CAMBRIDGE UNIVERSITY
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REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

ANNUAL REMUNERATION REPORT, 2019–20

CONTENTS

UNIVERSITY OF CAMBRIDGE

PUBLISHED BY AUTHORITY

NOTICES

Reports and Financial Statements for the year ended 31 July 2020

The Council approved the Reports and Financial Statements as received on 23 November 2020 and agreed to delegate approval of specific late adjustments to a working group (comprising the Chair of the Council, the Deputy Chair of the Council, the Chair of the Audit Committee, the Chief Financial Officer and the Director of Finance). The working group approved the documentation on 11 December 2020, which was signed by the Vice-Chancellor, the Deputy Chair of the Council and the Director of Finance on the same date and submitted to the Office for Students on 14 December 2020.

The Council apologises for the delay in publishing the Reports and Financial Statements, caused by a staff shortage. The Reports and Financial Statements for the year ended 31 July 2020 will be included in the items listed for Discussion on Tuesday, 1 June 2021.

Annual remuneration report

The Council is required to publish each year a remuneration report setting out the principles behind the University's approach to the remuneration of its staff, in line with the guidance provided by the Committee of University Chairs and the Office for Students. The remuneration report for 2019–20 was approved by the Remuneration Committee on 26 October 2020 and the Council on 23 November 2020 and is published on p. 643 below for the information of the University. The report also provides remuneration data which should be read in parallel with that provided in the Notes to the Accounts section of the Financial Statements (p. 593 at p. 606).

Notices for publication in the *Reporter*, or queries concerning content, should be sent to the Editor, Cambridge University Reporter, (tel. 01223 332298, email **reporter.editor@admin.cam.ac.uk**). Advice and information is available on the *Reporter* website at https://www.reporter.admin.cam.ac.uk/.

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

Financial review

Scope of the financial statements

The consolidated financial statements provide an overview of the finances and operations of the University Group (the 'Group') covering:

- the teaching and research activities of the University and its subsidiary companies that undertake activities which, for legal or commercial reasons, are more appropriately carried out by limited companies;
- Cambridge Assessment (CA)[1] and its subsidiary companies, joint ventures and associates;
- Cambridge University Press (CUP)[2] and its subsidiary companies, joint ventures and associates; and
- Gates Cambridge Trust and certain other Trusts (the 'Associated Trusts').[3]

The financial statements 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 2019–20 academic year. References to the **University** reflect the teaching and research activities of the University (excluding subsidiary companies and Associated Trusts), together with CA and CUP (but excluding their subsidiary companies, joint ventures and associates). References to the **Group** reflect the teaching and research activities of the University together with CA and CUP, including all subsidiary companies, Associated Trusts, joint ventures and associates (see Note 37).

The financial position of the core teaching and research activities of the University (the 'Academic University') may be seen more clearly in the Financial Management Information published in the *Cambridge University Reporter*. Further detailed information about the finances and operations of CA and CUP is given in the published annual reports of those entities. CA and CUP are constituent parts of the corporation known as the Chancellor, Masters and Scholars of the University of Cambridge. CA's primary work is the conduct and administration of examinations in schools and for persons who are not members of the University. CUP is the University's publishing house, dedicated to publishing for the advancement of learning, knowledge and research worldwide.

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 for each Trust. The purpose of these Trusts is to support the University by enabling persons from both within and outside the United Kingdom to benefit from education at the University through the provision of scholarships and grants.

Public benefit

The University is an exempt charity subject to regulation, with effect from 1 April 2018, by the Office for Students under the Higher Education and Research Act 2017.

The University reports annually on the ways in which it has delivered charitable purposes for the public benefit. Highlights of its activities over the past year are included in the *Brief overview for the year ended 31 July 2020*.[4]

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 fully meet the public benefit requirements.

Environmental sustainability

The University's Environmental Sustainability Vision demonstrates the University's commitment to making a positive impact through outstanding environmental sustainability performance. The Environmental Sustainability Vision, Policy and Strategy[5] sets out the University's plans for achieving this vision including objectives, targets and key performance indicators. Cambridge is the first University in the world to announce a Science Based Target for carbon reduction, committing the University to reducing its scope 1 and 2 emissions to absolute zero by 2048, with an aspiration to be a decade ahead of its decarbonisation pathway at all times and to reach zero-carbon by 2038. The University's approach to carbon reduction is set out in its Carbon Reduction Strategy.[6] The University reports its environmental sustainability metrics in an annual report. The unaudited 2018–19 report is available online at https://www.environment.admin.cam.ac.uk/Annual-Report. The 2019–20 report will be available in early 2021 and will be subject to independent assurance.

[1] https://www.cambridgeassessment.org.uk/

[2] https://www.cambridge.org/

[3] https://www.cambridgetrust.org/ and https://www.gatescambridge.org/ and the Malaysian Commonwealth Studies Centre in Cambridge.

[4] https://www.admin.cam.ac.uk/reporter/2020-21/weekly/6617/brief-overview-2020.pdf

[5] https://www.environment.admin.cam.ac.uk/policy

[6] https://www.environment.admin.cam.ac.uk/files/carbon_reduction_strategy_2020_update.pdf

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, to the advancement of education, research and dissemination of knowledge.

Financial results for the year

The results for the Group for the year ended 31 July 2020 are summarised in Table 1:

Table 1	**2019–20**	**2018–19**	**Change**
	£m	**£m**	**%**
Income	2,075	2,192	(5)%
Expenditure*	(1,970)	(2,308)	(15)%
Surplus / (deficit) before other gains and losses and share of surplus / (deficit) of joint ventures and associates	**105**	**(116)**	191%
Share of surplus / (deficit) of joint ventures and associates	(1)	2	
Gain on disposal of fixed assets	5	–	
Gain / (loss) on investments	(22)	235	
Taxation	(2)	(4)	
Surplus for the year	**85**	**117**	(27)%
Actuarial (loss)	(157)	(208)	
Loss on deconsolidation of Trust**	–	(2)	
Gain / (loss) on foreign currency translation	(3)	2	
Total comprehensive expense for the year	**(75)**	**(91)**	17%
*Adjusted operating surplus / (deficit) for the year****	**(90)**	**16**	(662)%

* Includes the positive impact of the change in USS deficit recovery provision of £160.4m related to the 2018 valuation (2018–19: £(230.7)m).

** See Note 37 to the Accounts.

*** See Appendix 1 to the Accounts.

The Covid-19 crisis has presented significant financial challenges to the Collegiate University. In the year to 31 July 2020, the trading revenues of CUP and CA experienced a sudden and sharp reduction as much of the world went into lockdown, and while there was a gradual resumption in activity towards the end of the financial year, activity levels remained below previous years. In particular, CA experienced a reduction in revenues associated with global English language testing activity levels. The impact of Covid-19 to the Academic University's 2019–20 operating finances was relatively limited, with exceptional costs incurred in implementing support for students, staff and other stakeholders, being largely offset by reduced spend as the University went into lockdown. However, more significant impacts are anticipated through 2020–21 and beyond. To mitigate these impacts, short-term cost controls have been introduced to both operating expenditure and the capital programme, and measures have also been taken to ensure the adequacy of liquidity for the mid-term under stress-tested scenarios. The University continues to model the range of ongoing uncertainties and to plan for mitigating actions, prioritising revenue generation and cost savings with the minimum long-term impact on the University's academic potential. At the same time the University is taking the opportunity to learn from the different modes of operation that were necessary during lockdown to establish more efficient and effective ways of operating.

The underlying 2019–20 financial operating performance was satisfactory, but reflected the adverse effects of Covid-19, particularly on the trading performance of CA and CUP. Management regard the most representative measure of underlying performance to be the adjusted operating deficit for the year of £(89.6)m reflected in Appendix 1 to the Accounts. This adjusts the reported surplus for the year for unrealised fair value adjustments, the USS scheme surplus (below), capital grants and significant one-off endowments (which are to be used over an extended period), in order to provide a measure of recurrent operating surplus / deficit. An adjustment of particular note this year is the £160.4m non-cash credit to staff costs (2018–19: a charge of £(230.7)m), reflecting the reduced accounting provision for the USS scheme deficit (see Note 30). The calculation of the liability for the obligation to fund the USS deficit uses a HEI-sector-standard model and reflects the USS March 2018 valuation.

Total income fell year-on-year with a decline of 5% compared to 2018–19, driven by the impact of Covid-19 on CA and CUP trading activities, research activities and lower donations and endowment income. Despite the overall year-on-year decline in donations and endowment income, total donations raised to date by the *Dear World, Yours Cambridge* campaign increased by £0.1bn in the year and have reached £1.7bn. The Cambridge University Endowment Fund (CUEF) delivered another year of stable performance achieving a return of 3.8% for the year ended 30 June 2020 in a challenging market, characterised by the uncertainties resulting from Covid-19.

Investment by the University in its capital infrastructure continued during 2019–20 with £204.3m (2018–19: £202.9m) invested in fixed assets, software and investment property over the period. Whilst the capital programme experienced initial delays on certain larger capital projects resulting from the impact of Covid-19, the overall investment programme activity has improved over recent months and remains largely on track.

Reported surplus for the year

The statement of comprehensive income reflects a surplus for the year of £84.7m (2018–19: £117.3m). This includes a high proportion of income competitively won each year for teaching and research activities (requiring cross-subsidisation from other activities), donations for permanent endowment / capital purposes, contributions from CA and CUP trading activities (used by the University towards capital expenditure in the academic estate), and the £160.4m credit to staff costs for the reduced accounting provision for the USS scheme deficit based on the 2018 USS valuation (see Note 30). The surplus is £32.6m lower than last year, primarily reflecting a fall in trading income at CA and CUP, an increase in the fair value adjustment (charged through finance costs) on the revaluation of the CPI-linked bond of £98.8m (2018–19: £51.5m) and a total net loss on investments of £(22.3)m (2018–19: £235.1m). The value of invested assets is inherently volatile and will fluctuate significantly year-on-year. Whilst the University's investments in the CUEF reflected a downward revaluation of £(35.3m), unrealised net gains in respect of the University's growing investment property portfolio (see Note 23) generated a net revaluation gain of £8.8m and other investments contributed a further £4.2m of unrealised gains for the year.

Total comprehensive expense for the year

The Group incurred a total comprehensive expense for the year of £(74.9)m (2018–19: £(90.9)m) which includes actuarial losses on the non-USS pension schemes of £(156.8)m (2018–19: £(208.2)m), the loss on total investments of £(22.3)m, the finance charge associated with the revaluation of the CPI-linked bond of £(98.8)m and losses on foreign currency translation of overseas subsidiary undertakings of £(2.8)m. These adverse impacts are partly offset by the USS deficit recovery credit of £160.4m. The CPI-linked bond is required to be re-measured to fair value at each consecutive reporting date (see Note 29) and the fair value adjustment recognised through finance costs.

The unrealised gains or losses on investments, fair value adjustment of the CPI-linked bond, and actuarial gains and losses on pension schemes will all continue to fluctuate from year to year over time. These effects are demonstrated in the historical trend data (see Appendix 1). The University considers the best measure of underlying recurrent operating performance to be the adjusted operating surplus / (deficit) for the year, being the surplus for the year adjusted for the gain on investments, CPI-linked bond fair value adjustment, change in USS pension deficit recovery provision and before capital grants and significant one-off endowments. The Group incurred an adjusted operating deficit in the year, as the deficit on core teaching and research activities exceeded the lower surpluses from CA and CUP trading activities in the consolidated accounts. The Academic University's operating cash flows are also supported by the element of CUEF distributions funded from long-term capital growth.

Segmental analysis

The consolidated position comprises three main segments: (i) core academic activities, Trusts and subsidiary activities of the University; (ii) the assessment activities carried out by CA; and (iii) the publishing activities carried out by CUP. Within the Group there are a number of intra-group transactions, principally the financial and other support from CA and CUP for the University's academic activities. Table 2 gives segmental information, which is considered in further detail in Note 19 to the Accounts.

Table 2	**Total income 2020 £m**	**Expenditure 2020 £m**	**Share of operating deficit in joint ventures and associates 2020 £m**	**Investment loss (including disposal of fixed assets) 2020 £m**	**Tax 2020 £m**	**Surplus for the year 2020 £m**
HEI, Trusts and others	1,579	(1,299)	–	(12)	–	268
Cambridge Assessment	404	(575)	(1)	(2)	–	(174)
Cambridge University Press	327	(331)	–	(3)	(2)	(9)
	2,310	(2,205)	(1)	(17)	(2)	85
Financial support to the University from Cambridge Assessment*	(45)	45	–	–	–	–
Transfer of CUEF units from Cambridge Assessment to the University	(178)	178	–	–	–	–
Financial support to the University from Cambridge University Press	(2)	2	–	–	–	–
Transfer of CUEF units from Cambridge University Press to the University	(10)	10	–	–	–	–
As per the reported financial statements	2,075	(1,970)	(1)	(17)	(2)	85
Adjustment to reflect the element of CUEF distributions funded out of long-term capital growth						
HEI, Trusts and others	98	–	–	(98)	–	–
Cambridge Assessment	5	–	–	(5)	–	–
Cambridge University Press	1	–	–	(1)	–	–
To restate onto a distribution basis	104	–	–	(104)	–	–
Adjusted distribution basis	2,179	(1,970)	(1)	(121)	(2)	85

* *Includes a special one-off contribution of £30m.*

Table 2 (continued)	Total income 2019 £m	Expenditure 2019 £m	Share of operating surplus in joint ventures and associates 2019 £m	Investment gains (including disposal of fixed assets) 2019 £m	Tax 2019 £m	Surplus for the year 2019 £m
HEI, Trusts and others	1,423	(1,599)	–	219	–	43
Cambridge Assessment	487	(450)	2	14	(1)	52
Cambridge University Press	342	(319)	–	2	(3)	22
	2,252	(2,368)	2	235	(4)	117
Financial support to the University from Cambridge Assessment	(29)	29	–	–	–	–
Transfer of assets from Cambridge Assessment to the University	(23)	23	–	–	–	–
Financial support to the University from Cambridge University Press	(8)	8	–	–	–	–
As per the reported financial statements	2,192	(2,308)	2	235	(4)	117
Adjustment to reflect the element of CUEF distributions funded out of long-term capital growth						
HEI, Trusts and others	81	–	–	(81)	–	–
Cambridge Assessment	8	–	–	(8)	–	–
Cambridge University Press	1	–	–	(1)	–	–
To restate onto a distribution basis	90	–	–	(90)	–	–
Adjusted distribution basis	2,282	(2,308)	2	145	(4)	117

Income

The Group's income decreased by £117.1m (down 5%) from £2,192.0m to £2,074.9m. The Group has diversified sources of revenue providing operational stability and resilience with a compound growth of 5.8% since 2012. Apart from tuition fees and education contracts, funding body grants and other income, the other categories of income decreased in 2019–20 with Covid-19 being the most significant contributing factor:

- Sponsors of research projects continue to be the single largest source of income for the University. Research grants and contracts activity decreased revenues by some 2% to £579.4m compared to 2018–19 levels. The areas of greatest decline include funding from Research Councils which decreased by 12% to £190.1m and funding from the European Commission which decreased by 14% to £52.1m (although a significant part of the decline related to the inability to carry out some research projects during lockdown rather than a structural decline).
- Combined revenues from CA and CUP represent the largest source of Group income, and in aggregate totalled £695.1m (2018–19: £812.5m) which amounts to 34% of total revenues for the year.
- Tuition fees and education contracts totalled £334.5m, up by 4%, principally due to an increase in student numbers and increases in non-regulated fee rates.
- Funding body grants from the Office for Students (OfS) and Research England increased by 13% to £204.7m. Funding from research and teaching revenue grants showed an increase of 10% whilst capital grant funding generated the highest increase (up 34%).
- Other income of £154.2m increased by 16%, despite certain income streams such as residential, conference and catering revenues and those for other services rendered reducing as a result of Covid-19. Government grants contributed to the improvement with the furlough scheme providing additional income.
- Donations and endowments received were £85.4m (2018–19: £111.4m), with the prior year benefitting from the largest tranche of the substantial Harding donation.
- Investment income is an important component of the University's funding mix generated by the Group's financial investments, in particular the CUEF and on a more *ad hoc* basis, equity realisations raised by seedcorn investments held through the University's subsidiary, Cambridge Enterprise. Investment income decreased from £40.2m to £21.6m in 2019–20, reflecting income generated in 2018–19 by a significant equity realisation which has not been replicated in the current year. The CUEF's distribution (available for spending on operations) exceeded the income received in the year from its underlying investments by £103.9m. On a 'distribution basis', investment income was £125.5m.

Examination and assessment services are carried out by CA through its three exam boards: Cambridge Assessment English,[7] Cambridge Assessment International Education,[8] and Oxford Cambridge and RSA Examinations (OCR).[9] CA's international businesses now account for some 75% of income. Total examination and assessment income in the year to 31 July 2020 decreased by 21% to £377.4m as noted above.

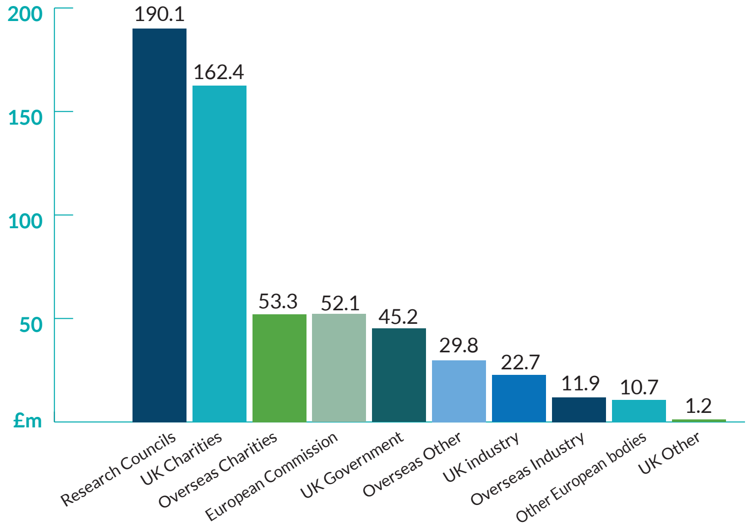
Overall publishing income from publishing services in the period fell by 5% to £317.7m due to the impact of Covid-19. Publishing service revenue incorporates CUP's income from the sales of educational and scholarly books, e-books, journals, applications and related services through its three publishing groups: Academic (research books, advanced learning materials and reference content as well as journals); Cambridge English Language Teaching (materials for both adults and students); and Education (teaching materials for schools and advice on educational reform). Around 90% of CUP sales arise outside the United Kingdom.

Research

The Group's 2019–20 research income fell to £579.4m from £592.4m in the previous year, with the single largest contribution received from Research Councils' grants of £190.1m. Research income from sources other than UK Research Councils was £389.3m. Of this, £162.4m came from UK-based charities, £157.8m from overseas and EU sources and £69.1m from other UK sources. These figures recognise further tranches of a major research donation from the estate of Ray Dolby, in support of the new Cavendish III facilities, where construction is well underway.

The University receives recurrent funding from the UK government in the form of grants for teaching, research and other activities. In 2019–20, the University was also allocated £127.0m of Quality-Related (QR) funding, representing 7.5% of the overall grant award for England.

Analysis of research income by sponsor



Donations

The University receives benefactions and donations from a variety of sources including trusts and foundations, corporations and individuals (both alumni and non-alumni). The total given for donations and endowment income recognises all new endowments, donations for capital in respect of heritage assets, and other restricted and unrestricted donations available for current spend.

In aggregate over the year ended 31 July 2020, donations and endowment income totalled £85.4m (2018–19: £111.4m), of which £7.2m was of a capital nature (i.e. donations for fixed assets and heritage assets) (2018–19: £1.2m).

The Academic University continues to see increasing benefits from the dedicated team of development professionals, working in alignment with the University's priorities in raising endowment and investing in cutting-edge research, scholarships and facilities. In 2019–20, the £2bn *Dear World, Yours Cambridge* Campaign for the University and Colleges raised £118m. The campaign total currently stands at £1.73bn in commitments. Looking at international competitors' philanthropy programmes, the University remains positive about the further potential to grow donations, with enhanced alignment to academic priorities.

The Group receives and generates significant other income including: property rentals, contributions from health and hospital authorities, residences and catering, and income from intellectual property managed primarily through Cambridge Enterprise Limited. Total other income increased by 16% to £154.2m (2018–19: £133.4m) as noted above.

