46	<hr/> 164
Prior year adjustment			
Reserves	23, 25	57	
Total gains since the last annual report		<hr/> 103	
<b>Reconciliation</b>			
Opening reserves and endowments as previously stated		2,035	
Total gains since the last annual report		103	
Closing reserves and endowments		<hr/> 2,138	

The increase in market value of investments for the year ended 31 July 2011 has been reanalysed as between endowment assets and fixed asset investments to ensure comparability with the basis used for the year ended 31 July 2012, as described in note 11.



**Balance sheets as at 31 July 2012**

	Note	Group 31 July 2012 £m	Group 31 July 2011 <i>Restated</i> £m	University 31 July 2012 £m	University 31 July 2011 <i>Restated</i> £m
<b>Fixed assets</b>					
Intangible assets	12	5	2	2	2
Tangible assets	13	1,156	1,130	1,154	1,126
Investments	14	705	661	530	484
		<b>1,866</b>	1,793	<b>1,686</b>	1,612
<b>Endowment assets</b>	15	<b>1,057</b>	1,019	<b>873</b>	836
<b>Current assets</b>					
Stocks and work in progress	16	59	54	50	47
Debtors	17	260	244	238	263
Investments					
University	18	197	186	163	160
Held on behalf of others	18	50	24	443	409
Cash at bank and in hand		51	47	28	25
		<b>617</b>	555	<b>922</b>	904
<b>Creditors: amounts falling due within one year</b>	19	<b>(506)</b>	(448)	<b>(825)</b>	(793)
<b>Net current assets</b>		<b>111</b>	107	<b>97</b>	111
<b>Total assets less current liabilities</b>		<b>3,034</b>	2,919	<b>2,656</b>	2,559
<b>Creditors: amounts falling due after more than one year</b>	20	<b>(3)</b>	(5)	–	(4)
<b>Pension liabilities</b>	21	<b>(369)</b>	(308)	<b>(104)</b>	(80)
<b>Other retirement benefits liability</b>	22	<b>(21)</b>	(16)	<b>(21)</b>	(16)
<b>Total net assets</b>		<b>2,641</b>	2,590	<b>2,531</b>	2,459
<b>Represented by:</b>					
<b>Deferred capital grants</b>	23	<b>502</b>	497	<b>502</b>	497
<b>Endowments</b>					
Expendable endowments	24	362	352	180	170
Permanent endowments	24	695	667	693	666
	24	<b>1,057</b>	1,019	<b>873</b>	836
<b>Reserves</b>					
General reserves	25	818	820	931	909
Operational property revaluation reserve	25	127	133	127	133
Fixed asset investment revaluation reserve	25	136	120	98	84
	25	<b>1,081</b>	1,073	<b>1,156</b>	1,126
<b>Reserves and endowments</b>		<b>2,138</b>	2,092	<b>2,029</b>	1,962
<b>Minority interest in subsidiary undertakings</b>		<b>1</b>	1	–	–
<b>Total</b>		<b>2,641</b>	2,590	<b>2,531</b>	2,459

Deferred capital grants and reserves at 31 July 2011 have been restated to reflect the prior year adjustment described in note 23.

The financial statements on pages 239 to 267 were approved by the Council on 26 November 2012 and signed on its behalf by:

**Professor Sir Leszek Borysiewicz**  
*Vice-Chancellor*

**Dame Mavis McDonald**  
*Member of Council*

**Andrew Reid**  
*Director of Finance*

**Consolidated cash flow statement for the year ended 31 July 2012**

	<i>Note</i>	<b>Year ended 31 July 2012 £m</b>	Year ended 31 July 2011 £m
Net cash inflow from operating activities	26	<b>25</b>	40
Returns on investments and servicing of finance	27	<b>19</b>	17
Capital expenditure and financial investment	27	<b>(37)</b>	(53)
Cash inflow before use of liquid resources and financing		<u>7</u>	<u>4</u>
Management of liquid resources			
Decrease in short-term deposits	28	–	8
Financing	27	<b>(1)</b>	(2)
Increase in cash in the year		<u><b>6</b></u>	<u>10</u>

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

Increase in cash		<b>6</b>	10
Cash outflow from liquid resources		<u>–</u>	<u>(8)</u>
Movement in net funds in the year		<b>6</b>	2
Net funds at 1 August		<u><b>48</b></u>	<u>46</u>
Net funds at 31 July	28	<u><b>54</b></u>	<u>48</u>

**NOTES TO THE ACCOUNTS**

	<b>2012</b>	2011
	<b>£m</b>	£m
<b>1 Funding body grants</b>		
<b>Higher Education Funding Council for England (HEFCE)</b>		
Recurrent grant	175.5	177.0
Specific grants	5.5	8.9
Deferred capital grant released in year (note 23)		
Equipment	2.9	4.0
Buildings	11.1	10.9
<b>HEFCE total</b>	<b>195.0</b>	200.8
<b>Teaching Agency / Training and Development Agency for Schools</b>		
Recurrent grant	2.3	2.7
	<b>197.3</b>	203.5
<b>2 Academic fees and support grants</b>		
Full-time home / EU students	52.7	49.5
Full-time overseas (non-EU) students	52.3	48.7
Other course fees	22.0	21.3
Research Training Support Grants	22.2	7.8
	<b>149.2</b>	127.3
<p>In the year ended 31 July 2011 £14.0m of income and expenditure relating to studentships funded by Research Councils and other bodies were excluded from the University's income and expenditure account on the basis that the University dealt with these funds as agent for the funders. Following a review of the current agreements, which concluded that the University acts as principal, the equivalent income in the year ended 31 July 2012 has been included in Research Training Support Grants.</p>		
<b>3 Income: research grants and contracts</b>		
Research councils	105.3	105.9
UK-based charities	87.8	84.4
Other bodies	100.3	93.4
	<b>293.4</b>	283.7
<p>Total research grants and contracts income excludes grants of £7.7m (2011: £7.6m) for the purchase of equipment but includes £9.7m (2011: £9.9m) released from deferred capital grants to match depreciation of which £6.1m (2011: £7.4m) related to equipment. See note 23.</p>		
<b>4 Examination and assessment services</b>		
Examination fees	279.7	253.3
Other examination and assessment services	19.9	12.9
	<b>299.6</b>	266.2
<b>5 Other income</b>		
Other services rendered	34.3	32.1
Health and hospital authorities	17.0	16.7
Residences, catering and conferences	8.8	8.8
Income from intellectual property	10.9	12.9
Released from deferred capital grants (note 23)	8.5	7.3
Unrestricted donations	14.3	16.4
Rental income	7.9	7.1
Donations of, and for the purchase of, heritage assets	5.6	1.3
Sundry income	15.2	23.9
	<b>122.5</b>	126.5