[7] https://www.cambridgeenglish.org/

[8] https://www.cambridgeinternational.org/

[9] https://www.ocr.org.uk/

Investment income

The Cambridge University Endowment Fund (CUEF)[10] is an investment vehicle which enables the University to pool assets held on trust and invest them for the very long term, gaining from scale, diversification and professional management. The CUEF is managed by Cambridge Investment Management Limited under investment and distribution policies set by the Council on the advice of its Investment Board. The CUEF is open to the University and to the Colleges and charitable trusts associated with the University. At 31 July 2020, there were 13 College investors. The CUEF aims to preserve and grow the value of the perpetuity capital of its investors, while providing a sustainable income stream. The University's long-term investment objective is to generate an average 5.0% return over the Consumer Price Index (CPI), while judiciously managing the risk taken by utilising diversification in investment strategies, asset classes and managers. The distribution policy is based on underlying capital values, ensuring the distribution is directly linked to the performance of the Fund. At 31 July 2020, the net asset value of the CUEF was £3,259m. On a 'distribution basis', 2019–20 investment income to the University was £125.5m.

The CUEF reports its performance to 30 June 2020. During the year ended 30 June 2020, the CUEF had an investment return of 3.8% (2018–19: 4.7%). The Fund has returned an annualised 8.4% return over a rolling five-year period. This exceeds the long-term investment objective over this period of 7.84% annualised. The value of the CUEF at 30 June 2020 was £3,313m (2018–19: £3,401m) of which £3,040m (2018–19: £3,020m) is attributable to the Group.

Public equities comprise 46% of the CUEF as at 30 June 2020 and have been the main driver of returns in both the long and short term. Investments in private equity have also begun to make a significant impact and are likely to be increased in the future, mindful of investor liquidity requirements. Exposure to credit strategies has evolved over time and will continue to do so as opportunities arise.

Climate change requires urgent attention, but is a complex issue in relation to endowed assets, demanding thoughtful and careful treatment, to allow the CUEF to continue to support Cambridge in the pursuit of its academic mission, whilst acknowledging the myriad risks of a changing climate and positioning the portfolio for a carbon-neutral future. The University is committed to achieving a phased transition to a carbon-neutral investment portfolio (net zero) as quickly as possible, with ongoing active engagement with our fund managers and in a manner consistent with the CUEF's successful investment model. Net zero refers to the Investment Office's commitment to the principle of achieving net zero anthropogenic greenhouse gas emissions by mid-century, as called for in the Paris Agreement and supported by the University through Cambridge Zero, among other initiatives.

The University considers its three-pronged strategy of *investing*, *engaging* and *transparent reporting* is the best way to leverage the capital and influence of the University and the CUEF to reduce emissions in the economy and drive towards a carbon neutral future. The University's *investing* strategy includes zero fossil fuel exposure in direct holdings, a continued reduction in conventional energy exposure, a phased transition to renewable energy and selecting fossil-free options where available. The University's *engagement* strategy includes rigorous sustainability due diligence, enhanced measurement of environmental risk, enhanced portfolio monitoring, and leveraging both University-based experts and the broader investment community. Increased *transparency in reporting* to investors and stakeholders includes improved detail on the portfolio and enhanced investor access to the Investment Office team. This will also include explicit reporting on sustainability and a greater involvement with the Cambridge community.

The asset allocation and investment selection in the Fund is aimed at optimising the expected long-run total return, bearing in mind expected future volatility. The CUEF's asset allocation as at 30 June 2020 is shown below. Over the course of 2019–20, allocations to these broad asset classes saw a movement from public equity to private investment and cash.

CUEF's asset allocation as at 30 June 2020

Public equity	46%
Fixed interests / Cash	16%
Private investment	16%
Real assets	9%
Absolute returns	8%
Credit strategies	5%

Other investment assets generated investment income of £13.4m during 2019–20. Some long-term investments are held outside the CUEF. These include certain investment properties in Cambridge, other securities, and equity investments in spin-out companies overseen by the University's technology transfer company Cambridge Enterprise Limited[11] and through its holding in Cambridge Innovation Capital.[12]

The majority of the University and Group's 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 as agreed by the Finance Committee. The investments are principally short-term deposits with banks and similar institutions.

[10] https://www.cambridgeinvestmentmanagement.co.uk/

[11] https://www.enterprise.cam.ac.uk/

[12] https://www.cic.vc/

Expenditure

The Group's total expenditure in 2019–20 of £1,969.8m is £337.7m (15%) lower than in the prior year, primarily reflecting reduced staff costs due to lower USS pension provisions. Expenditure comprises: staff costs (including research) of 40%; other operating expenses of 47%; depreciation of 5%; and interest and other finance costs of 8%. The main changes compared to 2018–19 levels reflect the following:

- Staff costs reduced by 30% to £789.4m. Although the average number of staff rose by 3% to 17,621, this was more than offset by the reduced pension provision for the USS scheme deficit based on the 2018 USS valuation (see Note 30).
- Other operating expenses decreased by 4% to £932.8m, including lower grant-funded research costs.
- Depreciation decreased from £111.7m in 2018–19 to £106.8m as a result of lower project write-off costs.
- Interest payments increased from £91.2m in 2018–19 to £140.8m (up 54%). The significant element of the increase is a higher fair value adjustment related to the CPI-linked bond which resulted in a financing charge of £98.8m in the year compared to £51.5m in 2018–19.
- The ongoing annual interest charges associated with all of the University's bond liabilities is estimated at £21m p.a., although this will be impacted by changes in the Consumer Price Index as the CPI-linked bond is fair valued at each balance sheet date (see Note 17).

Cash flow and financing

After adjusting for non-cash charges such as depreciation and amortisation, the underlying net cash inflows from operating activities after taxation of £123.5m is higher than the associated surplus for the year of £84.7m reflected in the statement of comprehensive income. This mainly reflects the improvement in working capital during the year. However, against this must be set the demands of the University's strategic capital investment programme for the operational estate, equipment and IT, which in 2019–20 totalled £190.4m (2019: £181.9m).

The activities of Cambridge Assessment (CA) and Cambridge University Press (CUP) further the mission of the University in important ways and are important sources of funds for the Academic University. In the financial year to 31 July 2020, examination and assessment services produced a surplus before investment gains and before share of operating surplus in joint ventures and associates of £51.9m, while publishing services produced an £8.0m surplus in the same period. Routinely, 30% of these surpluses are transferred to the University and used towards funding capital expenditure, alongside donations, grants, and a continued draw on University unrestricted resources. In addition, this year special contributions of £218m (a combination of cash and CUEF units) have been agreed and transferred, reflecting accumulated surpluses built up by these businesses in recent years and considered surplus to their own mid-term business requirements.

The overall net cash inflow for the Group was £154.2m for the year, driven by the net cash inflows from operating activities after taxation as noted above of £123.5m. Proceeds from the net disposal of investments, capital donations received and improved financing cash flows resulting from new endowments have been largely utilised in the continued investment in the University's strategic capital investment programme.

As at 31 July 2020, the Group had outstanding bond liabilities totalling £1,087.7m.

Net assets

The following table shows the movement in Group net assets analysed into its main segments:

Table 3	**HEI, Trusts and others**	**Assessment**	**Press**	**Eliminations**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**
Net assets at 31 July 2019	4,361	697	104	(17)	5,145
Surplus / (deficit) for the year before tax	268	(174)	(7)	–	87
Taxation	–	–	(2)	–	(2)
Surplus for the year (Table 2)*	**268**	**(174)**	**(9)**	–	**85**
Actuarial loss	(120)	–	(37)	–	(157)
Gain / (loss) on currency translation	–	–	3	–	(3)
Dividend paid to non-controlling interest	–	(1)	–	–	(1)
Net assets at 31 July 2020	**4,509**	**522**	**55**	**(17)**	**5,069**

* *Net of transfers from Cambridge Assessment and Cambridge University Press of £(234.6)m.*

The Group's net assets totalled £5,069m as at 31 July 2020 (2019: £5,145m). The decrease in net assets largely reflects a decrease in the value of investments, increases in the Group's total pension liabilities and fair valuation of the 2018 CPI bond, and movements in working capital.

Fixed assets

The University has continued to deliver against its prioritised capital investment programme, focusing on maintaining and enhancing its world-class facilities and infrastructure in order to safeguard its position as a global leader in education and research. However, cash generated from the University's own activities continues to be insufficient to deliver significant elements of the programme. For this reason, philanthropy and other sources of capital funding are becoming increasingly important to the future programme's success.

In the year 2019–20, fixed asset additions were £162.5m, with capital expenditure on land and buildings of £135.5m, and further expenditure of £27.0m on equipment. The University continues to project a reduction of annual capital spend to more sustainable mid-term levels as it completes the extensive capital programme of the last few years.

Investment of £155.7m was made in the academic estate across a wide range of building projects, with significant expenditure on the new Cavendish III national laboratory facilities and the Shared Facilities Hub based on the West Cambridge site, the Heart and Lung Research Institute and the MRC Toxicology Unit Building on Tennis Court Road.

On the wider front, the University's estates strategy is reshaping the City. Focused on the major campus areas of West and North West Cambridge, the Biomedical Campus and the City Centre, the estates strategy is supporting both continued academic excellence and the development of housing, transport, and childcare facilities, for staff and their families. The University continues to develop its site at Eddington (formerly North West Cambridge), contributing attractive yet affordable housing solutions for key workers and postdoctoral staff. Phase 1 is essentially complete and provides University housing for letting to staff, market housing for sale and let, a primary school, supermarket, retail units and further sites for research. Phase 1 generated a rental income stream of £7.2m in 2019–20 in accordance with the rental model agreed with Cambridge City Council, providing a level of subsidy from market rates. Work continues to optimise the plans for a second phase of development at Eddington to consolidate on the University's strategic investment in the future success and value of this exciting new quarter of the City of Cambridge.

Pension schemes

The costs and risks of the pension schemes to which the Group is exposed remain of heightened concern, in particular in relation to the Universities Superannuation Scheme (USS).[13] The USS is a multi-employer scheme and Note 30 to the Accounts describes how the scheme is reflected in these statements. The actuarial valuation as at 31 March 2018 reflects a shortfall of £3.6bn, which represents a material decrease in the scheme deficit compared to the 2017 valuation. As a result, a new deficit recovery plan has been agreed which has materially reduced the Group's liability under the scheme. For the purposes of the financial statements, the calculation of the liability for the obligation to fund the USS deficit uses the modeller shared by the British Universities Finance Directors Group for the Higher Education sector. This calculation reflects the Schedule of Contributions put in place in September 2019 following the finalisation of the USS March 2018 valuation, as updated for current discount rate information. The 2020 USS valuation is still underway but early indications are that there will be a significant increase in the USS deficit liability which is likely to be recognised in 2020–21 (see Note 43).

The Group has three other major schemes: the Cambridge University Assistants' Contributory Pension Scheme (CPS)[14] for assistant staff and two defined benefit schemes for staff of the Cambridge University Press. The CPS is a hybrid-defined benefit scheme with a defined contribution component. The scheme remains open to new joiners and future accrual. While the triennial valuation of the CPS at 31 July 2018 has shown a significantly improved position, the Group continues to make deficit-recovery contributions to the scheme of £14.6m p.a.

The Cambridge University Press defined benefit schemes are closed to new joiners and, following the triennial valuation of the two UK schemes as at 1 January 2019, are subject to a recovery plan projecting an aggregate deficit contribution of £12.6m to be funded by 30 April 2024. As at 31 July 2020, £10.5m of the deficit contribution remains to be funded.

Because of the mutual nature of the USS scheme, the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by FRS 102, the University therefore only recognises a balance sheet liability in respect of future contributions arising from the agreed Recovery Plan which determines how each employer within the scheme will fund the most recently calculated overall deficit. Based on the 2018 actuarial valuation and therefore market conditions at that time, this liability, reflecting the revised deficit recovery plan agreement, has decreased by £161.6m, to £185.9m as at 31 July 2020 (2019: £347.5m), as market conditions applicable to the 2018 valuation were more favourable than for the 2017 valuation.

The CPS and the Cambridge University Press UK schemes (being single-employer schemes) are included in the financial statements following FRS 102. The associated net pension liability as at 31 July 2020 which represents the present value of the schemes' obligations to provide future benefits in relation to past service less the market valuation of schemes assets, has increased to £917.1m (2018–19: £741.4m), of which £140.1m relates to the Cambridge University Press UK schemes, as market conditions were less favourable in July 2020 than for the prior year. Finally, there is a modest net pension liability recognised in 2019–20 of £0.7m in respect of other pension schemes, including the Cambridge University Press US schemes and the Local Government Pension Scheme for staff who are employed through the University's primary school. Pensions are discussed further in Note 36 to the Accounts.

The Group's current service costs and deficit-recovery contributions as reflected through staff costs in the year 2019–20 were £14.0m, which includes the non-cash credit of £160.4m reflecting the change in underlying assumptions in calculating the USS accounting provision noted above. It is recognised that forward employer contributions will increase in the medium term. While the University faces pressure on its pension schemes' costs and risks (in particular, on the USS) and on staff costs more generally given the pay restraint of recent years, it is relatively well positioned in the sector to handle these potential challenges in the short term through the reprioritisation of funds.

[13] https://www.pensions.admin.cam.ac.uk/uss and https://www.uss.co.uk/

[14] https://www.pensions.admin.cam.ac.uk/cps

Long-term borrowings

In 2012, the University issued £350m of 3.75% unsecured bonds due in October 2052. The bonds are listed on the London Stock Exchange. The net proceeds of the issue (£342m) were applied in the University's investment in the Eddington development.

In 2018, the University secured additional external finance, providing the University with options to further develop its non-operational estate (i.e. projects outside those directly enabling core academic teaching and research activities). The University raised £600m in unsecured external finance through two tranches:

- £300m 60-year (2078) bullet repayment fixed-rate bond at coupon 2.35% p.a.
- £300m 50-year (2068) CPI-linked bond at coupon 0.25% p.a., amortising from year 10 and capped at 3% and floored at 0%.

Over time, proceeds from the bonds will provide added flexibility in the continuing support of the University's academic mission and student interest through the development of income-generating projects in the non-operational estate, including further strategic housing. Such income-generating projects are of high strategic importance: they deliver significant indirect benefits essential to the University's primary mission, while also addressing the critically important housing challenge, providing alternative income streams at a time of significant financial volatility.

The Group's net debt as at 31 July 2020 was £(32.2)m (see Note 42). However, this includes the non-cash fair value re-measurement of the CPI-linked bond at the balance sheet date of £98.8m. This will move year on year depending on volatility in the bond markets, so a more reflective position of the Group's underlying net debt is adjusted net cash of £66.6m.

Financial outlook

The University is confident in its long-term financial sustainability and is well placed to respond to the challenges presented by the Covid-19 crisis. The University seeks to manage its sources of revenue effectively and its costs efficiently, in order to generate the long-term cash flow needed to ensure it maintains a pre-eminent position amongst the world's leading universities.

The University's single largest source of funding – income from research grants and contracts – is projected to be stable, despite the twin uncertainties for research funding resulting from the consequences of Covid-19 and future European research funding following Brexit. Fee income is expected to increase in line with a long-term upward trend in postgraduate student numbers, although this could be offset in the short to medium-term by travel restrictions on international students as a result of Covid-19.

While materially improved compared to the period of global lockdown, revenues at CA and CUP remain at depressed levels in comparison to the pre-Covid-19 period, and their trajectory in 2020–21 will depend on, amongst other things, the impact on customers of any further waves of virus infection and the overall impact of Covid-19 on the global economy. The Covid-19 crisis has also accelerated the transition to digital services. CA and CUP both benefitted from investments previously made to serve customers digitally in an effective manner over the crisis, and both have accelerated their digital product design, development and implementation. Furthermore, greater strategic alignment, more joint investment between CA and CUP, and closer working with the Academic University are already starting to yield benefits, and these are expected to increase with the adoption of a single strategy between CA and CUP and the development of digital learning jointly with the Academic University.

The long-term growth objective for the CUEF remains at 5.0% + CPI. However, medium-term investment returns are likely to be subject to the greater volatility of world markets until the fears and uncertainty resulting from the pandemic are eased.

Principal risks and uncertainties

These are particularly uncertain times for both the global economy and the Higher Education sector. As the University's principal executive body, the University Council takes primary responsibility for ensuring the University has an effective and balanced enterprise risk management framework in place. Business risk management is at the core of the University's overall system of internal controls and is designed to focus on and mitigate, to every extent possible, the most significant risk events that might adversely or beneficially affect the University's ability to achieve its policies, aims and objectives.

The University is committed to ensuring that it has a robust and comprehensive system of risk management in line with the requirements of the Office for Students, and follows good practice in considering risk appetite in the context of the University's academic mission, seeking to ensure an appropriate balance between risk aversion and opportunity capture. The business risk management approach identifies and appraises risks and opportunities in a systematic manner and is integrated and embedded with the University's planning, investment decision-making and operational management processes. Accountability and responsibility for risk mitigation is assigned to management across the devolved organisation. Managers are encouraged to implement good risk management practice across the University. The University makes conservative and prudent disclosure of the financial and non-financial implications of risks.

The University has a risk management framework and policy, which applies throughout the University, apart from CUP and CA which have their own policies and procedures for risk management. The framework is designed to allow the senior leadership team to consider the University's key risks in a meaningful way and within the context of the University's evolving priorities, prior to scrutiny and approval of the University Risk Register through the Audit Committee and Council.

The senior leadership team is responsible for identifying and managing risks across the University's activities. The Council receives reports on the University's risks at least biannually, and seeks assurances over risk management and controls from individuals identified as accountable for risks. The Council has delegated to the Audit Committee the responsibility for reviewing the University's risk management processes to ensure that they are adequate and effective. The Audit Committee considers risk management as a standing item in its meetings to ensure routine monitoring, and will report to the Council on internal controls and alert the Council to any emerging issues as necessary. The Audit Committee also receives an annual opinion from the internal auditors on the adequacy and effectiveness of the University's arrangements for risk management, control, governance and Value for Money, and provides assurance to Council on the adequacy and effectiveness of the University's arrangements for risk management.

In parallel to the risk management framework, the University's senior leadership team have identified a set of University risks. The University Risk Register identifies those risks that are considered to have a fundamental impact on the University's ability to deliver its mission or to operate effectively. The principal risks and uncertainties of the University are broadly consistent year on year, but also reflect the potential consequences of the Covid-19 pandemic in addition to its long-term ability to maintain and develop its research funding, attract the best staff and students, and maintain, refresh and renew its physical facilities. The activities of CA and CUP are subject to the pressures of international competition. CA and CUP balance the need to reinvest sufficient of their operating surplus to thrive with the need to support the University's core academic activities wherever possible.

The University remains comparatively well positioned in the sector to deal with financial risks. Revenue streams are well diversified, both in terms of revenue line and geographically. The fact that the University does not seek to 'profit maximise' means that there are additional sources of revenue open that it has chosen not to maximise. These sources of revenue provide significant resilience, as does the strong and liquid balance sheet, enabling the University to manage the unexpected over the short term, and time to make the necessary operating adjustments.

Key strategic risk areas identified include:

Risk area	*Responses and actions*
Reputational and financial impact through failure to meet OfS and other stakeholder expectations for widening student access; student dissatisfaction in the quality of their educational experience; failure to recruit the very best undergraduate and postgraduate students; failure to ensure that educational facilities are of an acceptable standard for a world-class educational institution.	– Implementation of the actions committed to in the University's agreed Access and Participation Plan (2020–21 to 2024–25). – Full engagement with Colleges which are responsible for undergraduate admissions. – Fundamental review of widening participation expenditure and development of new initiatives. – Delivery and further development of the Student Support Initiative. – Student Recruitment Strategy. – Review of curricula and methods of teaching and examination. – Launch of the Education Framework.
The Covid-19 pandemic may have a significant financial impact on the University's finances via the potential effect on international student numbers, levels of research grants, the mid-term trading performance of Cambridge Assessment and Cambridge University Press and levels of future pension contributions.	– Utilise, as appropriate, available government schemes, e.g. the Furlough Scheme, and work closely with the HE sector to make the case to the UK government on the need to provide support if necessary to underpin the research infrastructure of UK Universities. – Control and reduce payroll costs by implementing recruitment restraints. – Secure efficiencies in procurement across the University. – Secure efficiencies in administration by rethinking the delivery and organisation of professional services across the whole University. – Secure efficiencies by improved space management and utilisation. – Accelerate use of digital capabilities both to broaden revenues and operate more efficiently.
Changes to government policy particularly resulting from increased pressures post the Covid-19 pandemic lead to further cuts in financial support and provision for education.	– The University continues to engage with government directly and through the HE sector to influence policy in support of its education and research mission. The University also continues to diversify its income sources. – The University continues to ensure REF preparedness across the University to maintain QR income and leverage opportunities provided by the REF. – The College dimension of education provision is distinctive and successful, but it is costly to deliver. The University continues to review ways of controlling costs, seeking value-for-money gains, and opportunities to develop the mix of students over time, while maintaining the highest quality of education and without compromising on admission standards. – The University will continue to develop strategic relationships with research funders, including Research Councils and industrial partners, working with funders to assess the impact of Covid-19 on existing grant funding, including charities, Research Councils and industrial funders.