**Notes to the accounts (continued)**

<b>6 Endowment and investment income</b>	<b>Credited to funds as income £m</b>	<b>Excess over income £m</b>	<b>Underlying income 2012 £m</b>	<b>2011 Restated £m</b>
Income from expendable endowment asset investments	12.9	(10.2)	2.7	1.9
Income from permanent endowment asset investments	28.0	(22.1)	5.9	5.5
Income from fixed asset investments	28.9	(21.7)	7.2	7.0
Other investment income	3.1	–	3.1	2.6
	<b>72.9</b>	<b>(54.0)</b>	<b>18.9</b>	<b>17.0</b>

The University operates a unitized fund, the Cambridge University Endowment Fund (CUEF), for long-term investment in respect of individual restricted endowments and other balances, and by other Group undertakings. The CUEF is managed on a total return basis and invests in asset classes some of which generate little or no income. Distributions are made to unit-holding funds according to a formula which has regard to the total return reasonably to be expected in the long term, in proportion to the number of units held. Investing funds receive distributions as income. In the year ended 31 July 2012, distributions by the CUEF exceeded income received in the year by the CUEF from its underlying investments by £54.0m (2011: £48.0m), the balance of the distributions being funded by drawing on long-term capital growth.

The deduction reflecting the extent to which CUEF distributions exceeded underlying income is applied to the categories of endowment and investment income in proportion to the value of CUEF distributions included. In previous years no element of the deduction was apportioned against income from endowment asset investments. Comparative figures have been restated.

<b>7 Staff costs</b>	<b>2012 £m</b>	<b>2011 £m</b>
Wages and salaries	442.4	442.6
Social security costs	39.8	39.2
Pension costs (note 30)	96.4	89.1
	<b>578.6</b>	<b>570.9</b>
<b>Remuneration of the Vice-Chancellors</b>	<b>2012 £000</b>	<b>2011 £000</b>
<b>Current Vice-Chancellor</b>		
Remuneration excluding employer's pension contributions	271	223
Employer's pension contributions	43	35
<b>Previous Vice-Chancellor</b>		
Remuneration excluding employer's pension contributions	–	54
Employer's pension contributions	–	–
	<b>314</b>	<b>312</b>

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

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

	Education and research		Assessment and Press	2012 Total	2011 Total
	Clinical	Non-Clinical			
£100,001 – £110,000	21	28	11	60	53
£110,001 – £120,000	9	27	10	46	55
£120,001 – £130,000	6	23	11	40	36
£130,001 – £140,000	9	8	2	19	24
£140,001 – £150,000	12	6	1	19	21
£150,001 – £160,000	10	4	5	19	15
£160,001 – £170,000	8	3	4	15	10
£170,001 – £180,000	5	6	1	12	8
£180,001 – £190,000	4	1	2	7	8
£190,001 – £200,000	4	1	1	6	7
£200,001 – £210,000	1	–	1	2	3
£210,001 – £220,000	1	–	–	1	2
£220,001 – £230,000	2	1	–	3	2
£230,001 – £240,000	–	–	2	2	–
£240,001 – £250,000	–	–	–	–	1
£250,001 – £260,000	–	1	–	1	–
£260,001 – £270,000	–	–	–	–	2
£270,001 – £280,000	–	1	–	1	1
£280,001 – £290,000	–	–	–	–	–
£290,001 – £300,000	–	–	–	–	–
£300,001 – £310,000	–	1	–	1	1
£310,001 – £320,000	–	–	–	–	–
£320,001 – £330,000	–	–	–	–	–
£330,001 – £340,000	–	1	2	3	1
£340,001 – £350,000	–	1	1	2	–
£350,001 – £360,000	–	–	–	–	1

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

**Compensation for loss of office**

Aggregate payments for compensation for loss of office paid to senior members of staff earning in excess of £100,000 per annum (four in 2011–12, none in 2010–11):

	2012 £000	2011 £000
Payments in respect of loss of office	828	–

**Notes to the accounts (continued)**

8 Analysis of expenditure by activity	Staff costs	Other operating expenses	Depreciation	Interest payable	2012 Total	2011
	£m	£m	£m	£m	£m	£m
Academic departments	195.7	49.8	5.9	–	251.4	244.2
Academic services	25.6	13.0	0.7	–	39.3	37.0
Payments to Colleges (see note 33)	–	41.6	–	–	41.6	40.8
Research grants and contracts	131.3	109.5	9.7	–	250.5	237.0
Other activities						
Examination and assessment services	79.7	156.2	11.4	–	247.3	226.3
Publishing and printing services	81.2	158.0	6.4	4.2	249.8	235.3
Other services rendered	7.9	20.5	0.1	–	28.5	29.5
Intellectual property	2.1	4.8	–	–	6.9	5.7
Residences, catering, and conferences	2.3	8.2	–	–	10.5	11.2
Other activities total	173.2	347.7	17.9	4.2	543.0	508.0
Administration and central services						
Administration	39.2	3.3	2.1	–	44.6	44.9
General educational	2.3	47.5	–	–	49.8	42.9
Staff and student facilities	3.2	1.5	–	–	4.7	4.3
Development office	3.3	3.8	–	–	7.1	6.2
Other	3.7	2.4	–	–	6.1	2.0
Administration and central services total	51.7	58.5	2.1	–	112.3	100.3
Premises	10.4	36.3	35.1	–	81.8	81.7
Voluntary severance scheme	–	–	–	–	–	5.4
Pension cost adjustments for CPS (see note 30)	(9.3)	–	–	6.9	(2.4)	6.6
Total per income and expenditure account	578.6	656.4	71.4	11.1	1,317.5	1,261.0

The depreciation charge has been funded by:

Deferred capital grants (note 23)	32.1
Revaluation reserve (note 25)	6.0
General income	33.3
	71.4

In the year ended 31 July 2011 £14.0m of income and expenditure relating to studentships funded by Research Councils and other bodies were excluded from the University's income and expenditure account on the basis that the University dealt with these funds as agent for the funders. Following a review of the current agreements, which concluded that the University acts as principal, the equivalent expenditure in the year ended 31 July 2012 has been included in other operating expenses.

**Other operating expenses include:**

2012	2011
£000	£000

**Auditors' remuneration**

Audit fees payable to the University's external auditors	738	728
Other fees payable to the University's external auditors	293	178
Audit fees payable to other firms	96	60

**Payments to trustees**

Reimbursement of expenses to two external members of Council	5	2
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These amounts include related irrecoverable VAT.