Risk area	*Responses and actions*
Brexit outcomes restrict access to movement and funding of EU students and staff. Reduced access to current levels of EU Research income. Wider economic downturn impacts future sources of revenue and availability of indirect labour and materials, disrupting the capital expenditure programme. Areas of high risk are: EU research funding, immigration costs, staff counselling, EU student recruitment, student funding, and communications.	– The ongoing uncertainties and likely direct and indirect human and financial consequences of the UK's exit from the EU are of significant concern. The University and the HE sector continue to engage with government on all Brexit issues. – The University's strategic and operational-level Brexit working groups continue to review and develop plans to ensure that the University maintains and enhances its position as the external environment changes. The University agreed interim measures to support meeting immigration costs for existing European Economic Area (EEA) staff. – Loss of European Research Council (ERC) funding is likely to impact on the University's ability to engage leading researchers. HM Treasury has committed to guarantee existing ERC funding commitments.
Increasingly competitive landscape for all forms of **research funding**.	– The University continues to invest significant resources in preparation for the upcoming REF21 funding round and continues to enhance the capabilities and capacity of its Research Office in support of the ongoing processes for grant application and management. – The University has a growing focus on industrial research collaboration with international partners, focusing on finding solutions to the major global challenges.
Significant downturn in financial markets leads to reduced financial strength. Combined impact of devalued long-term investments, reduced endowment distribution levels, deterioration in pension valuations (increasing contribution levels), and reduced sources of revenue and philanthropy. Suboptimal management of long-term financial sustainability leads to erosion of **financial health** with enforced curtailment of investment in the University's primary objectives (both capital and operational requirements) in support of academic teaching and research priorities, leading to an indirect loss of social value.	– The University continues to focus on the optimal management of long-term financial sustainability, including stress testing and enhanced contingency planning. – The University is actively exploring opportunities to attract new revenue streams, modernise processes to seek cost efficiencies and ensure its capital programme is fully funded ahead of new commitments being made. – Over time, more fundamental adjustments to the cost base could be made but would negatively impact on students and research. Likewise capital investment would have to be prioritised on refurbishment over investment. – The University is investing further in its Development and Alumni Relations activities. A new campaign with a target to raise £2bn across collegiate Cambridge was launched in October 2015 and has already delivered £1.7bn. This will include areas of substitutional funding. – The professionally managed CUEF has allocations across a diversified range of asset classes, sectors, styles and geographies with a broad equity focus, designed to optimise returns and be resilient over the long term.
Both CUP and CA operate in **challenging international markets where global economic conditions may adversely impact their financial performance**, reducing the funds available for reinvestment in the University's core academic mission. The University has an increasing international footprint of activities. International tax laws are narrowing the distinction between supporting activities and permanent establishments, leading to the potential for more overseas activity to become taxable.	– The University's businesses look to diversify their product offerings, develop new revenue streams and deepen existing capabilities. – A joint Board provides oversight of these businesses and has adopted an over-arching strategy to ensure they continue to thrive by exploiting business synergies and new distribution channels. – The University continues to monitor the key risks associated with its combined international activities. – The Strategic Partnerships Office coordinates functional due diligence of proposed new international activities, sharing best practice. – The University leverages specialist external taxation and legal advice in support of its core internal capabilities. – On 20 October 2020, the University announced that it will bring together its publishing and assessment operations to create a single organisation. This responds to a growing desire from learners, teachers and researchers to engage with Cambridge in a joined up digital way, and reflects the demand for innovative products that combine expertise in learning and assessment. The integration has been given impetus by rapid changes in education and research, accelerated by the rapid uptake of digital education during the pandemic.

Risk area	*Responses and actions*
Inability to attract and retain the best academics and **adequately resource professional and administrative staff** through a failure to compete with escalating levels of international reward levels, growth in the University's complexity and scale, and high costs of living and housing in the Cambridge area. In particular, there is a risk that the USS triennial revaluation leads to increased employer and employee contributions to fund a valuation deficit.	– The University continues to focus on pensions and pay as key components of a competitive employment proposition, seeking economy, efficiency and effectiveness in its operations to accommodate pay and pension inflation as necessary. – The University is also focusing on the provision of transport, nursery schooling and housing, with the Eddington development designed to ease pressures. – The USS's triennial valuation, currently under extended review, indicates an increased deficit and probable materially increased cost of provision of future defined benefits. The University continues to work with the sector to explore sustainable long-term options that might provide employers and staff with better value for money and more flexibility.
Failure to maintain adequate risk management of **Health and Safety related risks** and compliance with associated regulations across the distributed University estate and activities leads to personal injury / fatality or significant loss of facilities.	– The University has policies and procedures in place to support appropriate risk management and compliance across the organisation. However, the devolved nature of the University and diverse nature of associated direct and indirect activities represent a challenge in ensuring full assurance coverage.
Inadequate long-term **maintenance and development of the academic and non-academic estate** and supporting infrastructure.	– The University has an ambitious capital building programme and is actively sharpening the prioritisation and management of its strategic investments. – The University seeks to optimise available funding through maximising associated capital grants and philanthropic resources and by increasing net operating cash flows.
Significant **data breach**, failure to comply with GDPR, or major **information security event** (cyber security) leads to loss of confidential / commercially sensitive information or failure of IT infrastructure.	– The University has invested resources to understand its data assets and the security landscape across a devolved institution, and to enable assessment of the risks associated with loss of confidential and commercially sensitive information. – The University is developing an updated Cyber Strategy to deliver enhanced security controls across the University, noting that this is a challenge in more devolved areas of control and in an environment of increased and changing threats.

Concluding remarks

To date, the University's diversity of revenue streams and its policy of maintaining a strong and liquid balance sheet have allowed it to manage the Covid-19 crisis without taking actions that would undermine its academic capability. The crisis has however highlighted the potential volatility in the revenues at CA and CUP and redoubled our focus on delivering a regular cash operating surplus within the Academic University. The different modes of operation that were necessary to operate during lockdown have contributed to an understanding of the ways in which the University might be operated more efficiently and effectively and be able to generate additional revenues.

Anthony Odgers
Chief Financial Officer

Corporate Governance

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

2. The University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and the core values set out in the Higher Education Code of Governance, which has been provided by the Committee of University Chairs. Further information is given at paragraph 9 below.

Under the Statutes, the Governing Body of the University is the Regent House, which comprises some resident senior members of the University and the Colleges, together with the Chancellor, the High Steward, the Deputy High Steward, the Commissary and the external members of the Council. The approval of the Regent House is required for changes to the University's *Statutes and Ordinances* and for any other matter for which in Statute or Ordinance the University's approval must be obtained; the Council and the General Board may also decide to seek the Regent House's approval on questions of policy which are considered likely to be controversial. 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 paragraphs 4 and 7 below). The Statutes provide for the appointment of a Deputy Chair 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 for the academic and educational policy of the University. The Annual Reports of the Council and the General Board are published on the University's website and are submitted to the Regent House for comment and approval.

3. The University is an exempt charity and is subject to regulation by the Office for Students (OfS). 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 Finance Committee, the Audit Committee, the Planning and Resources Committee, the Human Resources Committee, the Remuneration Committee, and the Committee on Benefactions and External and Legal Affairs. 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. The Audit Committee, which has a majority of external members, governs the work of the Internal and External Auditors, reporting on these matters directly to the Council. In addition, the Audit Committee reviews the University's risk management processes to ensure that they are adequate and effective. The Planning and Resources Committee (PRC) and the Human Resources Committee (HRC) are joint committees of the Council and the General Board. PRC's responsibilities include the preparation of the University's budget. The HRC advises the Council on matters concerning equality and diversity and equal and gender pay, providing an annual equality monitoring report, and on the policy framework governing staff-related matters, including the University's policy on public disclosure (whistle-blowing). The Remuneration Committee is chaired by an external member of the Council and approves market pay cases, incentives schemes and severance pay cases for senior staff as well as payments to external members of University bodies and committees. It provides advice to the Council on remuneration (including on compliance with the Higher Education Senior Staff Remuneration Code), succession planning and diversity as appropriate and reviews the University's public disclosures relating to remuneration. The Committee on Benefactions and External and Legal Affairs (CBELA) considers matters likely to have an impact on the reputation of the University, including advising the Vice-Chancellor on the acceptability of donations. The West and North West Cambridge Estates Board reports to the Council on its oversight of the development of two key University sites. In September 2020, the Council published a Report proposing the establishment of a Property Board, which if approved would take over the responsibilities of the Board under the oversight of the Finance Committee. The Press and Assessment Board advises the Council on matters concerning Cambridge University Press and Cambridge Assessment.

5. Under the terms of the OfS' Terms and Conditions of funding for higher education institutions and the Terms and Conditions of the Research England grant between the University and the OfS, 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; to keep under review the University's financial position and to make a report thereon to the University at least once in each year; to recommend bankers for appointment by the Regent House; and to prepare and publish the annual accounts of the University in accordance with UK-applicable accounting standards such that the accounts give a true and fair view of the state of affairs of the University.

7. It is the duty of the Audit Committee to keep under review the University's risk management strategy and implementation; to keep under review the effectiveness of the University's internal systems of financial and other controls and governance; 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 itself that satisfactory arrangements are adopted throughout the University for promoting Value for Money (economy, efficiency and effectiveness); to monitor the University's management and quality assurance of data submitted to the OfS and other bodies; to establish appropriate performance measures and to monitor the effectiveness of external and internal audit; to monitor incidences of fraud and other irregularities and their reporting to the OfS as appropriate; to make an annual report to the Council, the Vice-Chancellor and to the OfS; and to receive reports from the OfS and other authorities. 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.

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. All members of the Council were routinely asked to self-certify against the OfS indicators of a 'fit and proper person' at the beginning of their tenure as trustees.

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 the voluntary Higher Education Code of Governance as revised in September 2020 by the Committee of University Chairs, except to the extent that its model of governance differs in a number of ways from the model found at most other universities. The principal differences are that 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.

Members of the Council and the charity trustees during the year ended 31 July 2020

Position	Name
The Chancellor:	Lord Sainsbury of Turville
The Vice-Chancellor:	Professor Stephen Toope
Heads of Colleges:	Professor Dame Madeleine Atkins (from 2 August 2019) Dr Anthony Freeling Professor Christopher Kelly The Reverend Dr Jeremy Morris Professor Michael Proctor (until 1 August 2019)
Professors and Readers:	Professor Nick Gay Professor Fiona Karet Professor Richard Penty Dr Jason Scott-Warren
Members of the Regent House:	Dr Sam Ainsworth (until 5 November 2019) Dr Ruth Charles Dr Stephen Cowley Dr Jennifer Hirst Dr Nicholas Holmes Dr Philip Knox (from 28 February 2020) Dr Andrew Sanchez Dr Mark Wormald Ms Jocelyn Wyburd
Student members:	Mr Alessandro Ceccarelli (until 30 June 2020) Ms Poppy Cockburn (until 30 June 2020) Ms Aastha Dahal (from 1 July 2020) Mr Ben Margolis (from 1 July 2020) Mr Edward Parker Humphreys (until 30 June 2020) Mr Freddie Poser (from 1 July 2020)
External members:	Ms Gaenor Bagley (from 1 January 2020) Ms Sharon Flood Professor Sir David Greenaway Mr Mark Lewisohn Ms Sara Weller (until 31 December 2019)

The Chancellor, external members, student members, Professor Atkins (from 2 August 2019), Dr Freeling, Dr Morris, Professor Proctor (until 1 August 2019), and Dr Wormald are not employees of the University. The other members of the Council are employees of the University. No member of the Council receives payment for serving as a member of the Council.

Statement of 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 Office for Students' (OfS) Terms and Conditions of funding for higher education institutions and the Terms and Conditions of the Research England grant.

2. 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 on an ongoing basis. 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. A risk management process guided by a framework and policy was in place for the year ended 31 July 2020 and up to the date of approval for the financial statements. The process is in accordance with OfS guidance.

4. The Council is responsible for ensuring that a sound system of internal control is maintained. The following principles of internal control have been established and applied as described below:

(*a*) The Council receives periodic reports from the Chair of the Audit Committee concerning internal control and risk management, together with the minutes of all meetings of the Audit Committee.

(*b*) The Audit Committee reviews the University's policy against bribery and corruption on an annual basis.

(*c*) The Audit Committee receives regular reports from the University's internal auditors, Deloitte LLP, 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.

(*d*) The Council has delegated to the Audit Committee the responsibility for reviewing the University's risk management processes to ensure that they are adequate and effective. Risk management is a standing item on the Audit Committee agenda and is the driving element in the design of the annual internal audit programme of work.

(*e*) The Audit Committee's annual report (which is submitted to Council) sets out how risks are identified and evaluated, how risk management is embedded in ongoing operations and reviews the effectiveness of the risk management framework. The annual report also considers the University's arrangements for the prevention and detection of corruption, fraud, bribery and other irregularities.

(*f*) The University's senior leadership team is responsible for identifying and managing risks across the University's activities, within the context of the University's priorities and objectives. The review of risks encompasses business, operational, compliance, financial and reputational risks.

(*g*) All identified risks are evaluated using a common framework for scoring that considers both the likelihood and impact of risks becoming a reality. The scoring guidance for evaluating risks prompts risk owners to consider the following categories of impact: finance, compliance, safety, service delivery (operational), reputation and people.

(*h*) The risk management framework applies across the University's institutions, with further guidance and information provided to those who own or manage University, School, Faculty or Departmental risks (primarily through web-based resources and training). Risk assessment underpins the University's programme of internal audit work and is embedded as part of the University's annual planning processes.

(*i*) The University's Risk Register identifies those risks that are considered to have a fundamental impact on the University's ability to deliver its mission or to operate effectively. The risk register is considered and formally approved by the Council at least annually, enabling it to receive direct updates on the evaluation and management of risks.

5. The Council is also responsible for reviewing the effectiveness of the system of internal control. The Council's review of the effectiveness of the system of internal control is informed by:

(*a*) the work of the University's internal auditors, Deloitte LLP, as reported to the Council through the Chair of the Audit Committee, the Audit Committee's annual report and the minutes of all meetings of the Audit Committee;

(*b*) 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

(*c*) comments made by the external auditors in their management letter and other reports.

6. No significant control weaknesses or failures were identified during the 2019–20 financial year, or up to the date of approval of the financial statements.

Statement of the Responsibilities of the Council

Under the University's *Statutes and Ordinances* it is the duty of the Council to prepare and to publish the annual accounts of the University in accordance with UK applicable accounting standards such that the accounts give a true and fair view of the state of affairs of the University.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University.

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*, the Terms and conditions of funding for higher education institutions, the Terms and conditions of the Research England grant, and the funding agreement with the National College for Teaching and Leadership; and

(*f*) safe-guard 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 (the 'University')

Report on the audit of the financial statements

Opinion

In our opinion, the University of Cambridge's group financial statements and university financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2020 and of the Group's and University's income and expenditure, gains and losses, changes in reserves and the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been properly prepared in accordance with the requirements of the Office for Students' Accounts Direction (OfS 2019.41).

We have audited the financial statements, included within the Reports and Financial Statements (the "Annual Report"), which comprise: the Consolidated and University statement of financial position as at 31 July 2020; the Consolidated and University statement of comprehensive income, the Consolidated and University statement of changes in reserves; the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

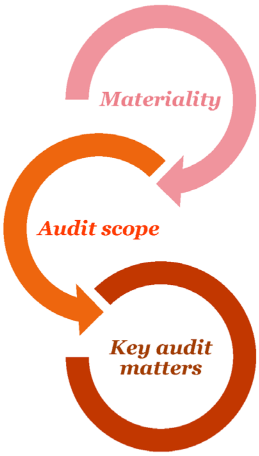
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the University.

Other than those disclosed in note 15 to the financial statements, we have provided no non-audit services to the Group or the University in the period from 1 August 2019 to 31 July 2020.

Our audit approach

Overview



– Overall Group materiality: £20.7 million (2019: £21.9 million), based on 1% of total income.
– Overall University materiality: £19.6 million (2019: £20.4 million), based on 1% of total income.

– The scope of our work covered the Academic University, Cambridge Assessment, Cambridge University Press and the Cambridge University Endowment Fund.
– We conducted a full scope of audit of each of the above components.
– These audit procedures covered 91% of the Group's income and 98% of the Group's total assets.

– Valuation of endowment fund (CUEF) investments.
– Valuation of investment properties.
– Valuation of pension schemes.
– Impact of COVID-19.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Office for Students' regulatory framework, including the terms and conditions of funding, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Office of Students' Accounts Direction and tax regulations. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to increase income and management bias in accounting estimates. Audit procedures performed by the group engagement team and/or component auditors included:

- discussion with management, internal legal counsel and review of internal audit reports, including consideration of known or suspected instances of non-compliance with laws and regulations, and fraud;
- reviewing correspondence between the University and the Office for Students in relation to compliance with laws and regulations;
- challenging assumptions and judgements made by management in their significant accounting estimates and judgements, in particular in relation to the valuation of investment properties and pension scheme liabilities;
- identifying and testing journal entries that increase income, in particular journal entries posted with unusual account combinations or posted by members of senior management with a financial reporting oversight role;
- incorporation of an element of unpredictability in the audit; and
- performing department visits.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation of endowment fund (CUEF) investments Refer to note 23a (Non-current investments – other investments), note 26 (current asset investments) and note 12 (Investment income). As explained in note 12, the CUEF is a unitised fund constituted by Trust Deed with the University as sole trustee holding the property of the CUEF on trust for unit holders. £2,996.0m of the CUEF's investments are held by the Group and are recorded as part of non-current asset investments – other investments and comprises 96% of the balance. The remainder of the CUEF's investments are recorded within current assets as CUEF units held on behalf of other entities. The valuation of the CUEF units, used by the various components of the Group in determining their investment valuations, is key. Some (£615m or 19%) of the investments held by the CUEF are quoted securities valued using readily available market data and are therefore relatively straightforward to value. Within CUEF, a large proportion (£2,125m or 65%) of investments are in pooled investment funds, where valuations are provided by the investment manager rather than directly from market data and the valuation of the underlying asset classes can, for some of these funds, be more subjective. A further £193m (or 6%) is held in direct property investments and property vehicles subject to a mix of internal and external valuations. We focused on these investments given the significance of the balances, the range and diversity of sources of valuations, and recognising that investment valuations by their nature are subjective. *Group and University*	For the quoted securities and pooled investment funds we obtained a confirmation for all the quoted securities and pooled investment funds held in the CUEF from the custodian. In addition: For quoted securities, we performed independent verification of the prices used for valuation and noticed no discrepancies. For the pooled investment funds, on a sample basis, we obtained confirmations from investment managers to corroborate the information received from the custodian. We also performed procedures to assess the reliability of the information received, and to assess whether there was any contradictory evidence in relation to the valuation statements received or their reliability. We focused on the more complex investments (typically level 2 and level 3 investments in note 41) and undertook risk assessment procedures to understand the nature of the funds and to review currently available public information. We obtained, to the extent available, a range of sources of evidence including the most recent audited fund financial statements; investment manager controls reports and bridging letters; we then assessed whether there were any indicators of contradictory information and assessed the sufficiency of the information obtained. We also tested the accuracy of management's summary valuation schedules at the balance sheet date and tested the use of appropriate foreign exchange rates as well as validating a sample of the investments to the underlying valuation reports. Differences that arose were investigated and, where relevant, appropriate adjustments were recorded. Where a valuation statement was not available at the balance sheet date, we undertook procedures to ensure the most recent available was used and (as set out above), assessed its reliability. We also considered whether there was any contradictory information to suggest that the most recently available valuation statement was not representative of the valuation at the balance sheet date. No such information was noted from this testing. Investments in direct properties held by the CUEF have been valued by third party valuation experts. We assessed the competency of the valuation professionals used by management and used our internal valuation experts to assess the valuation methodology and review the reasonableness of the year-on-year capital movements. No exceptions were noted from this testing. The CUEF holds two complex, long-term reversionary investments in property which are material in aggregate. Management have used a combination of internal and third party valuation experts' assessments to determine the valuation of the two property vehicles as at 31 July 2020. Having reviewed the key assumptions in the valuations (assumed value at the end of the arrangement and discount rate) with the assistance of our internal valuation experts, we concluded that the valuation of these assets was potentially conservative but we were able to satisfy ourselves that they were not materially understated.

Key audit matter	**How our audit addressed the key audit matter**
Valuation of investment properties Refer to note 23b (Non-current investments - Investment Property). The University and Group's investment property comprises the North West Cambridge Development and other investment properties. In addition, the University and Group hold interests in investment property via its investment in the CUEF, as set out within the valuation of endowment fund (CUEF) investments key audit matter above. *North West Cambridge Development* Phase 1 of the North West Cambridge development has essentially completed with a number of components, including: key worker housing, student accommodation, market housing and retail units. Management has plans for Phase 2 and Phase 3 of the development. The development was valued at £369.4m at 31 July 2020 by an external valuation expert, an increase of £7.1m since prior year (FY19: £362.3m). There are a number of judgemental assumptions applied across the different components including: discount rate, rental growth (which for key worker housing is linked to assumed salary growth), operating costs, yields, and expected sales prices for those units for sale. A valuation of this nature has a material risk of error given that it, firstly, involves a number of subjective assumptions and, secondly, depends upon the inputs to the valuation being consistent with the facts, land usage and plans. *Other investment properties* Other investment properties comprise a range of both residential and non-residential properties. The value of the properties at 31 July 2020 was £205.4m an increase of £20.2m since the prior year (FY19: £185.2m). The vast majority of the properties were valued by external valuation experts and similarly to the North West Cambridge Development there are a number of assumptions such as rental yield. *Group and University*	We have performed testing of the valuation reports for both the North West Cambridge Development and other investment properties prepared by the external valuation experts engaged by the University. In relation to the North West Cambridge Development: • We reviewed the individual components of the development, agreeing estimates back to supporting evidence where available (including to sales contracts already in place, third party valuations, evidence in support of current rental income and the assumed salary growth, which we assessed for consistency with the assumptions made elsewhere in the financial statements and to detailed plans and related planning approvals). Our internal valuation experts assisted us with our assessment of the assumptions that feed into the valuation (including discount rates, expected rental yields and sales proceeds), as well as with a review of the valuation methods, and the appropriateness of the comparators and benchmarks used by management's external valuation experts. We concluded that they all sit within external market ranges, where available, and are consistent with underlying support and in line with our own expectations. • As part of our consideration of the plans for Phases 2 and 3 in the prior year we reviewed Council minutes to obtain evidence of the University's intentions and plans for future phases, and, from our review of Council minutes in the current year, have confirmed there have been no changes. In addition, we obtained the outline planning permission received in the year. We concluded that the assumptions for land use adopted in the valuation of the development reflect the Council's current plans and are within the boundaries of the available planning permissions. In relation to the other investment properties we tested a sample of properties, in particular: • We agreed the estimates back to supporting documentation where available (including lease agreements); and • We used our internal valuation experts to assist us in assessing the valuation methods and the appropriateness of the assumptions used. We concluded that they all sit within external market ranges, where available, are consistent with underlying support and in line with our own expectations. We discussed with management and their external valuation experts the potential impacts from COVID-19 on the reliability of valuations given the uncertainties over valuations identified by certain external valuers in light of the COVID-19 situation. We challenged as to whether adverse value impacts (such as material rental voids in the portfolio) had arisen and obtained supporting evidence which corroborated the valuation assumptions in this regard. Based on this work, no material issues were noted.

Key audit matter	How our audit addressed the key audit matter
Valuation of pension schemes Refer to note 30 (Pension liabilities) and note 36 (Pension schemes). The University and Group has defined benefit pensions plans with net liabilities of £917.1m, which is significant in the context of the University and Group balance sheets. The University and Group also hold a liability in respect of the deficit reduction agreement for the multi-employer Universities Superannuation Scheme ('USS') of £179.1m and £185.9m respectively. Defined pension scheme liabilities are material to both the University and Group and are affected by the value of the schemes' underlying assets and the actuarial assumptions, such as discount rates, inflation and life expectancy, used to calculate the value of the pension liabilities. There is a range of assumptions that can be used by actuaries depending upon the individual circumstances of the scheme, and a change in the assumptions can have a significant financial impact on the year end pension liability. In addition, the liability recognised in relation to USS reflects the results of the 2018 actuarial valuation and, similarly, is calculated using certain subjective assumptions such as discount rate and changes in staff costs (comprising both staff numbers and salary inflation). *Group and University*	In respect of the Cambridge University Assistants' Contributory Pension Scheme (CPS) and the Press Contributory Pension Fund and the Press Senior Staff Pension Scheme (together 'Press') defined benefit schemes, we obtained the pension valuation reports from the external actuaries. With the assistance of our internal actuarial experts we compared the inflation rates and discount rates used in the valuation of the pension liability by the external actuary to our internally developed benchmarks and considered the consistency of assumptions against the prior year. We compared the assumptions around salary increases and mortality to national and industry averages as well as University specific information. We performed testing over the census data on which the valuation is based. We agreed underlying assets in the schemes to confirmations obtained from fund managers, and, where available, obtained controls reports (and bridging letters) and/or financial statements to evaluate the reliability of the evidence obtained. In addition, for the schemes' assets which we considered to be more complex we considered whether the scheme had purchased/sold any assets around the year end which would support the year end valuation of such assets. We considered the extent of evidence obtained and the extent of uncertainties over valuations identified by external valuers in light of the COVID-19 situation. Where we identified such increased uncertainty, we undertook further procedures including reviewing valuation information subsequent to the balance sheet date. Based on this work, no material issues were noted. In respect of the USS deficit recovery provision we have tested the contribution data and key assumptions and were satisfied that those used for the USS provision were reasonable. We have confirmed the integrity of the underlying model used for the calculation of the closing liability.
Impact of COVID-19 COVID-19 was declared a global pandemic by the World Health Organisation (WHO) on 11 March 2020 and the ongoing response is having an unprecedented impact on the economy, which was considered as part of the audit. The Council has considered the risks posed by COVID-19, as set out in the Financial Review section, and concluded that whilst the disruption and economic impact of the pandemic has had, and will continue to have, an impact on the results of the University and Group, this impact is likely to be less than at a number of other Universities. Any impacts have been reflected in areas such as the assessment of going concern and the recoverability of debtors. *Group and University*	We have performed the following audit procedures: • Reconsidered our risk assessment; • Held discussions with management to understand, in qualitative and quantitative terms, the impact of COVID-19 on the University's and Group's operations; • Considered the impact COVID-19 has had on areas such as investment and pension scheme asset valuations, the recognition of research income and the recoverability of debtors and going concern. In each case we performed certain additional procedures to validate explanations given and to explore potential valuation uncertainties where relevant and to validate the right to research income and to explore any indicators of additional risk over recoverability; and • Read management's disclosures in the Reports and financial statements. From the procedures performed, we found that the amounts recorded and disclosures within the Annual Report are appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the University, the accounting processes and controls, and the industry in which they operate.

In relation to scoping our work the following were considered significant components – the Academic University, Cambridge Assessment, Cambridge University Press, and the Cambridge University Endowment Fund.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	*University financial statements*
Overall materiality	£20.7 million (2019: £21.9m)	£19.6 million (2019: £20.4m)
How we determined it	1% of total income.	1% of total income
Rationale for benchmark applied	A key performance indicator for the Group and this is a generally accepted measure applied when auditing organisations with social objectives, to calculate overall materiality.	A key performance indicator for the University and this is a generally accepted measure applied when auditing organisations with social objectives, to calculate overall materiality.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £10.3 million and £18.6 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.0 million (Group audit) (2019: £1.0 million) and £1.0 million (University audit) (2019: £1.0 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Council has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and University's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and University's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Council are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Council for the financial statements

As explained more fully in the Statement of the responsibilities of the Council for Financial Statements, the Council is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Council is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council is responsible for assessing the Group's and the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intend to liquidate the Group or the University or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Council as a body in accordance with the Charters and Statutes 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.

Partner responsible for the audit

The engagement partner on the audit resulting in this independent auditors' report is Stuart Newman.

Other required reporting

Opinions on other matters prescribed in the Office for Students' Accounts Direction (OfS 2019.41)

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

Under the Office for Students' Accounts Direction, we are required to report to you, if we have anything to report in respect of the following matters:

- The University's grant and fee income, as disclosed in note 10 to the financial statements, has been materially misstated; or
- The University's expenditure on access and participation activities for the financial year, as disclosed in note 16 to the financial statements, has been materially misstated.

We have no matters to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the Regent House on 23 January 2009 to audit the financial statements for the year ended 31 July 2009 and subsequent financial periods. The period of total uninterrupted engagement is 12 years, covering the years ended 31 July 2009 to 31 July 2020.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Cambridge

11 December 2020

Consolidated and University statement of comprehensive income for the year ended 31 July 2020

	Note	**Group Year ended 31 July 2020 £m**	Group Year ended 31 July 2019 £m	**University Year ended 31 July 2020 £m**	University Year ended 31 July 2019 £m
Income					
Tuition fees and education contracts	*5*	**334.5**	320.2	**322.7**	306.1
Funding body grants	*6*	**204.7**	181.9	**204.7**	181.9
Research grants and contracts	*7*	**579.4**	592.4	**571.4**	582.9
Examination and assessment services	*8*	**377.4**	478.5	**305.7**	393.7
Publishing services		**317.7**	334.0	**289.4**	300.8
Donations and endowments	*9*	**85.4**	111.4	**80.0**	121.1
Other income	*11*	**154.2**	133.4	**170.0**	128.6
Investment income	*12*	**21.6**	40.2	**18.3**	22.6
Total income	*13*	**2,074.9**	2,192.0	**1,962.2**	2,037.7
Expenditure					
Staff costs					
– Excluding impact of USS deficit recovery	*14*	**949.8**	904.3	**870.0**	829.6
– USS deficit recovery	*14*	**(160.4)**	230.7	**(156.5)**	224.1
		789.4	1,135.0	**713.5**	1,053.7
Other operating expenses	*15*	**932.8**	969.6	**854.8**	876.6
Depreciation	*15, 21*	**106.8**	111.7	**104.5**	109.2
Interest and other finance costs	*15, 17*	**140.8**	91.2	**140.6**	91.1
Total expenditure		**1,969.8**	2,307.5	**1,813.4**	2,130.6
Surplus/(deficit) before other gains and losses and share of surplus/(deficit) in joint ventures and associates		**105.1**	(115.5)	**148.8**	(92.9)
Share of operating surplus/(deficit) in joint ventures and associates		**(0.8)**	1.5	**–**	–
Gain on disposal of fixed assets	*11*	**4.7**	–	**4.7**	–
Gain/(loss) on other investments	*23b*	**(31.1)**	182.0	**(24.7)**	145.4
Gain on investment property	*23b*	**8.8**	53.1	**8.8**	53.1
Surplus for the year before taxation		**86.7**	121.1	**137.6**	105.6
Taxation	*18*	**(2.0)**	(3.8)	**(1.4)**	(1.5)
Surplus for the year	*34*	**84.7**	117.3	**136.2**	104.1
Other comprehensive income/(expense)					
Actuarial loss	*30, 31*	**(156.8)**	(208.2)	**(156.6)**	(207.9)
Gain/(loss) arising on foreign currency translation		**(2.8)**	1.9	**(1.6)**	0.9
Other comprehensive expense	*37*	**–**	(1.9)	**–**	–
Total comprehensive expense for the year	*34*	**(74.9)**	(90.9)	**(22.0)**	(102.9)
Represented by:					
Endowment comprehensive income/(expense) for the year	*32*	**(38.8)**	115.6	**(26.3)**	112.0
Restricted comprehensive income for the year	*33*	**126.2**	121.5	**126.7**	121.4
Unrestricted comprehensive income/(expense) for the year	*34*	**(162.3)**	(328.0)	**(122.4)**	(336.3)
		(74.9)	(90.9)	**(22.0)**	(102.9)

Consolidated and University Statement of changes in reserves for the year ended 31 July 2020

	Endowment £m	Restricted £m	Unrestricted £m	Total £m
Group				
Balance at 1 August 2018	1,855.7	97.9	3,283.8	5,237.4
Surplus/(deficit) for the year ended 31 July 2019	117.5	121.5	(121.7)	117.3
Other comprehensive expense	(1.9)	–	(206.3)	(208.2)
Total comprehensive income/(expense) for the year ended 31 July 2019	115.6	121.5	(328.0)	(90.9)
Release of restricted capital funds spent in the year ended 31 July 2019	–	(91.1)	91.1	–
Dividend paid to non-controlling interest	–	–	(1.7)	(1.7)
Balance at 31 July 2019	**1,971.3**	**128.3**	**3,045.2**	**5,144.8**
Surplus/(deficit) for the year ended 31 July 2020	**(38.8)**	**126.2**	**(2.7)**	**84.7**
Other comprehensive expense	**–**	**–**	**(159.6)**	**(159.6)**
Total comprehensive income/(expense) for the year ended 31 July 2020	**(38.8)**	**126.2**	**(162.3)**	**(74.9)**
Release of restricted capital funds spent in the year ended 31 July 2020	**–**	**(101.0)**	**101.0**	–
Dividend paid to non-controlling interest	**–**	**–**	**(1.2)**	**(1.2)**
Acquisition of non-controlling interest	**–**	**–**	**0.3**	**0.3**
Balance at 31 July 2020	**1,932.5**	**153.5**	**2,983.0**	**5,069.0**
University				
Balance at 1 August 2018	1,561.9	97.0	2,978.6	4,637.5
Surplus/(deficit) for the year ended 31 July 2019	112.0	121.4	(129.3)	104.1
Other comprehensive expense	–	–	(207.0)	(207.0)
Total comprehensive income/(expense) for the year ended 31 July 2019	112.0	121.4	(336.3)	(102.9)
Release of restricted capital funds spent in the year ended 31 July 2019	–	(91.1)	91.1	–
Dividend paid to non-controlling interest	–	–	–	–
Balance at 31 July 2019	**1,673.9**	**127.3**	**2,733.4**	**4,534.6**
Surplus/(deficit) for the year ended 31 July 2020	**(26.3)**	**126.7**	**35.8**	**136.2**
Other comprehensive expense	**–**	**–**	**(158.2)**	**(158.2)**
Total comprehensive income/(expense) for the year ended 31 July 2020	**(26.3)**	**126.7**	**(122.4)**	**(22.0)**
Release of restricted capital funds spent in the year ended 31 July 2020	–	**(101.0)**	**101.0**	–
Balance at 31 July 2020	**1,647.6**	**153.0**	**2,712.0**	**4,512.6**

Consolidated and University statement of financial position as at 31 July 2020

	Note	**Group 31 July 2020 £m**	Group 31 July 2019 £m	**University 31 July 2020 £m**	University 31 July 2019 £m
Non-current assets					
Intangible assets and goodwill	*20*	**100.1**	87.1	**88.2**	84.8
Tangible assets	*21*	**2,641.3**	2,601.4	**2,636.9**	2,595.8
Heritage assets	*22*	**73.6**	72.0	**73.6**	72.0
Investments – other investments	*23a*	**3,112.4**	3,210.2	**2,605.3**	2,634.4
Investments – investment property	*23b*	**574.8**	547.5	**574.8**	547.5
Investments in joint ventures	*23a*	**8.3**	9.4	**0.5**	0.5
Investments in associates	*23a*	**0.8**	0.5	**0.8**	0.9
		6,511.3	6,528.1	**5,980.1**	5,935.9
Current assets					
Stock and work in progress	*24*	**50.2**	52.7	**45.1**	49.9
Trade and other receivables	*25*	**392.8**	463.2	**389.1**	469.7
Investments	*26*	**433.2**	522.0	**954.8**	1,100.0
Cash and cash equivalents	*27*	**888.9**	732.5	**836.0**	667.4
		1,765.1	1,770.4	**2,225.0**	2,287.0
Creditors: amounts falling due within one year	*28*	**(966.6)**	(1,038.7)	**(1,469.4)**	(1,594.7)
Net current assets		**798.5**	731.7	**755.6**	692.3
Total assets less current liabilities		**7,309.8**	7,259.8	**6,735.7**	6,628.2
Creditors: amounts falling due after more than one year	*29*	**(1,109.3)**	(1,001.6)	**(1,099.2)**	(991.3)
Pension liabilities	*30*	**(1,103.7)**	(1,088.7)	**(1,096.1)**	(1,077.6)
Other retirement benefits liabilities	*31*	**(27.8)**	(24.7)	**(27.8)**	(24.7)
Total net assets		**5,069.0**	5,144.8	**4,512.6**	4,534.6
Restricted reserves					
Income and expenditure reserve – endowment	*32*	**1,932.5**	1,971.3	**1,647.6**	1,673.9
Income and expenditure reserve – restricted	*33*	**153.5**	128.3	**153.0**	127.3
Unrestricted reserves					
Income and expenditure reserve – unrestricted	*34*	**2,983.0**	3,045.2	**2,712.0**	2,733.4
Total reserves		**5,069.0**	5,144.8	**4,512.6**	4,534.6

The financial statements on pages 589 to 641 were approved by the Council on 11 December 2020 and signed on its behalf by:

Professor Stephen Toope
Vice-Chancellor

Mark Lewisohn
Member of Council

David Hughes
Director of Finance

Consolidated statement of cash flows for the year ended 31 July 2020

	Note	**Group Year ended 31 July 2020 £m**	Group Year ended 31 July 2019 £m
Surplus for the year before taxation		**86.7**	121.1
Adjustments for non-cash items:			
Depreciation	*15, 21*	**106.8**	111.7
Amortisation of intangible assets	*20*	**24.7**	17.0
(Gain) / loss on investments		**22.3**	(235.1)
Decrease / (increase) in stock and work in progress	*24*	**2.5**	(5.3)
Decrease / (increase) in trade and other receivables		**70.5**	(45.0)
Increase in creditors		**11.6**	60.5
Revision of deficit recovery cost / (credit) recognised in the year	*14, 30*	**(160.4)**	230.7
Other pension costs less contributions payable	*30*	**22.3**	17.6
Other retirement benefit costs less contributions payable	*31*	**(0.2)**	(0.3)
Receipt of donated assets	*22*	**(1.6)**	(1.4)
Currency adjustments		**2.8**	(1.9)
Adjustments for investing or financing activities:			
Investment income	*12*	**(21.6)**	(40.2)
Interest payable	*17*	**118.9**	73.9
New endowments	*9*	**(35.9)**	(66.8)
Capital grants and donations		**(120.0)**	(107.0)
Share of joint venture and associates net deficit / (surplus)		**0.8**	(1.5)
(Gain) / loss on the sale of fixed assets	*11*	**(4.7)**	0.2
Net cash inflow from operating activities before taxation		**125.5**	128.2
Taxation	*18*	**(2.0)**	(3.8)
Net cash inflow from operating activities after taxation		**123.5**	124.4
Cash flows from investing activities			
Capital grants and donations		**120.0**	107.0
Proceeds from sales of fixed assets		**7.5**	–
Proceeds of sales: North West Cambridge		**6.3**	26.8
Proceeds from sales of other non-current asset investments		**233.0**	140.9
Net disposal / (acquisitions) of other current asset investments		**3.2**	(113.1)
Investment income	*12*	**21.6**	40.2
Payments made to acquire intangible assets	*20*	**(28.3)**	(33.4)
Payments made on purchase of a business	*20*	**(10.2)**	(6.9)
Payments made to acquire fixed assets		**(152.1)**	(166.9)
Payments made to acquire heritage assets	*22*	**–**	–
Payments made to acquire other non-current asset investments		**(170.5)**	(269.4)
Payments made re. North West Cambridge development costs		**(12.3)**	(17.8)
Net cash inflow / (outflow) from investing activities		**18.2**	(292.6)
Cash flows from financing activities			
New endowments	*9*	**35.9**	66.8
Interest paid		**(21.0)**	(21.0)
Dividend payment to non-controlling interest	*34*	**(1.2)**	(1.7)
Capital element of finance lease (repayment) / proceeds	*28, 29*	**(1.2)**	1.3
Net cash inflow from financing activities		**12.5**	45.4
Increase / (reduction) in cash and cash equivalents in the year		**154.2**	(122.8)
Cash and cash equivalents at beginning of the year		**732.5**	855.3
Cash and cash equivalents at end of the year		**886.7**	732.5
Represented by:			
Cash and cash equivalents	*27*	**888.9**	732.5
Bank overdrafts	*28*	**(2.2)**	–
		886.7	732.5

Notes to the accounts

for the year ended 31 July 2020

1. General information

The Chancellor, Masters, and Scholars of the University of Cambridge (the University) is a common law corporation, governed by its Statutes and Ordinances together with applicable United Kingdom and European Union legislation. The University is a public benefit entity and an exempt charity subject to regulation by the Office for Students (OfS) and formerly the Higher Education Funding Council for England (HEFCE) under the Charities Act 2011.