**9 Surplus / (deficit) on continuing operations**

2012	2011
£m	£m

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

University's surplus for the year	37.1	30.9
Surplus generated by subsidiary undertakings and transferred to the University under gift aid	2.9	2.7
Surplus dealt with in the accounts of the University	40.0	33.6
Group level adjustments re defined benefit schemes	2.3	(5.1)
Deficit retained in subsidiary undertakings	(37.7)	(38.1)
	4.6	(9.6)

## Notes to the accounts (continued)

### 10 Segmental reporting

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

#### Education and research

##### Assessment

Examination and assessment services, carried out by the University of Cambridge Local Examinations Syndicate and subsidiary undertakings, collectively known as Cambridge Assessment

##### Press

Publishing and printing services, carried out by the Cambridge University Press Syndicate and subsidiary undertakings

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

	Segment total income	Inter- segment income	Income from third parties	(Deficit) / surplus	Net assets
	£m	£m	£m	£m	£m
<b>Year ended 31 July 2012</b>					
Education and research	799.2	33.0	766.2	(23.4)	2,607.2
Assessment	309.0	–	309.0	28.8	294.0
Press	246.9	–	246.9	(3.1)	5.5
	<b>1,355.1</b>	<b>33.0</b>	<b>1,322.1</b>	<b>2.3</b>	<b>2,906.7</b>
Unallocated re Contributory Pension Scheme	–	–	–	2.3	(265.7)
Group	<b>1,355.1</b>	<b>33.0</b>	<b>1,322.1</b>	<b>4.6</b>	<b>2,641.0</b>
<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
	1,266.2	14.8	1,251.4	(3.0)	2,818.1
Unallocated re Contributory Pension Scheme	–	–	–	(6.6)	(228.6)
Group	1,266.2	14.8	1,251.4	(9.6)	2,589.5

### 11 Restatement of prior year

The University has changed the method of calculating the transfer from restricted endowments shown at the foot of the income and expenditure account. In previous years the calculation did not take into account the extent to which CUEF distributions credited to endowment funds as income were funded out of the long-term capital growth in value of the investments held by the CUEF rather than out of underlying investment income. For the year ended 31 July 2012 the calculation, as set out in note 24, takes this factor into account. There have been corresponding changes in the calculation of the increases in market value of endowment assets and of fixed asset investments, disclosed in the statement of recognized gains and losses. Prior year figures have been restated accordingly. These changes have no impact on the result on continuing operations for the year or for the previous year.

The impact on the income and expenditure account and the statement of total recognized gains and losses for the year ended 31 July 2011 is as follows:

	Previously stated	Adjustment	Restated
	£000	£000	£000
<b>Income and expenditure account</b>			
Transfer from restricted endowments	13.3	29.7	43.0
Surplus for the year retained in general reserves	3.4	29.7	33.1
<b>Statement of total recognised gains and losses</b>			
Increase in market value of investments			
Endowment assets	71.0	29.7	100.7
Fixed asset investments	86.9	(29.7)	57.2

The equivalent movements in the University's reserves as disclosed in note 25 have also been restated to ensure comparability:

Surplus for the year retained in general reserves	8.3	25.3	33.6
Increase in market value of fixed asset investments	65.5	(25.3)	40.2

**Notes to the accounts (continued)****12 Intangible fixed assets: goodwill and others**

	<b>Group 2012 £m</b>	Group 2011 £m	<b>University 2012 £m</b>	University 2011 £m
Opening balance	2.2	3.0	1.7	0.9
Additions in the year	3.8	1.0	1.2	2.1
Amortization charge for the year	(1.2)	(1.8)	(0.7)	(1.3)
Closing balance	<b>4.8</b>	2.2	<b>2.2</b>	1.7

**13 Tangible fixed assets**

	<b>Land and buildings £m</b>	<b>Assets in construction £m</b>	<b>Equipment £m</b>	<b>Heritage assets £m</b>	<b>2012 Total £m</b>	2011 Total £m
<b>Group</b>						
<b>Cost or valuation</b>						
At 1 August	1,255.6	66.5	267.8	36.1	1,626.0	1,536.6
Additions at cost	3.7	66.1	25.1	5.9	100.8	105.4
Transfers	38.7	(45.8)	7.1	–	–	–
Disposals	(4.0)	(0.1)	(14.6)	–	(18.7)	(14.5)
Currency adjustments	0.2	–	(0.3)	–	(0.1)	(1.5)
At 31 July	<b>1,294.2</b>	<b>86.7</b>	<b>285.1</b>	<b>42.0</b>	<b>1,708.0</b>	1,626.0
<b>Accumulated depreciation</b>						
At 1 August	293.7	–	202.9	–	496.6	436.2
Charge for the year	42.5	–	28.9	–	71.4	71.0
Elimination on disposals	(3.1)	–	(12.7)	–	(15.8)	(10.1)
Currency adjustments	–	–	(0.1)	–	(0.1)	(0.5)
At 31 July	<b>333.1</b>	–	<b>219.0</b>	–	<b>552.1</b>	496.6
<b>Net book value</b>						
At 31 July	<b>961.1</b>	<b>86.7</b>	<b>66.1</b>	<b>42.0</b>	<b>1,155.9</b>	1,129.4
At 1 August	961.9	66.5	64.9	36.1	1,129.4	1,100.4
<b>University</b>						
<b>Cost or valuation</b>						
At 1 August	1,255.8	66.0	249.6	36.1	1,607.5	1,518.0
Additions at cost	2.5	66.5	23.8	5.9	98.7	104.5
Transfers	39.0	(45.6)	6.6	–	–	–
Disposals	–	(0.1)	(14.3)	–	(14.4)	(13.2)
Currency adjustments	0.1	–	–	–	0.1	(1.8)
At 31 July	<b>1,297.4</b>	<b>86.8</b>	<b>265.7</b>	<b>42.0</b>	<b>1,691.9</b>	1,607.5
<b>Accumulated depreciation</b>						
At 1 August	292.3	–	189.2	–	481.5	422.7
Charge for the year	42.7	–	26.4	–	69.1	68.5
Elimination on disposals	–	–	(12.4)	–	(12.4)	(9.2)
Currency adjustments	0.1	–	–	–	0.1	(0.5)
At 31 July	<b>335.1</b>	–	<b>203.2</b>	–	<b>538.3</b>	481.5
<b>Net book value</b>						
At 31 July	<b>962.3</b>	<b>86.8</b>	<b>62.5</b>	<b>42.0</b>	<b>1,153.6</b>	1,126.0
At 1 August	963.5	66.0	60.4	36.1	1,126.0	1,095.3

Land and buildings includes land totalling £83.7m (2011: £83.6m) 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)

### 13 Tangible fixed assets (continued)

#### Heritage assets

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

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

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

Additions for the current and previous four years were as follows:	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Acquisitions purchased with specific donations	0.9	0.1	1.7	–	0.4
Value of acquisitions by donation	4.7	1.2	1.8	0.7	8.3
Total acquired by, or funded by, donations	5.6	1.3	3.5	0.7	8.7
Acquisitions purchased with University funds	0.3	0.1	0.2	–	0.3
Total acquisitions capitalized	5.9	1.4	3.7	0.7	9.0