The contact address is: University of Cambridge, The Old Schools, Trinity Lane, Cambridge, CB2 1TN, UK.

The principal activities of the University and its subsidiary undertakings are teaching, research, and related activities which include: publishing services; examination and assessment services; the operation of museums, libraries, and collections; and the commercialisation of intellectual property generated within the University.

2. Statement of compliance

The financial statements have been prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (FRS 102), including the public benefit entity requirements of FRS 102, the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the SORP) and the Accounts Direction issued by the OfS.

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

3. Statement of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The Group has taken advantage of exemptions in FRS 102:

- from preparing a statement of cash flows for the University, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the University's cash flows; and
- from the financial instrument disclosures required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, in relation to the University, as the information is provided in the consolidated financial statement disclosures.

The preparation of financial statements requires judgement in the process of applying the accounting policies and the use of accounting estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are discussed at the end of these policies.

(b) Going concern

The Council has a reasonable expectation that the University has adequate resources to continue to operate for the foreseeable future. In forming this view the Council notes that the University:

- undertakes a robust and detailed annual business planning and budgeting process, including preparation of a five-year financial sustainability review in line with OfS guidance and as such the going concern nature of the University has been considered for a period of greater than twelve months from the date of approval of the financial statements;
- applies prudent financial and cash management in order to ensure that its day-to-day working capital needs can be met out of cash and liquid investments; and
- has considered the potential impact of credit risk and liquidity risk detailed in Note 40.

For these reasons, the University continues to adopt the going concern basis in preparing its financial statements.

(c) Basis of consolidation

The consolidated financial statements include the University and its subsidiary undertakings, details of which are given in Note 37. Intra-group transactions and balances are eliminated on consolidation.

The results of subsidiaries acquired or disposed of in the current or prior years are consolidated for the periods from or to the date on which control passed. The acquisition method of accounting has been adopted for subsidiary undertakings. Amounts attributable to non-controlling interests represent the share of profits on ordinary activities attributable to the interest of equity shareholders in subsidiaries which are not wholly owned by the University.

The University accounts for its share of joint ventures using the equity method. A joint venture is an entity in which the University, or its subsidiaries, holds an interest on a long-term basis and is jointly controlled by the University or its subsidiaries and one or more other entities under a contractual agreement.

The University accounts for jointly controlled assets and operations based upon its share of costs incurred and recognises its share of liabilities incurred. Income and expenditure is recognised based upon the University's share.

Investments in subsidiaries and joint ventures are accounted for at the lower of cost or net realisable value.

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 39.

The consolidated financial statements do not include the accounts of Cambridge University Students' Union or of 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.

(d) Foreign currencies

The Group's and University's functional currency is pounds sterling and the financial statements are presented in pounds sterling and millions.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. Where foreign branches and subsidiary undertakings 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 included in other comprehensive income. Otherwise, monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates and translation differences are included in income or expenditure.

(e) Recognition of income

Revenue

Income arising from the sale of goods or the provision of services is recognised in income on the exchange of the relevant goods or services and where applicable is shown net of value added taxes, returns, discounts and rebates as appropriate. In particular:

- ***Tuition fees and education contracts***
  Tuition fees for degree courses are charged to students by academic term. Income is recognised for academic terms falling within the period. For short courses, income is recognised to the extent that the course duration falls within the period. Professional course fees and other educational contract revenues are recognised in line with the stage of completion/degree of provision of the service, as determined on an appropriate basis for each contract.

- ***Examination and assessment services***
  Income from examination session-based assessments is recognised when services are rendered and substantially complete. Income from qualifications not based on examination sessions is recognised in proportion to the number of modules required for the qualification that has been achieved by candidates.

- ***Publishing services***
  Income is recognised when: (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Press retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the Press; and (e) when the specific criteria relating to each of the relevant sales channels have been met. In the case of books, income is recognised upon delivery of goods to the customer. For materials supplied permanently, whether by way of print or perpetual electronic access, income is recognised when the material is first made available to the customer. Subscriptions income including journals is recognised evenly over the subscription period. For service offerings, income is recognised evenly as the service is delivered.

  Rights and permissions income is recognised on a cash receipt basis. Income in respect of certain co-publishing arrangements is recognised upon the printing of content by the co-publishing partner. Income in respect of project-based contract work is recognised on the basis of progress (percentage of completion), being the ratio of costs incurred at the measurement date and the total expected costs for the programme. In a multiple component arrangement, in the event certain components remain undelivered or incomplete, income is recognised on the fair value of the components delivered, subject to specific conditions being met.

Grant income

All grant funding, including OfS and HEFCE grants, research grants, and capital grants, from government and other sources, is recognised in income when the University is entitled to the funding and any performance-related conditions have been met. Performance conditions are defined as 'a condition that requires the performance of a particular level of service or units of output to be delivered, with payment of, or entitlement to, the resources conditional on that performance'. Income received in advance of performance-related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Notes to the accounts for the year ended 31 July 2020 (continued)

Donations and endowments

Donations and endowments are recognised in income when the University is entitled to the funds. In the majority of cases this is the point at which the cash is received, although in the case of capital and particularly building donations or endowments this is in line with expenditure incurred under the agreement or delivery of specified milestones within the donation agreement.

Donations are credited to endowment reserves, restricted reserves, or unrestricted reserves depending on the nature and extent of restrictions specified by the donor:

Donations with no substantial restrictions are included in unrestricted reserves.

Donations which are to be retained for the future benefit of the University are included in endowment reserves. 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 and reported through permanent endowment reserves.
- 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 and reported through permanent endowment reserves.
- 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.

Other donations with substantially restricted purposes are included in restricted reserves until such time as the restrictions have been met.

Investment income

Investment income is recognised in income in the period in which it is earned.

Other income

Other income is recognised in income in the period in which it is earned.

(f) Employee benefits

Short-term benefits

Short-term employment benefits including salaries and compensated absences are recognised as an expense in the period in which the service is rendered to the University. A liability is recognised at each balance sheet date for unused employee holiday allowances with the corresponding expense recognised in staff costs in the statement of comprehensive income.

Pension costs

The Group contributes to a number of defined benefit pension schemes for certain employees. The two principal pension schemes for the University's staff are the Cambridge University Assistants' Contributory Pension Scheme (CPS) and the Universities Superannuation Scheme (USS). Cambridge University Press operates two pension schemes for its UK staff, the Press Contributory Pension Fund (PCPF) and the Press Senior Staff Pension Scheme (PSSPS). A defined benefit scheme defines the pension benefit that an employee will receive on retirement, dependent upon several factors including length of service and remuneration.

i. Where the University is unable to identify its share of the underlying assets and liabilities in a multi-employer 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. Where the University has entered into an agreement with such a multi-employer scheme that determines how the University will contribute to a deficit recovery plan, the University recognises a liability for the contributions payable that arise from the agreement, to the extent that they relate to the deficit, and the resulting expense is recognised in expenditure.

ii. For other defined benefit schemes, the net liability recognised in the balance sheet in respect of each scheme is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Group engages independent actuaries to calculate the obligation for each scheme. The present value is determined by discounting the estimated future payments at a discount rate based on market yields on high quality corporate bonds denominated in sterling with terms approximating to the estimated period of the future payments.

The fair value of a scheme's assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as actuarial gains and losses.

The cost of the defined benefit plan, recognised in expenditure as staff costs, except where included in the cost of an asset, comprises the increase in pension benefit liability arising from employee service during the period and the cost of plan introductions, benefit changes, curtailments and settlements. The net interest cost is calculated by applying the discount rate to the net liability. This cost is recognised in expenditure as a finance cost.

Further detail is provided on the specific pension schemes in Note 36 to the accounts.

(g) Taxation

Current tax

The University's current tax is composed of UK and non-UK tax payable (or recoverable) in respect of taxable profit or loss for the year or prior year. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year-end.

The University has charitable status in the UK as one of the exempt charities listed in Schedule 3 to the Charities Act 2011. As such it is listed as a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010. Accordingly the University is potentially exempt from Corporation Tax on income and gains falling within section 287 of the Corporation Tax Act (CTA) 2009 and sections 471 and 478-488 CTA 2010 or section 256 of the Taxation and Chargeable Gains Tax Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. Certain of the University's non-UK subsidiaries benefit from equivalent or similar exemptions in their territories of tax residency.

Material commercial trading activities undertaken by the University are operated through its subsidiary companies, which are liable to UK Corporation Tax or equivalent taxes for non-UK tax resident subsidiaries. However, the taxable profits made by these UK companies are typically distributed as qualifying charitable donations, to the extent that the companies have distributable reserves, which would negate the liability.

Deferred tax

Deferred tax arises from timing differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is recognised on all timing differences at the balance sheet date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

VAT

Most of the University's principal activities are exempt from Value Added Tax (VAT), but certain activities and other ancillary supplies and services are liable to VAT at various rates, as are the commercial activities undertaken by its UK subsidiaries. Non-UK subsidiaries undertaking commercial activities are liable to VAT or other turnover-based taxes such as Goods and Services Tax (GST) or US Sales Tax. Expenditure includes VAT charged by suppliers to the University where it is not recoverable and is likewise included in the cost of fixed assets.

(h) Intangible assets and goodwill

Software development and acquisition costs are capitalised where certain criteria are met and amortised on a straight line basis over its estimated useful life of between four and ten years.

Goodwill arises on consolidation and is based on the fair value of the consideration given for the subsidiary and the fair value of its assets at the date of acquisition. Goodwill is amortised over its estimated economic life of between five and ten years on a straight line basis.

The carrying value of intangible assets including goodwill is considered in light of events or changes in circumstances which may indicate that the carrying value may not be recoverable. Where there is impairment in the carrying value of these assets, the loss is included in the results of the period.

(i) Fixed assets

Land and buildings

Operational land and buildings are included in the financial statements using the FRS 102 fair value at 1 August 2014 as deemed cost, with subsequent additions at cost.

No depreciation is provided on freehold land. Freehold buildings are written off on a straight line basis over their estimated useful lives, which are typically between 15 and 60 years (in exceptional circumstances up to 96 years). Leasehold properties are written off over the length of the lease.

Assets under construction

Assets under construction are stated at cost. These assets are not depreciated until they are available for use. Financing costs are not capitalised as part of additions to fixed assets.

Equipment

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

(j) Heritage assets

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

(k) Investments

Non-current investments are included in the balance sheet at fair value, except for investments in subsidiary undertakings and joint ventures which are stated in the University's balance sheet at cost and eliminated on consolidation. All gains and losses on investment assets are recognised in the statement of comprehensive income as they accrue.

Other investments

Marketable securities are valued using the quoted market prices at 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.

Investment properties

A property will be deemed an investment property by the University if the following conditions are met:

- The University's core objective remains delivering excellence in teaching and research, and not in the provision of accommodation;
- The properties are designed to generate long-term financial returns through rental and capital appreciation;
- Any associated rental model is market-linked and rentals are not substantially below market levels;
- The University retains a degree of choice over tenants; and
- The properties are not deemed to be social housing.

After initial recognition at cost, investment property shall be measured at fair value at each reporting date with changes in fair value recognised in the statement of comprehensive income.

The investment property portfolio has been categorised into the following components:

- Shared equity properties: these properties will be valued annually by an external valuer with full site valuations being carried out on a five-year rolling basis with an appropriate indexation being applied to those properties not visited in-year;

- Residential and non-residential rental properties: for those properties which are under £500k in value they will be valued by chartered surveyors employed by the University on the basis of estimated open market values on an existing use basis. For properties with values in excess of £500k they will also be valued on an open market value basis but by an external valuer; and

- North West Cambridge development: Phase 1 which is essentially complete is valued annually by an external valuer based on estimated open market values. Subsequent phases will also be valued annually taking into account land values including any planning permission attributed to that land as well as determining any aspect of the assets which may be assigned for the University's own use. To the extent that the University has assigned property for its own use then it will be valued at cost. Once subsequent phased construction commences it is intended to value the property at open market value for the land plus the associated costs of construction. An annual impairment review will be carried out to ensure that the updated land value plus the additional costs of construction are not in aggregate valued in excess of any projected discounted cash flows to be derived from those assets.

(l) Stock and work in progress

Stock is stated at the lower of cost and net realisable value after making provision for slow-moving and obsolete items.

In respect of publishing services, (a) direct costs incurred prior to publication are included in current assets where the title will generate probable future economic benefits and costs can be measured reliably. These costs are amortised upon publication of the title over the estimated useful life of the product (Academic products over 18 months and Learning products over 36 months); (b) the University makes full provision against the cost of stock in excess of projected future sales on all inventory aged 24 months since the publication date; and (c) provision for impairment of accumulated pre-publication costs is made based on recoverability of unamortised pre-publication costs.

Notes to the accounts for the year ended 31 July 2020 (*continued*)

(m) Cash and cash equivalents

Cash includes cash in hand, cash at bank, deposits repayable on demand, and bank overdrafts. Deposits are repayable on demand if they are in practice available on call without penalty. Bank overdrafts are shown within borrowings in current liabilities. Cash equivalents are short-term (typically with less than three months' notice required) highly liquid investments which are readily convertible into cash and include deposits and other instruments held as part of the University's treasury management activities.

(n) Financial instruments

The University has elected to adopt Sections 11 and 12 of FRS 102 in respect of the recognition, measurement, and disclosure of financial instruments.

Financial assets

Basic financial assets include trade and other receivables, cash and cash equivalents. These assets are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest rate method. Financial assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the statement of comprehensive income.

For financial assets carried at amortised cost the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates, or joint ventures are initially measured at fair value, which is typically the transaction price. These assets are subsequently carried at fair value and changes in fair value at the reporting date are recognised in the statement of comprehensive income. Where the investment in equity instruments is not publicly traded and where the fair value cannot be reliably measured the assets are measured at cost less impairment.

Financial assets are de-recognised when the contractual rights to the cash flows from the asset expire or are settled or substantially all of the risks and rewards of ownership of the asset are transferred to another party.

Financial liabilities

Basic financial liabilities include trade and other payables, bank loans and inter-group loans. These liabilities are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

The University has debt instruments through:

- long-term unsecured fixed interest bonds issued in October 2012 and June 2018 and listed on the London Stock Exchange. The bonds were initially measured at the proceeds of issue less all transaction costs directly attributable to the issue. After initial recognition, the bonds are measured at amortised cost using the effective interest rate method. Under this method the discount at which the bonds were issued and the transaction costs are accounted for as additional expense over the term of the bonds (see Note 29); and

- long-term unsecured CPI-linked bonds issued in June 2018 and listed on the London Stock Exchange. These bonds are deemed to be complex financial instruments and so are initially recognised at fair value at the transaction date and subsequently re-measured to their fair value at the reporting date. For financial instruments that are subsequently re-measured at fair value through profit or loss, transaction costs (net of any fees paid or received) are not added to or deducted from the amount initially recognised, instead they are expensed immediately on initial recognition.

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at the reporting date. Changes in the fair value of derivatives are recognised in the statement of comprehensive income in finance costs or finance income as appropriate, unless they are included in a hedging arrangement or are held within the CUEF where any change in fair value is reflected through investment gains or losses.

To the extent that the University enters into forward foreign exchange contracts which remain unsettled at the balance sheet date the fair value of the contracts is reviewed at that date. The initial fair value is measured as the transaction price on the date of inception of the contracts. Subsequent valuations are considered on the basis of the forward rates for those unsettled contracts at the balance sheet date. The University does not apply hedge accounting in respect of forward foreign exchange contracts held to manage cash flow exposures of forecast transactions denominated in foreign currencies.

Financial liabilities are de-recognised when the liability is discharged, cancelled, or expires.

(o) Related party transactions

The University discloses transactions with related parties which are outlined in detail in Note 38 to the accounts.

(p) Segment information

The Group operates in a number of different classes of business. For the purpose of segmental reporting, classes of business have been identified by reference to the nature of activity, the nature of funding, and the management organisation (see Note 19).

(q) Lease commitments

The Group assesses agreements that transfer the right to use assets. Leases are classified as finance leases if they transfer substantially all the risks and rewards incidental to ownership of an asset. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

4. Critical accounting judgements, estimates, and assumptions

Management is required to adopt those accounting policies most appropriate to the circumstances for the purposes of presenting fairly the Group's financial position, financial performance, and cash flows. The preparation of the Group and University's financial statements requires management to make judgements, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These judgements, estimates, and associated assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Given the current situation with the COVID-19 pandemic it is increasingly difficult to predict the impact on the Group's reported and future financial position. Valuations for the Group's investments (including properties, the endowment fund, spin-outs and other securities) and pension funds rely on third party and other market valuations. These valuations are subject to inherent uncertainty as global markets and future economic circumstances remain volatile and unclear. The resulting accounting estimates will therefore, by definition, be unlikely to equal the related actual results and may lead to adjustments to the future carrying value of assets and liabilities.

(a) Critical judgements in applying the Group's accounting policies

i. *Revenue recognition*

Revenues, particularly donations and grant income, are subject to judgement over when and by how much revenues should be recognised in the financial statements. This includes determining when entitlement arises such as performance conditions being met, recognising research and other funding revenues in line with expenditure once a right to the funding is deemed to have arisen, and determining the revenues associated with partially delivered courses and training where the activities have not been fully completed at the reporting date.

(b) Key accounting estimates and assumptions

i. *Impairment*

Annually, the Group considers whether tangible (in particular assets under construction) or intangible assets are impaired at the balance sheet date. Where an indication of impairment is identified the estimation of the recoverable value requires an estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

Notes to the accounts for the year ended 31 July 2020 (*continued*)

ii. *Investment valuations (Note 12)*

The Cambridge University Endowment Fund (CUEF) is comprised of a range of asset investment categories where there is not always a clearly observable valuation basis available.

Investments which are not listed or which are not frequently traded are stated at the Valuation Committee's best estimate of fair value. With respect to investments held through pooled funds or partnerships, reliance is placed on valuations of the underlying listed and unlisted investments as supplied to the CUEF custodian by the investment fund managers of those funds or partnerships. The principles applied by the investment fund managers to those valuations are reviewed to ensure they are in compliance with CUEF policies. With respect to other investments, recognised valuation techniques are used, that may take account of any recent arm's length transactions in the same or similar investment instruments. Where however no reliable fair value can be estimated, investments are stated at cost.

iii. *Valuation of investment properties*

Properties held for investment purposes are revalued annually by accredited valuers typically on the basis of estimated open market values on an existing use basis. Such valuations are based on assumptions and estimates including rental growth projections, key worker salary increases, whether break clauses will be taken, discount rates, future cash flows and associated expenditure which are impacted by a variety of factors including changes in market and other economic conditions which may have a material impact on the annual valuations.

iv. *Defined benefit pension schemes and funding of pension deficits*

The University has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including: life expectancy; salary increases; asset valuations; and the discount rate on corporate bonds. Based on actuarial advice provided, management estimate these factors to determine the net pension obligation in the statement of financial position (see Note 36).

Additionally, the University currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme (USS) (see Note 30). Management are satisfied that the USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the recovery plan in existence at the balance sheet date. The deficit recovery plan relates to the 2018 actuarial valuation. The actuarial valuation as at 31 March 2020 is currently underway. As the valuation has only recently commenced there is still work to be done agreeing the technical provisions assumptions, the extent of future investment risk, the duration of the deficit period and the level of deficit contributions. Rule changes in respect of strengthening the employer covenant are also in progress including restrictions on employer exits, debt monitoring and pari passu arrangements. The valuation must be completed by 30 June 2021. However, it is generally anticipated that there will be a significant increase in the deficit provision as at 31 July 2021 (assuming the valuation is completed by then). Given the outcome of this valuation has not yet been finalised it has not been factored into the 2019-20 financial statements (see Note 43).

v. *CPI-linked bond valuation*

The CPI-linked bond must be re-measured to fair value at each balance sheet date. This requires valuation estimates provided by third party valuers. Given the bond operates in an illiquid market this requires an estimate of the offer price (see Note 41).