### 14 Fixed asset investments

	Group 2012 £m	Group 2011 £m	University 2012 £m	University 2011 £m
Opening balance	661.2	517.8	484.4	381.6
Net additions in the year	16.9	86.2	26.5	62.5
Increase in market value of investments	27.0	57.2	19.0	40.2
Closing balance	705.1	661.2	529.9	484.3
Represented by:				
Property	85.0	76.8	73.1	66.7
Securities	577.6	532.5	407.1	362.7
Money market investments	0.4	0.4	0.4	17.9
Investments in subsidiary undertakings	–	–	23.1	1.8
Investment in spin-out companies (see note 31)	10.4	8.4	4.1	3.0
Cash in hand and at investment managers	30.8	43.7	22.1	29.8
Investments in joint ventures	0.9	(0.6)	–	2.4
	705.1	661.2	529.9	484.3

### 15 Endowment assets

Long-term investments				
Property	58.2	52.4	48.5	43.3
Securities	885.0	834.7	727.7	680.6
Money market investments	50.7	56.9	50.0	52.7
Cash in hand and at investment managers	48.7	65.8	38.4	54.2
	1,042.6	1,009.8	864.6	830.8
Investment in spin-out companies (see note 31)	8.7	4.8	8.7	4.8
Short-term deposits	–	0.2	–	–
Bank balances	5.2	3.7	–	–
	1,056.5	1,018.5	873.3	835.6

**Notes to the accounts (continued)**

<b>16 Stocks and work in progress</b>	<b>Group 2012 £m</b>	<b>Group 2011 £m</b>	<b>University 2012 £m</b>	<b>University 2011 £m</b>
Goods for resale	27.4	33.5	21.0	26.7
Pre-publication costs and other work in progress	30.6	20.6	28.9	20.0
Other stocks	0.5	0.2	0.3	–
	<b>58.5</b>	54.3	<b>50.2</b>	46.7
<b>17 Debtors</b>				
Research grants recoverable	55.0	59.8	55.0	59.8
Amounts due from subsidiary undertakings	–	–	18.9	56.6
Debtors re examination and assessment services	73.4	64.9	58.8	58.1
Debtors re publishing and printing	80.1	77.4	62.0	56.6
Other debtors	51.8	41.4	43.1	32.3
	<b>260.3</b>	243.5	<b>237.8</b>	263.4
<b>18 Current asset investments</b>				
Property	2.9	1.3	24.1	21.3
Securities	43.0	19.5	358.4	330.2
Money market investments	198.9	187.4	203.6	190.7
Cash in hand and at investment managers	2.3	1.6	19.5	27.1
	<b>247.1</b>	209.8	<b>605.6</b>	569.3
Representing:				
University	196.7	185.4	162.7	160.4
Held on behalf of subsidiary undertakings, Colleges and other associated bodies (see note 19)	50.4	24.4	442.9	408.9
	<b>247.1</b>	209.8	<b>605.6</b>	569.3
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>19 Creditors: amounts falling due within one year</b>				
Bank overdraft	2.5	3.3	2.5	3.2
Current portion of long-term bank loan	4.4	0.5	4.4	0.6
Research grants received in advance	122.0	107.4	122.0	107.4
Amounts due to subsidiary undertakings	–	–	6.3	39.2
Creditors re examination and assessment services	91.6	88.4	42.3	39.2
Creditors re publishing services	80.0	61.2	69.6	53.2
Other creditors	154.9	162.7	134.8	141.6
Investments held on behalf of subsidiary undertakings, Colleges and other associated bodies (see note 18)	50.4	24.4	442.9	408.9
	<b>505.8</b>	447.9	<b>824.8</b>	793.3
<b>20 Creditors: amounts falling due after more than one year</b>				
Amounts due to subsidiary undertakings	–	–	0.1	0.1
Bank loans	–	4.4	–	4.3
Deferred income	0.4	0.4	–	–
Other creditors	2.3	–	–	–
	<b>2.7</b>	4.8	<b>0.1</b>	4.4

**Notes to the accounts (continued)****21 Pension liabilities**

The pension liabilities have been measured in accordance with the requirements of FRS 17 and relate to the defined benefit schemes disclosed in note 30.	<b>Group</b>	Group	<b>University</b>	University
	<b>2012</b>	2011	<b>2012</b>	2011
	<b>£m</b>	£m	<b>£m</b>	£m
Opening balance	<b>308.1</b>	274.4	<b>79.6</b>	77.2
Movement in year				
Current service cost including life assurance	<b>27.8</b>	26.6	<b>2.3</b>	2.6
Contributions	<b>(40.6)</b>	(28.4)	<b>(5.9)</b>	(3.7)
Other finance cost	<b>10.0</b>	8.9	<b>3.1</b>	3.1
Currency adjustments	<b>1.6</b>	(2.6)	<b>1.5</b>	(2.6)
Actuarial loss recognised in statement of total recognised gains and losses	<b>62.4</b>	29.2	<b>23.0</b>	3.0
Closing balance	<b>369.3</b>	308.1	<b>103.6</b>	79.6

**22 Other retirement benefits liability**

<i>Group and University</i>	<b>2012</b>	2011
	<b>£m</b>	£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>15.9</b>	15.1
Movement attributable to the year		
Current service cost less benefits paid	<b>0.4</b>	0.5
Contributions	<b>(0.2)</b>	(0.2)
Other finance cost	<b>0.8</b>	0.8
Currency adjustments	<b>0.2</b>	(0.6)
Actuarial loss recognised in statement of total recognised gains and losses	<b>3.4</b>	0.3
Closing balance	<b>20.5</b>	15.9

**23 Deferred capital grants**

	<b>Funding Council</b>	<b>Research Grants</b>	<b>Other Grants</b>	<b>2012 Total</b>	2011
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	£m
<i>Group and University</i>					
Balance 1 August					
Buildings: as previously stated	<b>181.7</b>	<b>72.7</b>	<b>278.9</b>	<b>533.3</b>	523.5
Prior year adjustment	<b>44.3</b>	–	<b>(101.4)</b>	<b>(57.1)</b>	(57.1)
Buildings: restated opening balance	<b>226.0</b>	<b>72.7</b>	<b>177.5</b>	<b>476.2</b>	466.4
Equipment	<b>8.0</b>	<b>11.8</b>	<b>0.4</b>	<b>20.2</b>	19.5
	<b>234.0</b>	<b>84.5</b>	<b>177.9</b>	<b>496.4</b>	485.9
Grants received					
Buildings	<b>25.6</b>	<b>(1.5)</b>	<b>4.6</b>	<b>28.7</b>	30.2
Equipment	<b>1.0</b>	<b>7.7</b>	<b>0.6</b>	<b>9.3</b>	12.7
	<b>26.6</b>	<b>6.2</b>	<b>5.2</b>	<b>38.0</b>	42.9
Released to income and expenditure					
Buildings – for depreciation	<b>(11.1)</b>	<b>(3.6)</b>	<b>(8.2)</b>	<b>(22.9)</b>	(20.4)
Equipment – for depreciation	<b>(2.9)</b>	<b>(6.1)</b>	<b>(0.2)</b>	<b>(9.2)</b>	(11.7)
Equipment – on disposals	<b>(0.2)</b>	<b>(0.1)</b>	–	<b>(0.3)</b>	(0.3)
	<b>(14.2)</b>	<b>(9.8)</b>	<b>(8.4)</b>	<b>(32.4)</b>	(32.4)
Balance 31 July					
Buildings	<b>240.5</b>	<b>67.6</b>	<b>173.9</b>	<b>482.0</b>	476.2
Equipment	<b>5.9</b>	<b>13.3</b>	<b>0.8</b>	<b>20.0</b>	20.2
	<b>246.4</b>	<b>80.9</b>	<b>174.7</b>	<b>502.0</b>	496.4