Notes to the accounts for the year ended 31 July 2020 (continued)

		Group 2020 £m	Group 2019 £m	University 2020 £m	University 2019 £m
5	**Tuition fees and education contracts**				
	Full-time home / EU students	**136.4**	131.6	**136.4**	131.6
	Full-time overseas (non-EU) students	**132.0**	120.0	**132.0**	120.0
	Other course fees	**34.9**	37.0	**23.1**	22.9
	Research Training Support Grants	**31.2**	31.6	**31.2**	31.6
		334.5	320.2	**322.7**	306.1
6	**Funding body grants**				
	Office for Students (OfS):				
	Recurrent grant: teaching	**18.9**	18.1	**18.9**	18.1
	Recurrent grant: research	**137.6**	124.4	**137.6**	124.4
	Recurrent grant: museum funding	**2.1**	2.1	**2.1**	2.1
	Other revenue grants	**10.5**	10.7	**10.5**	10.7
	Total revenue grants	**169.1**	155.3	**169.1**	155.3
	Capital grants recognised in the year	**35.6**	26.6	**35.6**	26.6
		204.7	181.9	**204.7**	181.9
7	**Research grants and contracts**				
	Research councils	**190.1**	216.6	**190.1**	216.6
	UK-based charities	**162.4**	160.6	**161.8**	160.5
	European Commission	**52.1**	60.8	**52.0**	60.8
	UK industry	**22.7**	24.5	**21.5**	23.4
	UK government	**45.2**	45.7	**45.0**	45.4
	Other bodies	**106.9**	84.2	**101.0**	76.2
		579.4	592.4	**571.4**	582.9

Total research grants and contracts income includes grants of £63.6m (2019: £63.5m) towards the cost of buildings and £15.2m (2019: £17.1m) for the purchase of equipment.

		Group 2020 £m	Group 2019 £m	University 2020 £m	University 2019 £m
8	**Examination and assessment services**				
	Examination fees	**329.7**	431.3	**259.5**	348.1
	Other examination and assessment services	**47.7**	47.2	**46.2**	45.6
		377.4	478.5	**305.7**	393.7
9	**Donations and endowments**				
	New endowments	**35.9**	66.8	**35.5**	66.1
	Donations of, and for the purchase of, fixed assets	**5.6**	(0.2)	**5.6**	(0.2)
	Donations of, and for the purchase of, heritage assets	**1.6**	1.4	**1.6**	1.4
	Other donations with restrictions	**27.0**	21.7	**19.9**	20.9
	Donations from subsidiary companies	**-**	-	**6.0**	19.9
	Unrestricted donations	**15.3**	21.7	**11.4**	13.0
		85.4	111.4	**80.0**	121.1

Included within donations from subsidiary companies is £1.0m (2019: £0.7m) relating to capital donations received for the purchase of fixed assets.

Notes to the accounts for the year ended 31 July 2020 (continued)

10 Sources of grant and fee income

	Group 2020 £m	Group 2019 £m	University 2020 £m	University 2019 £m
Grant income from the OfS	**24.1**	24.7	**24.1**	24.7
Grant income from other bodies	**180.6**	157.2	**180.6**	157.2
Fee income for taught awards *	**218.1**	208.9	**218.1**	208.9
Fee income for research awards *	**63.5**	64.4	**63.5**	64.4
Fee income from non-qualifying courses *	**52.9**	46.9	**41.1**	32.8
	539.2	502.1	**527.4**	488.0

** Exclusive of Value Added Tax*

Grant income from the OfS relates to income received by the University for the provision of, or in connection with, education-related activities. This includes recurrent teaching funding and non-recurrent funding, such as grants for capital infrastructure. Grant income from other bodies reflects grants from UK Research and Innovation (UKRI), Research England and other bodies.

Fee income for taught and research awards includes fees received for both undergraduate and postgraduate awards but excludes research training support grants. Fee income from non-qualifying courses are fees paid by students (or others on their behalf) for non-credit-bearing courses, further education courses, research training support or any other courses not included in the other categories. The above table excludes the grant income received and reported through other income (see Note 11).

11 Other income

	Group 2020 £m	Group 2019 £m	University 2020 £m	University 2019 £m
Other services rendered	**49.6**	55.7	**40.9**	44.8
Health and hospital authorities	**22.6**	21.2	**22.6**	21.2
Residences, catering, and conferences	**8.2**	12.8	**8.2**	12.7
Income from intellectual property	**6.2**	5.9	**4.4**	4.4
Rental income	**23.3**	21.2	**21.5**	19.5
Grants received (other than those included in Notes 6 and 7 above)	**23.1**	4.1	**14.0**	2.2
Gain / (loss) on disposal of fixed assets	**-**	(0.2)	**-**	(0.2)
Sundry income	**21.2**	12.7	**58.4**	24.0
	154.2	133.4	**170.0**	128.6

Other services rendered includes externally generated sales across a wide variety of activities such as University staff and equipment charged out on external projects, the provision of veterinary services, farming sales (crop and milk), and restoration services. Grants received include furlough scheme income.

For the year ended 31 July 2020 the "gain / (loss) on disposal of fixed assets" has been re-presented and disclosed on the face of the statement of comprehensive income to align with the OfS Model Financial Statements guidance. The comparative has not been restated on the basis of materiality.

Notes to the accounts for the year ended 31 July 2020 (continued)

12 Investment income

Investment returns generated by the Cambridge University Endowment Fund (CUEF) constitute a significant proportion of investment income. The CUEF is a unitised fund constituted by Trust Deed with the University as sole trustee holding the property of the CUEF on trust for unit holders. Unit holders are the University, a number of its subsidiary undertakings and also UK charities associated with the University (such as Colleges and trusts) provided they meet the necessary eligibility requirements. The University operates the fund through its wholly-owned subsidiary, Cambridge Investment Management Limited, to deliver long-term investment in respect of individual restricted endowments and other balances. The CUEF is managed on a total return basis (i.e. income and net capital gains) and invests in asset classes some of which generate little or no income. Distributions are made to unit holders 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. Unit holders receive distributions as income.

However, the distributions made to unit holders are funded through both investment income generated on the underlying CUEF assets and an element by drawing on the long-term capital growth of the investments. The distributions funded by long-term capital growth are reflected in the statement of comprehensive income as a 'gain on investments' and in the statement of financial position in non-current asset investments, 'valuation gain on investment'. For the year ended 31 July 2020 distributions by the CUEF totalled £112.1m (2019: £105.0m) of which £103.9m (2019: £90.3m) were funded by drawing on the long-term capital gain in the investments with the balance of the distributions funded by investment income as set out above.

A reconciliation between the income allocated to the various reserves on a distribution basis which is used for internal management purposes and the statement of comprehensive income is set out below:

	Group 2020 £m	Group 2019 £m	**University 2020 £m**	University 2019 £m
Investment income from the CUEF:				
Distributions credited to unit holders as income	**112.1**	105.0	**91.9**	85.0
Less: distributed from long-term capital gain	**(103.9)**	(90.3)	**(85.3)**	(73.1)
Investment income on underlying assets reported per the financial statements	**8.2**	14.7	**6.6**	11.9
Income from other investments including current asset investments and cash equivalents	**13.4**	25.5	**11.7**	10.7
Net investment income	**21.6**	40.2	**18.3**	22.6

Credited to:	**Total Investment Income 2020 £m**	**Amounts distributed from capital 2020 £m**	**Net Investment income 2020 £m**	Net Investment income 2019 £m
Group				
Permanent endowment reserves	**50.3**	**(45.9)**	**4.4**	8.0
Expendable endowment reserves	**19.1**	**(17.4)**	**1.7**	2.0
Restricted reserves	**2.1**	**(1.9)**	**0.2**	0.3
Unrestricted reserves	**54.0**	**(38.7)**	**15.3**	29.9
	125.5	**(103.9)**	**21.6**	40.2
University				
Permanent endowment reserves	**49.5**	**(45.7)**	**3.8**	7.5
Expendable endowment reserves	**8.6**	**(7.8)**	**0.8**	0.6
Restricted reserves	**2.1**	**(1.9)**	**0.2**	0.3
Unrestricted reserves	**43.4**	**(29.9)**	**13.5**	14.2
	103.6	**(85.3)**	**18.3**	22.6

Notes to the accounts for the year ended 31 July 2020 (continued)

12 Investment income (continued)

Further detail on the asset categories held by the CUEF are outlined below:

	31 July 2020		31 July 2019	
	£m	%	£m	%
Public equity	1,456.5	44.7%	2,078.1	60.1%
Private investment	528.7	16.2%	444.4	12.9%
Absolute return	289.4	8.9%	294.9	8.5%
Credit	146.1	4.5%	181.8	5.3%
Real assets	286.6	8.8%	304.6	8.8%
Fixed interest / cash	551.8	16.9%	152.1	4.4%
Total value of fund	3,259.1	100.0%	3,455.9	100.0%

Public equity includes all equity stocks traded on a liquid market, together with related non-publicly traded index funds and derivatives.

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

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

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

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

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

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

	Group 2020 £m	Group 2019 £m	University 2020 £m	University 2019 £m
Non current asset investments (see Note 23)	2,996.0	3,108.0	2,474.4	2,530.0
Current asset investments (see Note 26) - balances held on behalf of:				
Subsidiary undertakings	-	-	521.6	578.0
Colleges	253.9	334.3	253.9	334.3
Other associated bodies	9.2	13.6	9.2	13.6
Total included in current asset investments	263.1	347.9	784.7	925.9
Total value of units	3,259.1	3,455.9	3,259.1	3,455.9

At 31 July 2020, the CUEF's real assets included various properties with an overall value of £56m (representing 20% of the CUEF's real assets and some 2% of the total value of the fund) where the external valuer had included material valuation uncertainty clauses. These valuations are based on the external valuers best estimates at the balance sheet date and accordingly the properties have been valued based on the information received with no adjustments made.

Notes to the accounts for the year ended 31 July 2020 (continued)

13 Total income

Consolidated total income of £2,074.9m (2019: £2,192.0m) is credited to reserves as follows:

	Group: Year ended 31 July 2020			Group: Year ended 31 July 2019		
	Endowments £m	Restricted £m	Unrestricted £m	Endowments £m	Restricted £m	Unrestricted £m
Tuition fees and education contracts	-	-	334.5	-	-	320.2
Funding body grants	-	35.6	169.1	-	26.6	155.3
Research grants and contracts	-	93.6	485.8	-	83.4	509.0
Examination and assessment services	-	-	377.4	-	-	478.5
Publishing services	-	-	317.7	-	-	334.0
Donations and endowments	35.9	26.6	22.9	66.8	30.4	14.2
Other income	-	4.2	150.0	-	4.1	129.3
Investment income	6.1	0.2	15.3	10.0	0.3	29.9
	42.0	160.2	1,872.7	76.8	144.8	1,970.4

Consolidated total income of £2,074.9m (2019: £2,192.0m) is attributable as follows to the three broad categories defined by FRS 102: revenue, government grants, and non-exchange transactions:

	Revenue £m	Government grants £m	Non-exchange transactions £m	Revenue £m	Government grants £m	Non-exchange transactions £m
Tuition fees and education contracts	303.3	31.2	-	288.6	31.6	-
Funding body grants	-	204.7	-	-	181.9	-
Research grants and contracts	-	287.4	292.0	-	323.1	269.3
Examination and assessment services	377.4	-	-	478.5	-	-
Publishing services	317.7	-	-	334.0	-	-
Donations and endowments	-	-	85.4	-	-	111.4
Other income	109.9	23.1	21.2	116.8	4.1	12.5
Investment income	21.6	-	-	40.2	-	-
	1,129.9	546.4	398.6	1,258.1	540.7	393.2

Notes to the accounts for the year ended 31 July 2020 (continued)

14 Staff costs

	Group 2020 £m	Group 2019 £m	**University 2020 £m**	University 2019 £m
Wages and salaries	**702.3**	680.1	**635.2**	617.6
Social security costs	**73.1**	72.6	**68.0**	66.9
Pension costs:				
Current service cost	**181.3**	151.4	**173.5**	144.8
Past service cost	**-**	5.8	**-**	5.8
Net change in underlying assumptions in calculating USS deficit recovery provision (see Note 30)	**(167.3)**	225.1	**(163.2)**	218.6
Total pension costs (see Note 36)	**14.0**	382.3	**10.3**	369.2
Total staff costs	**789.4**	1,135.0	**713.5**	1,053.7

	Group 2020	Group 2019
The average number of staff employed in the year, expressed as full-time equivalents, was:	**17,621**	17,083

Following the update for the 2018 triennial valuation of the Universities Superannuation Scheme (USS), the impact of the change in assumptions (net of contributions payable) on staff costs resulting from the revised deficit recovery funding plan is noted above. The non-cash credit to staff costs resulting from the change in assumptions, including the change in discount rate, is £160.4m (2019: £(230.7)m). Cash contributions made to reduce the deficit in the year amounted to £6.9m (2019: £5.6m) resulting in a total credit to staff costs of £167.3m (2019: £(225.1)m net charge) for the year.

Following the approval of the financial statements for the year ended 31 July 2019 a missclassification was identified between wages and salaries, social security costs and pension costs. As a result the comparatives for 2018-19 have been re-presented to reflect the correct categorisation. This adjustment does not change the total staff costs which are as reported in the prior year financial statements; it is a purely a reclassification across the categories with £31.8m moving from wages and salaries to social security costs (£12.0m) and pension costs (£19.8m) for the Group and £24.5m moving from wages and salaries to social security costs (£8.2m) and pension costs (£16.3m) for the University.

Remuneration and pay ratios of the Vice-Chancellor

With income of over £2 billion, more than 17,000 staff across the Group and a diverse range of academic and non-academic strands, the University is a complex organisation. It is one of the largest universities in the UK, with significant academic standing and global presence, regularly appearing in the top five of global university rankings.

Consequently, when considering the remuneration for the Vice-Chancellor, the Remuneration Committee undertakes detailed analysis of comparable salaries in the UK, North America and Australia. The Remuneration Committee considers the range within which a salary can be offered and proposes a package to the Council once the candidate is identified. The last recruitment exercise for Vice-Chancellor was undertaken in 2016-17. The Vice-Chancellor is appointed for a fixed term of seven years.

The Vice-Chancellor's performance is assessed annually against objectives agreed by the Council. The Vice-Chancellor's remuneration is reviewed at the end of the second, fourth and sixth years of his/her term of office. Based on that assessment, the Council determines any salary increase, having been advised by the Remuneration Committee and taking due regard of salary growth across the wider University. It should be noted that whilst a pay review was due during 2018-19, the Vice-Chancellor elected not to receive any increase in pay other than the national pay award.

The remuneration of the current Vice-Chancellor is detailed in the table below and relates to the year from 1 August 2019 to 31 July 2020 with the comparative relating to the year from 1 August 2018 to 31 July 2019.

	2020 £'000	2019 £'000
Salary for the year	**379**	372
Deductions to reflect salary sacrifice arrangements	**(9)**	(9)
Net salary paid in the year	**370**	363
Taxable benefits in kind	**9**	11
Non-taxable benefits in kind	**27**	39
Total excluding employer pension contributions	**406**	413
Employer pension contributions	**17**	17
Payments made in lieu of pension	**45**	45
Total remuneration	**468**	**475**

14 Staff costs continued

The salary for the period is the basic contractual salary before adjusting for salary sacrifice arrangements under which, in common with other employees, the Vice-Chancellor sacrificed an amount of pay relating to enhanced opt-out benefits for Death in Service and Ill Health. The employer pension contributions reflect both the employer payments for these benefits over to the Universities Superannuation Scheme and the Vice-Chancellor's contribution of £9,475 (2019: £9,307).

Taxable benefits in kind include private healthcare of £4,831 (2019: £6,730) and accommodation-related costs (heating, lighting and maintenance) of £4,431 (2019: £4,401). In the prior year financial statements, the provision of accommodation benefit was treated as a taxable benefit based on HMRC's announced changes which would remove the exemption for certain employees from being subject to income tax and national insurance contributions on such a benefit provided certain conditions were met. The change was scheduled to come into effect in April 2019 but subsequently this change was deferred and is now scheduled to come into effect in April 2021. As such the provision of accommodation benefit has been reclassified to a non-taxable benefit and the prior year restated. The accommodation benefit has been based on an independent valuation using comparable market data for market rentals of similar properties in the Cambridge area and has been pro-rated to reflect only the personal use of the property, as opposed to business and entertaining use.

Non-taxable benefits include flights home of £7,199 (2019: £19,143) and the provision of accommodation of £20,000 (2019: £20,000) as noted above.

Pay ratios:

(a) The Vice-Chancellor's basic salary is 10.9 times (2019: 11.1) the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the University to its staff. The comparative ratio reflects the full year basic salary equivalent for the Vice-Chancellor.

(b) The Vice-Chancellor's total remuneration is 11.2 times (2019: 12.0) the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the total remuneration paid by the University to its staff. The comparative ratio reflects the full year remuneration equivalent for the Vice-Chancellor.

The median pay calculation includes over 975 agency staff employed on temporary contracts through the University's Temporary Employment Services (TES).

It should also be noted that during 2019-20 the University Council agreed to implement a voluntary reduction in pay for those senior staff earning more than £100k per annum. The Vice- Chancellor committed to contribute 15% of his pay to the Scheme, which was implemented on 1 October 2020.

Notes to the accounts for the year ended 31 July 2020 (continued)

14 Staff costs (continued)

Basic salary bandings for higher paid staff

The number of staff (FTE's) with a basic salary (including market pay supplements) in excess of £100,000 per annum, before salary sacrifice arrangements is outlined below:

	Group 2020	Group 2019
£100,001 - £105,000	91	104
£105,001 - £110,000	97	42
£110,001 - £115,000	42	40
£115,001 - £120,000	33	29
£120,001 - £125,000	27	29
£125,001 - £130,000	21	18
£130,001 - £135,000	15	19
£135,001 - £140,000	22	20
£140,001 - £145,000	15	12
£145,001 - £150,000	18	16
£150,001 - £155,000	10	11
£155,001 - £160,000	10	8
£160,001 - £165,000	7	2
£165,001 - £170,000	4	5
£170,001 - £175,000	6	3
£175,001 - £180,000	2	2
£180,001 - £185,000	3	6
£185,001 - £190,000	8	3
£190,001 - £195,000	7	5
£195,001 - £200,000	4	1
£200,001 - £205,000	1	4
£205,001 - £210,000	3	1
£210,001 - £215,000	2	1
£215,001 - £220,000	1	2
£220,001 - £225,000	–	2
£225,001 - £230,000	1	–
£230,001 - £235,000	1	–
£240,001 - £245,000	–	2
£245,001 - £250,000	1	–
£255,001 - £260,000	–	1
£295,001 - £300,000	–	1
£300,001 - £305,000	–	1
£305,001 - £310,000	1	–
£315,001 - £320,000	1	–
£330,001 - £335,000	–	1
£335,001 - £340,000	1	–
£370,001 - £375,000	–	1
£375,001 - £380,000	1	–
£380,001 - £385,000	–	1
£390,001 - £395,000	1	–
	457	393

The above statistics include staff engaged in business and commercial activities, including those of Cambridge Assessment and Cambridge University Press. This disclosure reflects revised guidance issued by the OfS that basic pay should include market supplements. The comparative bandings have been restated accordingly. The above bandings also include the Vice-Chancellor.

Compensation for loss of office

Aggregate payments for compensation for loss of office were paid to 344 members of staff in 2019-20 (450 in 2018-19):

	Group 2020 £000	Group 2019 £000
Payments in respect of loss of office	3,241	3,466

Under OfS revised guidance, payments made on termination of fixed term contracts should now be included within the disclosure of compensation for loss of office. As a result the comparative staff numbers and associated payments have been restated accordingly.