The prior year adjustment is the correction of misstatements in the financial statements for previous years in respect of the funding of construction costs before 31 July 2007. In the financial statements for the year ended 31 July 2011, deferred capital grants were overstated and reserves were understated by £57.1m. The balance sheet has been restated accordingly. There is no impact on the result for the year or for the previous year.

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

<i>Group</i>	<b>Expendable £m</b>	<b>Permanent £m</b>	<b>2012 Total £m</b>	2011 Total <i>Restated</i> £m
Balance 1 August	351.6	666.9	1,018.5	911.7
New endowments received	26.5	17.0	43.5	49.1
Transfers	4.6	(4.6)	–	–
Income receivable from endowment asset investments (see note 6)	2.7	5.9	8.6	7.4
Expenditure	(34.8)	(17.9)	(52.7)	(50.4)
Increase in market value of investments	11.1	27.5	38.6	100.7
<b>Balance 31 July</b>	<b>361.7</b>	<b>694.8</b>	<b>1,056.5</b>	1,018.5
Capital	348.3	606.7	955.0	929.4
Unspent income	13.4	88.1	101.5	89.1
<b>Balance 31 July</b>	<b>361.7</b>	<b>694.8</b>	<b>1,056.5</b>	1,018.5
<b>Representing:</b>				
Trust and Special Funds				
Professorships, Readerships and Lectureships	41.3	342.0	383.3	363.1
Scholarships and bursaries	20.0	89.7	109.7	108.4
Other	87.1	255.1	342.2	326.3
Gates Cambridge Trust	173.3	–	173.3	172.3
Specific donations	35.6	–	35.6	36.0
Examination Board restricted funds	4.4	–	4.4	4.4
General endowments	–	8.0	8.0	8.0
<b>Group total</b>	<b>361.7</b>	<b>694.8</b>	<b>1,056.5</b>	1,018.5

Investment income and increase in value of investments for the year ended 31 July 2011 have been restated as described in notes 6 and 11.

**Transfer to income and expenditure account**

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

Expenditure	34.8	17.9	52.7	50.4
Less investment income	(2.7)	(5.9)	(8.6)	(7.4)
<b>Transfer to income and expenditure account</b>	<b>32.1</b>	<b>12.0</b>	<b>44.1</b>	43.0

The transfer for the year ended 31 July 2011 has been restated as described in note 11.

**University**

Balance 1 August	170.1	665.5	835.6	741.2
New endowments received	22.0	17.0	39.0	45.4
Income receivable from endowment asset investments	1.3	5.9	7.2	6.0
Expenditure	(18.5)	(22.5)	(41.0)	(39.8)
Increase in market value of investments	5.0	27.5	32.5	82.8
<b>Balance 31 July</b>	<b>179.9</b>	<b>693.4</b>	<b>873.3</b>	835.6
Capital	167.0	605.5	772.5	746.7
Unspent income	12.9	87.9	100.8	88.9
<b>Balance 31 July</b>	<b>179.9</b>	<b>693.4</b>	<b>873.3</b>	835.6

Investment income and increase in value of investments for the year ended 31 July 2011 have been restated as described in notes 6 and 11.

**Notes to the accounts (continued)****25 Reserves**

	General reserves £m	Operational property revaluation reserve £m	Fixed asset investment revaluation reserve £m	2012 Total £m	2011 Total Restated £m
<i>Group</i>					
Balance 1 August					
As previously stated	763.1	133.2	119.7	1,016.0	958.8
Prior year adjustment (see note 23)	57.1	–	–	57.1	57.1
Restated opening balance	<b>820.2</b>	<b>133.2</b>	<b>119.7</b>	<b>1,073.1</b>	1,015.9
Surplus retained for the year	47.9	–	–	47.9	33.1
Actuarial loss	(65.8)	–	–	(65.8)	(29.5)
Transfer in respect of depreciation on revalued operational properties	6.0	(6.0)	–	–	–
Transfer in respect of disposals of fixed asset investments	10.6	–	(10.6)	–	–
Loss arising on foreign currency translation	(1.2)	–	–	(1.2)	(3.6)
Increase in market value of investments	–	–	27.0	27.0	57.2
Balance 31 July	<b>817.7</b>	<b>127.2</b>	<b>136.1</b>	<b>1,081.0</b>	1,073.1

The surplus retained in reserves and the increase in market value of investments for the year ended 31 July 2011 have been restated as described in note 11.

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

Reserves before net liabilities in respect of retirement benefits	1,207.5	127.2	136.1	1,470.8	1,397.1
Effect of pension liability (see note 21)	(369.3)	–	–	(369.3)	(308.1)
Effect of liability for other retirement benefits (see note 22)	(20.5)	–	–	(20.5)	(15.9)
Reserves balance at 31 July	<b>817.7</b>	<b>127.2</b>	<b>136.1</b>	<b>1,081.0</b>	1,073.1

*University*

Balance 1 August					
As previously stated	852.7	133.2	84.0	1,069.9	1,001.5
Prior year adjustment (see note 23)	57.1	–	–	57.1	57.1
Restated opening balance	<b>909.8</b>	<b>133.2</b>	<b>84.0</b>	<b>1,127.0</b>	1,058.6
Surplus retained for the year	40.0	–	–	40.0	33.6
Actuarial loss	(26.4)	–	–	(26.4)	(3.3)
Transfer in respect of depreciation on revalued operational properties	6.0	(6.0)	–	–	–
Transfer in respect of disposals of fixed asset investments	4.6	–	(4.6)	–	–
Loss arising on foreign currency translation	(2.9)	–	–	(2.9)	(2.1)
Increase in market value of investments	–	–	19.0	19.0	40.2
Balance 31 July	<b>931.1</b>	<b>127.2</b>	<b>98.4</b>	<b>1,156.7</b>	1,127.0

The surplus retained in reserves and the increase in market value of investments for the year ended 31 July 2011 have been restated as described in note 11.