Notes to the accounts for the year ended 31 July 2020 (continued)

14 Staff costs (continued)

Key management personnel

	Group 2020 £000	Group 2019 £000
The total remuneration of the Vice-Chancellor, the Pro-Vice-Chancellors, Chief Financial Officer and Registrary for the year (or part thereof), comprising salary and benefits (taxable and non taxable), employer pension contributions and before salary sacrifice arrangements, was:	2,110	2,102

15 Analysis of consolidated expenditure by activity

	Staff costs £m	Other operating expenses £m	Depreciation £m	Interest payable £m	Group 2020 Total £m	Group 2019 Total £m
Academic departments	286.7	65.7	8.5	-	360.9	363.7
Academic services	37.0	14.4	0.8	-	52.2	44.2
Payments to Colleges (see Note 39)	-	77.5	-	-	77.5	73.8
Research grants and contracts	241.9	182.2	26.6	-	450.7	471.0
Other activities:						
Examination and assessment services	143.8	210.6	12.4	-	366.8	362.1
Publishing services	119.4	181.7	4.1	2.8	308.0	299.0
Other services rendered	18.0	32.9	0.4	-	51.3	52.4
Intellectual property	4.4	2.1	0.1	-	6.6	6.5
Residences, catering and conferences	3.6	10.6	-	-	14.2	14.8
Other activities total	289.2	437.9	17.0	2.8	746.9	734.8
Administration and central services:						
Administration	54.6	1.6	0.4	(1.0)	55.6	57.6
General educational	5.8	68.4	-	-	74.2	68.1
Staff and student facilities	4.1	0.7	-	-	4.8	4.4
Development office	7.5	6.1	-	-	13.6	15.3
Other	-	12.0	-	-	12.0	10.7
Administration and central services total	72.0	88.8	0.4	(1.0)	160.2	156.1
Premises	19.4	66.3	53.5	-	139.2	142.9
Interest payable on bond liabilities	-	-	-	119.9	119.9	72.7
Pension cost adjustments for USS (see Note 30)	(167.3)	-	-	5.7	(161.6)	227.8
Pension cost adjustments for CPS (see Note 36)	10.5	-	-	13.4	23.9	20.5
Total per statement of comprehensive income	789.4	932.8	106.8	140.8	1,969.8	2,307.5

	Group 2020 £000	Group 2019 £000
Other operating expenses include:		
Operating lease charges:		
Land and buildings	12,393	11,666
Other	873	980
Auditors' remuneration:		
Audit fees payable to the Group's external auditors	1,081	936
Other fees payable to the Group's external auditors	329	66
Audit fees payable to other firms (in respect of certain Trusts and subsidiary undertakings)	118	96
Payments to trustees		
Reimbursement of expenses to five (2019: three) external members of Council	5	8

There were no other payments made to trustees for their services to the University.

Notes to the accounts for the year ended 31 July 2020 (continued)

16 Access and Participation expenditure

The spend incurred directly by the University in respect of access and widening participation activities for the financial year ended 31 July 2020 is outlined below. As this is the first year of disclosure in the financial statements there is no comparative shown.

	2020 £m
Access investment	**1.7**
Financial support for students	**4.3**
Support for disabled students	**1.1**
Research and evaluation	**0.2**
	7.3

Included within the above spend are staff costs amounting to £2.1m which are included within the staff note disclosures in Note 14.

The above spend reflects the investment made by the Academic University only and does not reflect any additional spend undertaken by the individual Colleges on these activities. The Colleges are not consolidated as part of the University's financial statements (see Note 1). However, due to the collegiate nature of the University, the access and participation plans provided to the OfS annually include activities undertaken by both the University and the Colleges. The combined University and Colleges access and participation plans, which do not form part of the audited financial statements, can be found here

Finally, financial support is also provided to students from around the world through associated Trusts of the University: the Commonwealth European and International Trust and the Gates Cambridge Trust. This activity is not reflected in the above table.

17 Interest and other finance costs

	Group 2020 £m	Group 2019 £m	**University 2020 £m**	University 2019 £m
Interest payable and other finance costs on bond liabilities (see Note 29)	**119.9**	72.7	**119.9**	72.7
Interest on pension liabilities (see Note 30)	**21.3**	16.7	**21.1**	16.6
Interest paid on other retirement benefit liabilities (see Note 31)	**0.6**	0.6	**0.6**	0.6
Finance charge / (credit) associated with the revaluation of forward exchange contracts	**(1.0)**	1.2	**(1.0)**	1.2
	140.8	91.2	**140.6**	91.1

The University is exposed to certain foreign currency transactions as part of its normal course of activities. The University enters into forward exchange contracts in order to provide greater certainty over the settlement exchange rates. To the extent that these contracts are unsettled at the balance sheet date they are revalued at that date with the resultant charge or credit being recognised through finance costs.

Interest payable and other finance costs on bond liabilities can be analysed as follows:

Bond liabilities - unsecured 2012 (fixed interest)	**13.2**	13.3	**13.2**	13.3
Bond liabilities - unsecured 2018 (fixed interest)	**7.1**	7.1	**7.1**	7.1
Bond liabilities - unsecured 2018 (index-linked)	**99.6**	52.3	**99.6**	52.3
	119.9	72.7	**119.9**	72.7

Included within the 2018 index-linked bond liabilities interest and finance costs is the adjustment to revalue the liabilities to their fair value at the balance sheet date. The additional financing charge recognised as a result of this revaluation is £98.8m (2019: £51.5m). For further details on these bond liabilities see Note 29.

18 Taxation

	Group 2020 £m	Group 2019 £m	**University 2020 £m**	University 2019 £m
UK Corporation Tax	**-**	-	**-**	-
Foreign taxes	**2.0**	3.8	**1.4**	1.5
	2.0	3.8	**1.4**	1.5

The foreign taxes for the Group and University primarily relate to overseas activities associated with publishing and examination services in the current year. The Group operates across a variety of different geographical locations with activities which are subject to local tax and regulatory compliance requirements. As such the Group is exposed to a number of tax risks. The tax charge does not reflect payments to overseas tax of approximately £7.1m (2019: £6.2m) which the Group expects to contest successfully.

Due to the exempt charity status of the University, the tax charge for UK Corporation Tax is typically nil. In addition, the University has £12.1m of unused Research Develoment Expenditure Credit (RDEC) brought forward from prior periods. This has not been recognised as an asset due to the lack of certainty that future taxable surpluses will be available against which to offset these credits.

Notes to the accounts for the year ended 31 July 2020 (continued)

19 Segment information

The Group's reportable segments are:

Higher Education Institution (HEI)	Teaching and research undertaken by the University
Assessment	Examination and assessment services, carried out by the University of Cambridge Examinations Syndicate and subsidiary undertakings, collectively known as Cambridge Assessment
Press	Publishing services, carried out by the Cambridge University Press Syndicate and subsidiary undertakings
Cambridge University Endowment Fund (CUEF)	The investment fund managed by the Group and holding the majority of the Group's investments together with some investments of Colleges and other associated bodies (see Note 12)
Trusts and other	The combination of smaller segments including the associated trusts and subsidiary companies not included in the Assessment and Press groups

The Council monitors the results of operating segments separately for the purposes of assessing performance and making decisions about the allocation of resources. Segment performance is evaluated based on reported surplus. The Press segment reports for financial years ending 30 April. CUEF reports for financial years ending 30 June and focuses on total return as the measure of income and surplus. The segment information presented below uses the same measures as reported by each segment, adjusted for Press and CUEF to the financial year ended 31 July.

Year ended 31 July 2020	**HEI £m**	**Assessment £m**	**Press £m**	**CUEF £m**	**Trusts and other £m**	**Eliminations and adjustments £m**	**Group £m**
Total income							
External	**1,289.6**	**397.4**	**322.7**	**(28.2)**	**57.0**	**36.4**	**2,074.9**
Intersegment	**344.5**	**6.8**	**4.2**	**–**	**138.9**	**(494.4)**	**–**
Total	**1,634.1**	**404.2**	**326.9**	**(28.2)**	**195.9**	**(458.0)**	**2,074.9**
Surplus for the year	**290.2**	**48.5**	**3.5**	**(28.2)**	**(19.9)**	**(209.4)**	**84.7**
Included in surplus for the year:							
Investment income	**99.3**	**6.3**	**1.2**	**9.0**	**18.7**	**(112.9)**	**21.6**
Depreciation and amortisation	**89.3**	**24.8**	**16.3**	**–**	**1.6**	**(0.5)**	**131.5**
Interest payable	**137.1**	**0.8**	**2.8**	**–**	**0.1**	**–**	**140.8**
Gain / (loss) on disposal of fixed assets	**5.1**	**(0.3)**	**(0.1)**	**–**	**–**	**–**	**4.7**
Gain / (loss) on investments	**(99.4)**	**(2.1)**	**(2.8)**	**(37.2)**	**(22.1)**	**141.3**	**(22.3)**
Additions to intangible assets, fixed assets, heritage assets and investment property	**171.2**	**31.8**	**13.7**	**–**	**0.6**	**(0.8)**	**216.5**
Assets	**6,697.9**	**673.9**	**337.5**	**3,259.1**	**574.9**	**(3,266.9)**	**8,276.4**
Liabilities	**(2,660.9)**	**(151.1)**	**(282.0)**	**–**	**(98.0)**	**(15.4)**	**(3,207.4)**
Net assets	**4,037.0**	**522.8**	**55.5**	**3,259.1**	**476.9**	**(3,282.3)**	**5,069.0**
Year ended 31 July 2019							
Total income							
External	1,284.5	485.0	337.7	202.7	70.1	(188.0)	2,192.0
intersegment	176.5	10.1	5.3	–	117.2	(309.1)	–
Total	1,461.0	495.1	343.0	202.7	187.3	(497.1)	2,192.0
Surplus for the year	34.2	104.0	30.5	202.7	29.2	(283.3)	117.3
Included in surplus for the year:							
Investment income	87.9	9.8	1.9	16.7	31.7	(107.8)	40.2
Depreciation and amortisation	(94.1)	(19.2)	(14.0)	–	(1.8)	0.4	(128.7)
Interest payable	(88.1)	(0.6)	(2.5)	–	–	–	(91.2)
Gain on investments	120.6	6.1	1.1	186.0	19.2	(97.9)	235.1
Additions to intangible assets, fixed assets, heritage assets and investment property	190.3	24.8	22.9	–	2.8	(24.1)	216.7
Assets	6,400.1	871.9	370.5	3,455.9	592.8	(3,392.7)	8,298.5
Liabilities	(2,533.2)	(174.3)	(266.6)	–	(93.2)	(86.4)	(3,153.7)
Net assets	3,866.9	697.6	103.9	3,455.9	499.6	(3,479.1)	5,144.8

19 Segment information (continued)

Eliminations and adjustments

The following eliminations and adjustments reconcile the totals of segment measures to the consolidated measures reported in these financial statements.

	2020 £m	2019 £m
Total income		
Elimination of intersegment income	**(494.4)**	(309.1)
Exclude investment (gain) / loss element of CUEF total return	**37.2**	(186.0)
Exclude CUEF investment income attributable to external investors	**(0.8)**	(2.0)
Total eliminations and adjustments	**(458.0)**	(497.1)

	2020 £m	2019 £m
Surplus for the year		
Eliminate CUEF (surplus) / deficit recognised in other segments or attributable to external investors	**28.2**	(202.7)
Eliminate transfers from other segments to HEI based on surpluses	**(235.7)**	(55.9)
Elimination of intersegment funding commitments	**2.2**	3.8
Eliminate intersegment surplus on transfer of fixed assets	**(1.0)**	(23.4)
Eliminate other intersegment balances	**(3.1)**	(5.1)
Total eliminations and adjustments	**(209.4)**	(283.3)

Assets and liabilities	Assets 2020 £m	Liabilities 2020 £m	Net assets 2020 £m	Net assets 2019 £m
Eliminate CUEF assets recognised in other segments or attributable to external investors	**(2,996.0)**	**(263.1)**	**(3,259.1)**	(3,455.9)
Eliminate accrual for intersegment funding commitments	**–**	**23.4**	**23.4**	21.3
Eliminate intersegment surplus on transfers of fixed assets	**(38.7)**	**–**	**(38.7)**	(38.0)
Eliminate investments in subsidiaries	**(5.9)**	**5.9**	**–**	–
Elimate intersegment balances	**(226.3)**	**218.4**	**(7.9)**	(6.5)
Total eliminations and adjustments	**(3,266.9)**	**(15.4)**	**(3,282.3)**	(3,479.1)

Notes to the accounts for the year ended 31 July 2020 (continued)

20 Intangible assets and goodwill

Group Cost	Software £m	Goodwill £m	Others £m	2020 Total £m	2019 Total £m
At 1 August	241.4	23.0	15.2	279.6	248.8
Additions	27.9	10.2	0.4	38.5	40.3
Disposals	(15.1)	-	-	(15.1)	(9.9)
Transfers (to) / from other balance sheet accounts	(0.3)	-	-	(0.3)	0.4
Transfers	(3.9)	-	3.9	-	-
Currency adjustments	(0.2)	-	(0.1)	(0.3)	-
At 31 July	249.8	33.2	19.4	302.4	279.6
Accumulated amortisation					
At 1 August	166.9	16.2	9.4	192.5	185.3
Charge for the year	20.1	2.8	1.8	24.7	17.0
Elimination on disposals	(14.9)	-	-	(14.9)	(9.8)
Transfers (to) / from other balance sheet accounts	0.2	-	-	0.2	-
Transfers	(0.1)	-	0.1	-	-
Currency adjustments	(0.2)	-	-	(0.2)	-
At 31 July	172.0	19.0	11.3	202.3	192.5
Net book value					
At 31 July	77.8	14.2	8.1	100.1	87.1
At 1 August	74.5	6.8	5.8	87.1	63.5

The goodwill addition in the year relates to the acquisition of the remaining interest held within English Language iTutoring Limited.

University Cost	Software £m	Goodwill £m	Others £m	2020 Total £m	2019 Total £m
At 1 August	232.3	8.0	19.2	259.5	228.5
Additions	25.2	-	0.1	25.3	39.1
Disposals	(14.6)	-	-	(14.6)	(8.1)
Transfers (to) / from other balance sheet accounts	(0.3)	-	-	(0.3)	-
Transfers	(3.9)	-	3.9	-	-
Currency adjustments	(0.1)	-	-	(0.1)	-
At 31 July	238.6	8.0	23.2	269.8	259.5
Accumulated amortisation					
At 1 August	160.1	1.2	13.4	174.7	165.9
Charge for the year	19.0	0.6	1.8	21.4	16.6
Elimination on disposals	(14.4)	-	-	(14.4)	(7.8)
Transfers (to) / from other balance sheet accounts	-	-	-	-	-
Transfers	(0.1)	-	0.1	-	-
Currency adjustments	(0.1)	-	-	(0.1)	-
At 31 July	164.5	1.8	15.3	181.6	174.7
Net book value					
At 31 July	74.1	6.2	7.9	88.2	84.8
At 1 August	72.2	6.8	5.8	84.8	62.6

Amortisation of intangibles is included within 'other operating expenses' in the statement of comprehensive income.

Notes to the accounts for the year ended 31 July 2020 (continued)

21 Tangible assets

Group	Land £m	Non-Leasehold Buildings £m	Leasehold Buildings £m	Assets in construction £m	Equipment £m	2020 Total £m	2019 Total £m
Cost							
At 1 August	377.5	1,798.4	350.3	229.7	435.6	3,191.5	3,048.7
Additions	-	1.5	0.7	133.3	27.0	162.5	154.0
Transfers	-	129.6	6.7	(136.4)	0.1	-	-
Transfers (to) / from investment properties	(5.2)	(6.7)	-	(1.8)	-	(13.7)	-
Transfers (to) / from other balance sheet accounts	-	-	-	-	0.3	0.3	1.5
Disposals	(1.7)	(5.8)	-	-	(8.5)	(16.0)	(13.3)
Currency adjustments	-	(0.2)	(0.1)	-	(0.9)	(1.2)	0.6
At 31 July	370.6	1,916.8	357.6	224.8	453.6	3,323.4	3,191.5
Accumulated depreciation							
At 1 August	-	221.1	33.6	-	335.4	590.1	489.4
Charge for the year	-	54.0	9.2	-	43.6	106.8	111.7
Transfers (to) / from investment properties	-	(0.6)	-	-	-	(0.6)	-
Transfers (to) / from other balance sheet accounts	-	-	-	-	(0.2)	(0.2)	1.9
Elimination on disposals	-	(5.2)	-	-	(8.2)	(13.4)	(13.2)
Currency adjustments	-	(0.1)	(0.1)	-	(0.4)	(0.6)	0.3
At 31 July	-	269.2	42.7	-	370.2	682.1	590.1
Net book value							
At 31 July	370.6	1,647.6	314.9	224.8	83.4	2,641.3	2,601.4
At 1 August	377.5	1,577.3	316.7	229.7	100.2	2,601.4	2,559.3

The net book value of leasehold land included in the above table is £29.8m (2019: £29.8m).

University	Land £m	Non-Leasehold Buildings £m	Leasehold Buildings £m	Assets in construction £m	Equipment £m	2020 Total £m	2019 Total £m
Cost							
At 1 August	377.5	1,801.0	342.2	231.6	424.5	3,176.8	3,038.6
Additions	-	1.5	-	134.2	25.7	161.4	150.4
Transfers	-	130.5	6.7	(137.2)	-	-	-
Transfers (to) / from investment properties	(5.2)	(6.7)	-	(1.8)	-	(13.7)	-
Transfers (to) / from other balance sheet accounts	-	-	-	(0.2)	0.5	0.3	0.5
Disposals	(1.7)	(6.5)	-	-	(8.1)	(16.3)	(12.7)
Currency adjustments	-	(0.1)	-	-	(0.5)	(0.6)	-
At 31 July	370.6	1,919.7	348.9	226.6	442.1	3,307.9	3,176.8
Accumulated depreciation							
At 1 August	-	220.9	31.5	-	328.6	581.0	484.0
Charge for the year	-	54.0	8.8	-	41.7	104.5	109.2
Transfers (to) / from investment properties	-	(0.6)	-	-	-	(0.6)	-
Transfers (to) / from other balance sheet accounts	-	0.1	(0.1)	-	-	-	0.5
Elimination on disposals	-	(5.9)	-	-	(8.0)	(13.9)	(12.7)
Currency adjustments	-	-	-	-	-	-	-
At 31 July	-	268.5	40.2	-	362.3	671.0	581.0
Net book value							
At 31 July	370.6	1,651.2	308.7	226.6	79.8	2,636.9	2,595.8
At 1 August	377.5	1,580.1	310.7	231.6	95.9	2,595.8	2,554.6

The net book value of leasehold land included in the above table is £29.8m (2019: £29.8m).

Notes to the accounts for the year ended 31 July 2020 (continued)

22 Heritage assets

	Group 2020 £m	Group 2019 £m	University 2020 £m	University 2019 £m
Opening balance	72.0	70.6	72.0	70.6
Additions in the year	1.6	1.4	1.6	1.4
Closing balance at 31 July	73.6	72.0	73.6	72.0

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 significant accounting policies (see Note 4), heritage assets acquired since 1 August 1999 have been capitalised. The majority of assets held in the University's collections were acquired before 1 August 1999; because reliable estimates of cost or valuation are not available for these on a cost-benefit basis they have not been capitalised. As a result the total included in the balance sheet is partial.

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

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Acquisitions purchased with specific donations	-	-	1.1	1.3	1.2
Value of acquisitions by donation	1.6	1.4	2.2	0.4	2.5
Total acquired by, or funded by, donations	1.6	1.4	3.3	1.7	3.7
Acquisitions purchased with University funds	-	-	-	0.5	0.5
Total acquisitions capitalised	1.6	1.4	3.3	2.2	4.2

23 Non-current asset investments

a) Other investments

	Group 2020 £m	Group 2019 £m	University 2020 £m	University 2019 £m
Opening balance	3,220.1	2,911.9	2,635.8	2,346.7
Additions in the year	163.4	265.4	205.7	264.1
Disposals in the year	(230.9)	(141.1)	(211.2)	(119.7)
Share of operating surplus / (deficit) in joint ventures and associates	(0.8)	1.5	-	-
Valuation gains / (losses) on investments	(30.3)	181.4	(24.0)	144.7
Loan to joint ventures	0.4	0.4	0.3	-
Currency adjustments	(0.4)	0.6	-	-
Closing balance at 31 July	3,121.5	3,220.1	2,606.6	2,635.8
Represented by:				
CUEF units (see Note 12)	2,996.0	3,108.0	2,474.4	2,530.0
Securities	15.2	15.9	11.0	10.9
Spin-out and similar companies (see Note 37)	101.1	86.2	73.9	59.6
Investments in subsidiary undertakings	-	-	45.3	33.8
Investments in joint ventures	8.3	9.4	0.5	0.5
Investments in associates	0.8	0.5	0.8	0.9
Other	0.1	0.1	0.7	0.1
	3,121.5	3,220.1	2,606.6	2,635.8

Other investments primarily relate to investments in farming and related products.