**Notes to the accounts (continued)**

<b>26 Reconciliation of consolidated operating surplus / (deficit) to net cash inflow from operating activities</b>	<b>2012</b>		<b>2011</b>	
	<b>£m</b>		<b>£m</b>	
Surplus / (deficit) on continuing operations	4.6		(9.6)	
Depreciation of fixed tangible assets	71.4		71.0	
Amortization of goodwill	1.2		1.8	
Surplus / (deficit) on disposal of tangible fixed assets	1.9		(3.1)	
Deferred capital grants released to income	(32.1)		(32.1)	
Donations of, and for the purchase of, heritage assets	(5.6)		(1.3)	
Investment income	(18.9)		(17.0)	
Interest payable	11.1		10.0	
Pension cost less contributions payable (see note 21)	(12.8)		(1.8)	
Other retirement benefits – cost less contributions payable (see note 22)	0.2		0.3	
Currency adjustments	0.6		(5.8)	
	<b>21.6</b>		<b>12.4</b>	
(Increase) / reduction in stock	(4.2)		4.3	
(Increase) / reduction in debtors	(16.8)		0.1	
Increase in creditors	24.2		23.3	
Net cash inflow from operating activities	<b>24.8</b>		<b>40.1</b>	
<b>27 Cash flows</b>	<b>2012</b>		<b>2011</b>	
	<b>£m</b>		<b>£m</b>	
<b>Returns on investments and servicing of finance</b>				
Endowment and investment income received	18.9		17.0	
Interest paid	(0.3)		(0.3)	
Net cash inflow from returns on investments and servicing of finance	<b>18.6</b>		<b>16.7</b>	
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets	(89.2)		(107.6)	
Acquisition of goodwill and other intangible fixed assets	(3.8)		(1.0)	
Donations for buildings and other deferred capital grants received	38.9		42.9	
Proceeds of disposal of tangible fixed assets	0.7		7.2	
Net purchase of long-term investments (excluding investments held on behalf of others)	(26.3)		(43.9)	
New endowments received	43.5		49.1	
Additional investment in subsidiaries	(0.7)		–	
Net cash outflow from capital expenditure and financial investment	<b>(36.9)</b>		<b>(53.3)</b>	
<b>Financing</b>				
Repayment of long-term loans	(0.5)		(1.6)	
<b>28 Analysis of the balances of cash and bank overdraft</b>	<b>Group</b>	<b>Group</b>	<b>University</b>	<b>University</b>
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Bank overdrafts	(2.5)	(3.3)	(2.5)	(3.2)
Bank balances included in endowment assets	5.2	3.7	–	–
Cash at bank and in hand	51.1	47.3	28.4	25.2
	<b>53.8</b>	<b>47.7</b>	<b>25.9</b>	<b>22.0</b>
Add short term deposits:				
Endowment asset investments	–	0.2	–	–
Net funds	<b>53.8</b>	<b>47.9</b>	<b>25.9</b>	<b>22.0</b>

## Notes to the accounts (continued)

### 29 Capital commitments

	2012 £m	2011 £m
Commitments contracted at 31 July	147.2	81.4
Authorized but not contracted at 31 July	–	1.4

Of the capital expenditure committed at 31 July 2012, approximately 38% (2011: 65%) will be funded by specific grants and donations.

### 30 Pension schemes

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

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

#### Universities Superannuation Scheme (USS)

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

The latest triennial actuarial valuation of the scheme was at 31 March 2011 and was the second valuation for this scheme to require the calculation of technical provisions in accordance with the Pensions Act 2004. The assumptions that have the most significant effect on the result of the valuation were as follows:

Investment returns per annum	6.10%
Salary scale increases per annum	4.40%
Pension increases per annum	
First three years	3.40%
Thereafter	2.60%
Mortality – equivalent life expectancy for members reaching retirement age of 65	
Males currently aged 65	89
Males currently aged 45	91
Females currently aged 65	91
Females currently aged 45	93

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

At 31 March 2012 the actuary has estimated that the funding level had fallen from 92% to 77%. This estimate was based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions over the following twelve months.

The contribution rate payable by the University in the year ended 31 July 2012 was 16% of pensionable pay. The scheme's trustees have determined a recovery plan to pay off the shortfall shown by the 31 March 2011 valuation by 31 March 2021; under the recovery plan the University's contribution rate would increase to 18% of pensionable pay from 1 April 2017 to 31 March 2021. The contribution rate will be reviewed as part of each triennial valuation and may be reviewed more frequently.

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

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

#### 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. The results of the triennial actuarial valuation as at 31 July 2012 are awaited.

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

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

	2012	2011
Discount rate	4.50%	5.30%
Expected rate of return on scheme assets at beginning of year	6.50%	6.70%
Rate of increase in salaries	3.50%	4.25%
Rate of increase in pensions in deferment	2.75%	3.50%
Rate of increase in pensions in payment	2.75%	3.50%
Mortality – equivalent life expectancy for members reaching the age of 65		
Males currently aged 65	87	86
Males currently aged 45	88	87
Females currently aged 65	90	89
Females currently aged 45	92	90

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 recognized in the balance sheet	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
Opening	(587.7)	(516.5)	359.4	320.4	(228.3)	(196.1)
Current service cost	(25.5)	(24.0)	–	–	(25.5)	(24.0)
Employer contributions	–	–	34.7	23.2	34.7	23.2
Expected return on scheme assets	–	–	24.4	22.3	24.4	22.3
Contributions by members	(0.5)	(0.5)	0.5	0.5	–	–
Interest cost	(31.3)	(28.1)	–	–	(31.3)	(28.1)
Actuarial (losses) / gains	(17.0)	(34.9)	(22.4)	9.3	(39.4)	(25.6)
Benefits and expenses paid	19.2	16.3	(19.2)	(16.3)	–	–
Closing defined benefit obligation	(642.8)	(587.7)	377.4	359.4	(265.4)	(228.3)

	2012 £m	2011 £m
The amounts recognised in the income and expenditure account were as follows:		
In staff costs: current service cost	25.5	24.0
In interest and other finance costs:		
Expected return on pension scheme assets	24.4	22.3
Interest on pension scheme liabilities	(31.3)	(28.1)
	(6.9)	(5.8)

The total of actuarial losses recognised in the statement of total recognised gains and losses was £39.4m (2011: £25.6m).

Amounts for the current and previous four years were as follows:	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Defined benefit obligation	(642.8)	(587.7)	(516.5)	(458.7)	(405.5)
Plan assets	377.4	359.4	320.4	275.9	290.8
Deficit at the balance sheet date	(265.4)	(228.3)	(196.1)	(182.8)	(114.7)
Experience gains / (losses) for the year on plan liabilities	9.2	(1.6)	7.1	3.9	(1.3)
Experience (losses) / gains for the year on plan assets	(22.4)	9.3	15.8	(41.2)	(51.2)

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



## Notes to the accounts (continued)

### 30 Pension schemes (continued)

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

##### Triennial valuation of the schemes

Full triennial valuations of the schemes were carried out by the actuary for the trustees of the schemes for funding purposes as at 1 January 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 2011 and 31 July 2012 for the purposes of the University's financial statements. The principal assumptions used by the actuary for both schemes were:

	<b>2012</b>	2011
Discount rate	<b>4.50%</b>	5.30%
Expected rate of return on scheme assets at beginning of year	<b>5.90%</b>	5.90%
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>3.30%</b>	3.50%
Rate of increase in pensions in payment	<b>3.30%</b>	3.50%
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 recognized in the balance sheet	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
Opening	<b>(241.4)</b>	(223.2)	<b>166.9</b>	152.4	<b>(74.5)</b>	(70.8)
Current service cost	<b>(2.0)</b>	(2.4)	–	–	<b>(2.0)</b>	(2.4)
Employer contributions	–	–	<b>5.4</b>	3.4	<b>5.4</b>	3.4
Expected return on scheme assets	–	–	<b>9.8</b>	9.0	<b>9.8</b>	9.0
Contributions by members	<b>(0.3)</b>	(0.3)	<b>0.3</b>	0.3	–	–
Interest cost	<b>(12.9)</b>	(12.0)	–	–	<b>(12.9)</b>	(12.0)
Actuarial (losses) / gains	<b>(23.9)</b>	(12.6)	<b>3.5</b>	10.9	<b>(20.4)</b>	(1.7)
Benefits and expenses paid	<b>8.8</b>	9.1	<b>(8.8)</b>	(9.1)	–	–
Closing defined benefit obligation	<b>(271.7)</b>	(241.4)	<b>177.1</b>	166.9	<b>(94.6)</b>	(74.5)

The amounts recognised in the income and expenditure account were as follows:	<b>2012</b>	2011
	<b>£m</b>	£m
In staff costs: current service cost	<b>2.0</b>	2.4
In interest and other finance costs		
Expected return on pension scheme assets	<b>9.8</b>	9.0
Interest on pension scheme liabilities	<b>(12.9)</b>	(12.0)
	<b>(3.1)</b>	(3.0)

The total of actuarial losses recognised in the statement of total recognised gains and losses was £20.4m (2011: £1.7m).

Amounts for the current and previous four years were as follows:	<b>2012</b>	2011	2010	2009	2008
	<b>£m</b>	£m	£m	£m	£m
Defined benefit obligation	<b>(271.7)</b>	(241.4)	(223.2)	(208.6)	(192.3)
Plan assets	<b>177.1</b>	166.9	152.4	139.8	151.4
Deficit at the balance sheet date	<b>(94.6)</b>	(74.5)	(70.8)	(68.8)	(40.9)
Experience (losses) / gains for the year on plan liabilities	<b>(4.2)</b>	(8.4)	(2.4)	0.4	1.4
Experience gains / (losses) for the year on plan assets	<b>3.5</b>	10.9	8.5	(17.8)	(20.0)

**Notes to the accounts (continued)****30 Pension schemes (continued)**

The University also has a smaller number of staff in other pension schemes, including the National Health Service Pension Scheme (NHSPS). 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>2012</b>	2011
	<b>£m</b>	£m
USS: contributions	<b>58.6</b>	54.4
CPS: charged to income and expenditure account	<b>25.5</b>	24.0
PCPF: charged to income and expenditure account	<b>1.5</b>	2.1
PSSPS: charged to income and expenditure account	<b>0.5</b>	0.6
NHSPS: contributions	<b>1.9</b>	1.9
Contributions to other pension schemes	<b>8.4</b>	6.1
	<b>96.4</b>	89.1

## Notes to the accounts (continued)

### 31 Principal subsidiary and associated undertakings and other significant investments

The following undertakings were subsidiary undertakings throughout the year ended 31 July 2012. Except where stated, the accounting reference date is 31 July and the undertaking is a wholly-owned company registered in England and Wales.

Name	Notes	Principal activity
Cambridge Enterprise Limited		Consultancy and commercial exploitation of intellectual property
IFM Education and Consultancy Services Limited		Consultancy and commercial exploitation of intellectual property
Cambridge Investment Management Limited		Investment management
Cambridge Programme for Sustainability Leadership (Australia)	a	Sustainability leadership programmes
Cambridge Programme for Sustainability Leadership (South Africa)	b	Sustainability leadership programmes
Fitzwilliam Museum (Enterprises) Limited		Publication of fine art books and sale of museum merchandise
JBS Executive Education Limited		Corporate education services
Lynxvale Limited		Provision of construction and development services
The Cambridge Foundation	c	Fund raising
University of Cambridge Dental Practice Limited		Dental services
<b>Associated Trusts</b>	c	
Cambridge Overseas Trust	}	Provision of scholarships, grants and other support for the education of overseas students in the University
Cambridge Commonwealth Trust		
Gates Cambridge Trust		
Cambridge European Trust		
Malaysian Commonwealth Studies Centre in Cambridge		
<b>Cambridge Assessment subsidiary undertakings</b>		
Cambridge Assessment Overseas Limited		Overseas office services
Cambridge Examinations Inc	d	Examination services
Cambridge ESOL Inc	d	Examination services
Fundacion UCLES		Examination services
Mill Wharf Limited		Training and consultancy
Oxford and Cambridge International Assessment Services Limited	c	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>		
Academic Journal Publishing Pty Limited	f	Holding company
Australian Academic Press Pty Group Limited	f	Publishing and distribution
Cambridge Archive Editions Limited		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	Distribution
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
Foundation e-Learning (Private) Limited	p	Publishing and distribution
HOTmaths Pty Limited	q	Web-based maths digital learning management systems
United Publishers Services Limited	g	Distribution

## Notes to the accounts (continued)

### 31 Principal subsidiary and associated undertakings and other significant investments (continued)

#### Notes

- a Cambridge Programme for Sustainability Leadership (Australia) is incorporated in Australia and has an accounting reference date of 30 June for commercial reasons. The effect of this is not material to the consolidated accounts.
- b Cambridge Programme for Sustainability Leadership (South Africa) is incorporated in South Africa.
- c The Cambridge Foundation, the Associated Trusts and Oxford Cambridge and RSA Examinations are exempt charities established by trust deeds (see note 34).
- d Cambridge Examinations Inc and Cambridge ESOL Inc are United States non-stock non-profit corporations.
- e Cambridge University Press subsidiary undertakings have an accounting reference date of 30 April for commercial reasons with the exceptions of the companies incorporated in India (31 March) and Mexico (31 December).
- f Academic Journal Publishing Pty Limited and Australian Academic Press Pty Group Limited are incorporated in Australia.
- 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 75% 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 a 75% subsidiary 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 Ecuador.
- o ELT Trading Limited is incorporated in Mexico.
- p Foundation e-Learning (Private) Limited is incorporated in India.
- q HOTmaths Pty Limited is a 55% subsidiary incorporated in Australia.

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

Name	% interest	Principal Activity
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 Superconductors 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
The CRISP Consortium Limited	45	Commercial exploitation of intellectual property
Vivamer Limited	58	Commercial exploitation of intellectual property

## Notes to the accounts (continued)

### 32 Related party transactions

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

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

#### **Cambridge University Students Union**

The President and the Education Officer of Cambridge University Students Union were also members of the University's Council for the 2011–12 financial year. Under *Statutes and Ordinances*, Chapter II, the University has discretion to provide financial assistance to the Union and, in the year ending 31 July 2012, provided a grant of £105,000 and made other payments totalling £11,000 for services provided. The Union made payments to the University totalling £9,000 for network and other services provided.

#### **Needham Research Institute**

The Needham Research Institute is an independent foundation and registered charity governed by a Board of Trustees that includes a member of the University's Council. Staff of the Institute are paid through the University's payroll and the Institute reimburses the University the appropriate sum each month. In the year ending 31 July 2012, the University received £190,000 from the Institute in reimbursement of salary costs.

#### **Gatsby Charitable Foundation**

Lord Sainsbury of Turville, who was elected as Chancellor of the University in October 2011, is settlor of the Gatsby Charitable Foundation (Gatsby) and, together with the Gatsby Trustees, actively involved in setting the Foundation's strategic direction and approving all activities. In 2006 the University approved a proposal to establish a Sainsbury Laboratory for plant science in Cambridge, funding for which was provided by Gatsby, which also agreed to provide research funds over a ten year period. In the year ended 31 July 2012, Gatsby made a final contribution of £1.4m to the costs of developing the Sainsbury Laboratory, bringing the total Gatsby contribution to £74m. Research grants and contracts income for the year includes £3.2m in respect of grants funded by Gatsby, for which funding received in advance at the year-end amounted to £1.7m.

## Notes to the accounts (continued)

### 33 Colleges

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

During the year payments were made by the University from HEFCE funding in respect of the College fees of publicly-funded undergraduates of £41.6m (2011: £40.8m). 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 £4.8m (2011: £4.4m). These payments are included in other operating expenses. Other operating expenses also include £5.8m (2011: £5.4m) in respect of payments to the Isaac Newton Trust, a charitable trust established by Trinity College, as contributions to a bursary scheme for students of the University.

The Cambridge Foundation distributed third party donations to the Colleges totalling £3.1m (2011: £5.7m). 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 £2.6m (2011: £2.8m), and the Colleges provided accommodation, catering and other services to the University for which the University paid a total of £6.8m (2011: £6.9m).

During the year the Colleges made donations to the University totalling £1.9m (2011: £2.0m) which were credited to specific endowments.

Current asset investments include £44.4m (2011: £20.6m) held on behalf of six (2011: two) Colleges in the form of CUEF units (see note 18).

#### Colleges Fund

	<b>2012</b>	2011
	<b>£000</b>	£000
Balance at 1 August	27	25
Contributions received from Colleges	<b>3,675</b>	3,498
Interest earned	<b>3</b>	4
Payments to Colleges	<b>(3,650)</b>	(3,500)
Balance at 31 July included in creditors	<b>55</b>	27

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)****34 Connected charitable institutions**

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

	<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>Consolidated (see note 31)</b>					
Cambridge Overseas Trust	22.0	9.5	9.5	0.1	22.1
Cambridge Commonwealth Trust	84.6	6.3	6.0	0.2	85.1
Gates Cambridge Trust	172.3	6.7	6.2	0.5	173.3
Cambridge European Trust	0.7	0.1	0.6	–	0.2
Malaysian Commonwealth Studies Centre in Cambridge	8.9	0.4	0.8	(0.1)	8.4
The Cambridge Foundation	5.5	43.8	43.0	–	6.3
Oxford Cambridge and RSA Examinations	74.5	122.7	112.8	0.1	84.5
Strangeways Research Laboratory	1.3	0.1	0.2	–	1.2
	<b>369.8</b>	<b>189.6</b>	<b>179.1</b>	<b>0.8</b>	<b>381.1</b>

Fund balances are included in the consolidated balance sheet as:

Expendable endowments	182.9	183.2
Permanent endowments	1.2	1.3
Reserves	181.4	191.6
Creditors: amounts falling due within one year	4.3	5.0
	<b>369.8</b>	<b>381.1</b>

**Not consolidated**

Isaac Newton Trust, established by Trinity College (see note 33) to promote education, learning and research in the University (accounts drawn up to 30 June 2012)	24.8	8.8	10.1	(1.0)	22.5
University of Cambridge Veterinary School Trust, for the support of veterinary education in the University	1.4	0.4	0.2	–	1.6
One smaller scholarship trust	0.3	–	–	–	0.3
Registered clubs and societies:					
Amateur Dramatic Club	0.1	0.2	0.2	–	0.1
Cambridge Eastern Education and Development Society	–	0.2	0.2	–	–
Cambridge University Boat Club	1.6	0.3	0.3	–	1.6
Cambridge University Law Society	–	0.1	0.1	–	–
Cambridge University Polo Club	0.4	0.1	0.1	–	0.4
Cambridge University Real Tennis Club	0.1	0.2	0.2	–	0.1
Cambridge University Rugby Union Football Club	0.8	0.6	0.7	0.1	0.8
392 smaller clubs and societies	1.9	2.6	2.3	–	2.2
	<b>31.4</b>	<b>13.5</b>	<b>14.4</b>	<b>(0.9)</b>	<b>29.6</b>

**Notes to the accounts (continued)****35 HEFCE Access Funds**

	<b>2012</b>	2011
	<b>£000</b>	£000
Access to Learning Fund allocation	<b>164</b>	162
Disbursed to students	<b>(162)</b>	(162)
Contribution to administration costs	<b>(2)</b>	–
Balance unspent at 31 July	<hr/> – <hr/>	<hr/> – <hr/>

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.

**36 Event after the balance sheet date: Bond issue**

On 17 October 2012 the University issued £350m of 3.75% unsecured Bonds due October 2052 (the “Bonds”). The Bonds were issued at 98.168% of their principal amount. The proceeds of issue, less directly attributable transaction costs, amounted to £342m. Interest at 3.75% pa is payable on 17 April and 17 October each year commencing on 17 April 2013. The Bonds are listed on the London Stock Exchange. Unless previously redeemed, the Bonds will be redeemed at their principal amount of £350m on 17 October 2052. The Bonds are subject to redemption, in whole but not in part, at their principal amount at the option of the University at any time in the event of certain changes affecting UK taxation. The Bonds may also be redeemed at any time at the option of the University, in whole or in part, at a Redemption Price to be calculated in accordance with the issue prospectus, which would be no less than the principal price of the Bonds to be redeemed. The proceeds of issue are for general corporate purposes, including investment in research facilities, accommodation and other assets.