Notes to the accounts for the year ended 31 July 2020 (continued)

23 Non-current asset investments (continued)

b) Investment property

	Group 2020 £m	Group 2019 £m	**University 2020 £m**	University 2019 £m
Opening balance	**547.5**	501.4	**547.5**	501.4
Additions in the year	**13.9**	21.0	**13.9**	21.0
Disposals in the year	**(8.5)**	(28.0)	**(8.5)**	(28.0)
Transfers (to) / from other balance sheet accounts	**13.1**	-	**13.1**	-
Net gains from fair value adjustments	**8.8**	53.1	**8.8**	53.1
Closing balance	**574.8**	547.5	**574.8**	547.5
Represented by:				
North West Cambridge development	**369.4**	362.3	**369.4**	362.3
Other investment property	**205.4**	185.2	**205.4**	185.2
	574.8	547.5	**574.8**	547.5

Phase 1 of the North West Cambridge development is essentially complete and includes accommodation for University staff and students, infrastructure and community facilities. The development has been valued as at 31 July 2020 by an external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors. The valuation was prepared in accordance with the terms of the RICS valuation - Global Standards (January 2020 edition) and the national standards and guidance set out in the UK national supplement (November 2018 edition) (collectively "the Standards") published by the Royal Institution of Chartered Surveyors (RICS) and FRS 102. The valuation was undertaken on a fair value basis. The result is a revaluation gain in the carrying value of the investment of £6.2m (2019: £44.5m). This is reflected as a valuation gain on investment and increases the carrying value of the investment from £363.2m to £369.4m. Other investment property is also revalued annually with properties valued in excess of £0.5m undertaken by an independent external valuer and the balance valued internally by the University's own Estates Management team. The annual valuation of these properties has resulted in a gain on investment of £2.6m (2019: £8.6m).

The NWC valuation is subject to a number of assumptions with salary projections for key workers and its impact on rental growth projections a key variable. A reduction in rental growth from 2.5% to 0% for the forthcoming year would result in a decrease in the market value of key worker housing of under 3%.

The loss on investments of £(22.3)m (2019: £235.1m gain) includes investment property gains of £8.8m (2019: £53.1m) as shown above, other non-current asset investment losses of £(30.3)m (2019: £181.4m gain) as shown in Note 23a, of which £(35.3)m relates to the endowment fund and £(0.8)m (2019: £0.6m) recognised through cash and cash equivalents relating to a specialist fund held with Royal London.

At 31 July 2020, the other investment properties included various properties with an overall value of £78m (representing 14% of the Group's overall investment property valuation) where the external valuer had included material valuation uncertainty clauses. These valuations are based on the external valuers best estimates at the balance sheet date and accordingly the properties have been valued based on the information received with no adjustments made.

24 Stock and work in progress

	Group 2020 £m	Group 2019 £m	**University 2020 £m**	University 2019 £m
Goods for resale	**23.3**	24.9	**20.3**	24.4
Pre-publication costs and other work in progress	**25.4**	26.3	**23.4**	24.0
Other stock	**1.5**	1.5	**1.4**	1.5
	50.2	52.7	**45.1**	49.9

25 Trade and other receivables

	Group 2020 £m	Group 2019 £m	**University 2020 £m**	University 2019 £m
Amounts due within one year:				
Research grants recoverable	**115.5**	129.4	**115.5**	129.8
Amounts due from group undertakings	**-**	-	**22.0**	45.3
Trade debtors	**163.9**	224.6	**144.2**	194.2
Other debtors	**113.4**	109.2	**107.4**	100.4
	392.8	463.2	**389.1**	469.7

The majority of non-research trade and other receivables relates to examination and assessment services, and publishing services. Debtors relating to examination and assessment services are included within the Group amounting to £90.1m (2019: £123.8m) and within the University amounting to £90.3m (2019: £120.6m). Debtors relating to publishing services are included within the Group amounting to £115.5m (2019: £140.7m) and within the University amounting to £111.8m (2019: £137.0m).

Notes to the accounts for the year ended 31 July 2020 (continued)

26 Current asset investments

	Group 2020 £m	Group 2019 £m	University 2020 £m	University 2019 £m
CUEF units held on behalf of other entities (see Note 12)	**263.1**	347.9	**784.7**	925.9
Money market investments (see Note 42)	**170.1**	174.1	**170.1**	174.1
	433.2	522.0	**954.8**	1,100.0

27 Cash and cash equivalents

	Group 2020 £m	Group 2019 £m	University 2020 £m	University 2019 £m
Money market investments with maturity less than three months	**767.0**	646.1	**767.0**	646.1
Cash at bank and in hand and with investment managers	**121.9**	86.4	**69.0**	21.3
	888.9	732.5	**836.0**	667.4

The movement in net debt is disclosed in Note 42.

28 Creditors: amounts falling due within one year

	Group 2020 £m	Group 2019 £m	University 2020 £m	University 2019 £m
Bank overdraft (see Note 42)	**2.2**	-	**2.2**	-
Finance leases (see Note 42)	**0.2**	1.2	**0.2**	1.2
Research grants received in advance	**254.0**	224.8	**254.0**	224.8
Other creditors and deferred income	**443.1**	461.0	**337.7**	385.2
Amounts due to group undertakings	**-**	-	**36.5**	20.8
Derivative financial instruments liabilities	**0.2**	1.2	**0.2**	1.2
Investments and cash equivalents held on behalf of subsidiary undertakings	**-**	-	**571.7**	611.0
Investments and cash equivalents held on behalf of Colleges and other associated bodies	**266.9**	350.5	**266.9**	350.5
	966.6	1,038.7	**1,469.4**	1,594.7

Other creditors relating to examination and assessment services are included within the Group amounting to £119.5m (2019: £125.1m) and within the University amounting to £76.4m (2019: £101.4m). Other creditors relating to publishing services are included within the Group amounting to £113.7m (2019: £133.8m) and within the University amounting to £110.5m (2019: £123.2m). Deferred income of £157.1m (2019: £180.5m) is included above for the Group and £128.6m (2019: £160.1m) for the University as at 31 July 2020.

29 Creditors: amounts falling due after more than one year

	Group 2020 £m	Group 2019 £m	University 2020 £m	University 2019 £m
Bond liabilities - unsecured 2012 (fixed interest)	**342.9**	342.8	**342.9**	342.8
Bond liabilities - unsecured 2018 (fixed interest)	**297.8**	297.8	**297.8**	297.8
Bond liabilities - unsecured 2018 (index-linked)	**447.0**	348.2	**447.0**	348.2
Finance leases	**1.1**	1.3	**1.1**	1.3
Accruals and deferred income	**20.5**	11.5	**10.4**	1.2
	1,109.3	1,001.6	**1,099.2**	991.3

29 Creditors: amounts falling due after more than one year (continued)

On 17 October 2012 the University issued £350m of 3.75% unsecured bonds due October 2052. 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% p.a. is payable on17 April and 17 October each year and commenced on 17 April 2013. In addition, on 27 June 2018 the University issued £300m of 2.35% unsecured bonds due June 2078. The bonds were issued at 99.552% of their principal amount. The proceeds of issue, less directly attributable transaction costs, amounted to £297.8m. Interest at 2.35% p.a. is payable on 27 June and 27 December each year and commenced on 27 December 2018. The bonds will be redeemed at their principal amounts of £350m and £300m on 17 October 2052 and 27 June 2078 respectively.

The bonds are initially measured at the proceeds of issue less all transaction costs directly attributable to the issue. After initial recognition, the bonds are measured at amortised cost using the effective interest rate method. Under this method the discount at which the Bonds were issued and the transaction costs are accounted for as additional interest expense over the term of the bonds.

Also on 27 June 2018 the University issued £300m of index-linked bonds (the "Indexed bonds") due June 2068. The Indexed bonds were issued at 98.893% of their principal amount. Interest is payable annually in arrears on 27 June each year and commenced on 27 June 2019. The interest charged is calculated as the product of 0.25% p.a. and the Limited Index Ratio. The Indexed bonds will be redeemed in accordance with the Amortisation Schedule multiplied by the Limited Index Ratio or may be redeemed earlier at the option of the University. The Indexed bonds are accounted for as complex financial instruments and were initially recognised at fair value at the transaction date which was deemed to be the face value of the bonds (net of discount) of £296.7m. Transaction costs were immediately expensed on initial recognition of the bonds. Subsequently the bonds are re-measured to their fair value at each consecutive reporting date with any increase or decrease in liability recognised through finance costs in the statement of comprehensive income. As at 31 July 2020 the Indexed bonds were revalued upwards to £447.0m based on an independent valuation from Morgan Stanley, increasing the liability and resulting in a fair value adjustment charge through finance costs of £98.8m.

All the bonds referred to above are listed on the London Stock Exchange.

The movement in net debt is disclosed in Note 42.

Notes to the accounts for the year ended 31 July 2020 (continued)

30 Pension liabilities

Group	CPS £m	Press (UK schemes) £m	Defined benefit total £m	USS deficit recovery £m	Other £m	Total 2020 £m	Total 2019 £m
Opening balance	633.0	108.4	741.4	347.5	(0.2)	1,088.7	635.1
Movement in year:							
Current service cost	38.1	1.4	39.5	-	7.1	46.6	37.6
Past service cost	-	-	-	-	-	-	5.8
Contributions	(28.7)	(4.4)	(33.1)	-	(6.9)	(40.0)	(39.0)
Administration expenses	1.1	-	1.1	-	0.2	1.3	1.3
Interest on liability	13.4	2.2	15.6	5.7	-	21.3	16.7
Currency adjustments	-	-	-	-	-	-	-
Net change in underlying assumptions (see Note 14):							
- change in underlying assumptions	-	-	-	(160.4)	-	(160.4)	230.7
- USS deficit contributions payable	-	-	-	(6.9)	-	(6.9)	(5.6)
	-	-	-	(167.3)	-	(167.3)	225.1
Liability on acquisition	-	-	-	-	-	-	0.8
Actuarial (gain) / loss	120.1	32.5	152.6	-	0.5	153.1	205.3
Closing balance at 31 July	777.0	140.1	917.1	185.9	0.7	1,103.7	1,088.7
University							
Opening balance	633.0	108.4	741.4	336.8	(0.6)	1,077.6	631.0
Movement in year:							
Current service cost	38.1	1.4	39.5	-	6.8	46.3	37.4
Past service cost	-	-	-	-	-	-	5.8
Contributions	(28.7)	(4.4)	(33.1)	-	(6.8)	(39.9)	(38.8)
Administration expenses	1.1	-	1.1	-	0.2	1.3	1.2
Interest on liability	13.4	2.2	15.6	5.5	-	21.1	16.6
Currency adjustments	-	-	-	-	-	-	-
Net change in underlying assumptions (see Note 14):							
- change in underlying assumptions	-	-	-	(156.5)	-	(156.5)	224.1
- USS deficit contributions payable	-	-	-	(6.7)	-	(6.7)	(5.5)
	-	-	-	(163.2)	-	(163.2)	218.6
Liability on acquisition	-	-	-	-	-	-	0.8
Actuarial (gain) / loss	120.1	32.5	152.6	-	0.3	152.9	205.0
Closing balance at 31 July	777.0	140.1	917.1	179.1	(0.1)	1,096.1	1077.6

Notes to the accounts for the year ended 31 July 2020 (continued)

30 Pension liabilities (continued)

The net liabilities in respect of the Cambridge University Assistants' Contributory Pension Scheme (CPS) and the Press defined benefit schemes represent the present value of the schemes' obligations to provide future benefits in relation to past service, less the assets of the schemes. For additional information please refer to Note 36.

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to fund deficit payments in accordance with the deficit recovery plan. In calculating this provision, management has estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are set out below and further information is provided in Note 36.

The Group also has a smaller number of staff in other pension schemes, including the defined benefit schemes relating to Cambridge University Press activities in the United States, the Local Government Pension Scheme (LGPS) supporting staff in the University primary school and the National Health Service Pension Scheme (NHSPS).

The 'liability on acquisition' in the prior year refers to the acquisition by Cambridge Assessment and Cambridge University Press of the Centre for Evaluation and Monitoring whereby the liability associated with those employees contracted through the USS has been assumed by the University.

The adoption of the new deficit recovery plan following the 2018 actuarial valuation has given rise to a significant reduction in the deficit provision which has decreased from £347.5m to £185.9m. The movements described as a "net change in underlying assumptions" also include the impact of movements in discount rates. The resulting decrease in provision in 2019-20 is included in staff costs (see Note 14).

The major assumptions used to calculate the obligation are:

	2020	2019
Discount rate	0.74%	1.61%
Pensionable salary growth*	0.5% - 3.0%	4.2%

** 0.5% in the year to 31 July 2021 and 3.0% p.a thereafter*

Sensitivity analysis

As set out in the accounting policies, there are some critical judgements made in estimating the obligation to fund the USS deficit. The sensitivity of the principal assumptions used to measure the USS deficit provision are set out below:

Change in assumptions at 31 July 2020	Approximate impact
a) Impact of a 0.5% p.a. decrease in discount rate	*Liability increases by £4m*
b) Impact of a 0.5% p.a. increase in salary inflation over duration	*Liability increases by £4m*
c) Impact of a 0.5% p.a. increase in salary inflation year one only	*Liability increases by £1m*
d) Impact of a 0.5% increase in staff changes year one only	*Liability increases by £1m*
e) Impact of a 0.5% increase in staff changes over duration	*Liability increases by £4m*
f) Impact of a 1.0% increase in deficit contributions from April 2021	*Liability increases by £31m*
g) I year increase in term	*Liability increases by £29m*

Notes to the accounts for the year ended 31 July 2020 (continued)

31 Other retirement benefits liabilities

	2020 £m	2019 £m
Group and University		
Opening balance	24.7	21.6
Movement attributable to the year:		
Current service cost less benefits paid	(0.3)	0.2
Contributions	(0.5)	(1.1)
Finance costs	0.6	0.6
Currency adjustments	(0.4)	0.5
Actuarial loss	3.7	2.9
Closing balance at 31 July	27.8	24.7

These liabilities arise in relation to unfunded post-retirement medical and insurance schemes.

32 Endowment reserves

	Permanent £m	Expendable £m	2020 Total £m	2019 Total £m
Group				
Balance at 1 August	1,404.1	567.2	1,971.3	1,855.7
New endowments received	35.7	0.2	35.9	66.8
Investment income	4.4	1.7	6.1	10.0
Expenditure	(37.6)	(20.9)	(58.5)	(66.9)
Valuation gains / (losses) on investments	(15.6)	(6.7)	(22.3)	107.6
Loss on deconsolidation of Trust	-	-	-	(1.9)
Balance at 31 July	1,391.0	541.5	1,932.5	1,971.3
Capital	1,195.9	508.9	1,704.8	1,748.6
Unspent income	195.1	32.6	227.7	222.7
Balance at 31 July	1,391.0	541.5	1,932.5	1,971.3
Representing:				
Trust and Special Funds:				
Professorships, Readerships, and Lectureships	693.2	80.5	773.7	787.7
Scholarships and bursaries	217.3	17.3	234.6	229.7
Other	455.3	161.0	616.3	630.2
Gates Cambridge Trust	-	276.2	276.2	290.0
Examination Board restricted funds	-	6.5	6.5	6.7
General endowments	25.2	-	25.2	27.0
Group total	1,391.0	541.5	1,932.5	1,971.3
University				
Balance at 1 August	1,396.8	277.1	1,673.9	1,561.9
New endowments received	35.3	0.2	35.5	66.1
Investment income	3.8	0.8	4.6	8.1
Expenditure	(37.1)	(10.9)	(48.0)	(53.8)
Valuation gains / (losses) on investments	(15.3)	(3.1)	(18.4)	91.6
Balance at 31 July	1,383.5	264.1	1,647.6	1,673.9
Capital	1,188.8	231.5	1,420.3	1,451.2
Unspent income	194.7	32.6	227.3	222.7
Balance at 31 July	1,383.5	264.1	1,647.6	1,673.9

Notes to the accounts for the year ended 31 July 2020 (continued)

33 Restricted reserves

Group	Unspent capital grants £m	Unspent research grants £m	Specific donations £m	Other restricted reserves £m	2020 Total £m	2019 Total £m
Balance at 1 August	12.4	37.3	58.7	19.9	128.3	97.9
Donations and grants recognised in the year	104.5	24.7	30.8	-	160.0	144.5
Investment income	-	-	0.2	-	0.2	0.3
Expenditure	-	(17.5)	(21.2)	-	(38.7)	(44.5)
Capital grants spent	(101.0)	-	-	-	(101.0)	(91.1)
Valuation gains / (losses) on investments	(0.2)	-	0.2	(0.3)	(0.3)	2.6
Transfers from unrestricted income	-	-	-	5.0	5.0	18.7
Actuarial loss	-	-	-	-	-	(0.1)
Balance at 31 July	15.7	44.5	68.7	24.6	153.5	128.3

University	Unspent capital grants £m	Unspent research grants £m	Specific donations £m	Other restricted reserves £m	2020 Total £m	2019 Total £m
Balance at 1 August	12.3	37.3	57.8	19.9	127.3	97.0
Donations and grants recognised in the year	104.5	24.7	19.9	-	149.1	129.0
Investment income	-	-	0.2	-	0.2	0.3
Expenditure	-	(17.5)	(9.8)	-	(27.3)	(29.2)
Capital grants spent	(101.0)	-	-	-	(101.0)	(91.1)
Valuation gains / (losses) on investments	(0.2)	-	0.2	(0.3)	(0.3)	2.6
Transfers from unrestricted income	-	-	-	5.0	5.0	18.7
Balance at 31 July	15.6	44.5	68.3	24.6	153.0	127.3

Other restricted reserves relates to certain units held in the Cambridge University Endowment Fund which were previously held as unrestricted but then were re-categorised to restricted in 2018-19 following the implementation of unit match-funding associated with a specific donation.

34 Non-controlling interests

Non-controlling interests represent the interests of minority shareholders in the total comprehensive income and net assets of subsidary companies where the University holds less than 100% of the issued share capital (see Note 37). The movement in non-controlling interests in the statement of comprehensive income and unrestricted reserves of the Group were as follows:

	Group 2020 £m	Group 2019 £m
Opening balance at 1 August	3.4	1.7
Total comprehensive income attributable to non-controlling interests	0.7	2.2
Acquisition of non-controlling interest	0.3	1.2
Dividends paid to non-controlling interests	(1.2)	(1.7)
Closing balance at 31 July	3.2	3.4

For the year ended 31 July 2020, the surplus for the year attributable to non-controlling interests was £0.7m (2019: £2.2m), the total comprehensive income attributable to non-controlling interests was £0.7m (2019: £2.2m) and the unrestricted reserves attributable to non-controlling interests was £3.2m (2019: £3.4m).

35 Capital commitments

	Group 2020 £m	Group 2019 £m
Commitments for capital expenditure:		
Commitments contracted at 31 July	312.7	398.2
Authorised but not contracted at 31 July	109.4	102.3
Commitments for capital calls on investments	462.6	449.9

Notes to the accounts for the year ended 31 July 2020 (*continued*)

36 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). The USS and the CPS are not closed, nor is the age profile of their active membership rising significantly.

Cambridge University Press operates two pension schemes for its UK staff, the Press Contributory Pension Fund (PCPF) and the Press Senior Staff Pension Scheme (PSSPS). The PCPF and the PSSPS have been closed to new members.

The assets of the schemes are held in separate trustee-administered funds. The schemes are defined benefit schemes, with the exception of USS which is a hybrid pension scheme, and are each 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.

From 1 January 2013, the University has also operated an additional pension scheme for University staff, the Cambridge University Assistants' Defined Contribution Pension Scheme (CUADCPS) which is a defined contribution pension scheme. For reporting purposes, the contributions payable through the scheme are included in "other" pension scheme costs in the statement of comprehensive income. This scheme does not form part of the liability disclosed under CPS in this Note.

Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. Because of the mutual nature of the scheme, the scheme's assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by section 28 of FRS 102 'Employee Benefits' the University therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the statement of comprehensive income represents contributions payable to the scheme. Since the University has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

The total cost charged to the statement of comprehensive income is £(41.3)m (2019: £331.7m).

The latest available complete actuarial valuation of the Retirement Income Builder section of the scheme is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. At the year end a valuation as at 31 March 2020 was underway but not yet complete.

Since the University cannot identify its share of USS Retirement Income Builder section of the scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2018 valuation was the fifth valuation for the USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £63.7bn and the value of the scheme's technical provisions was £67.3bn indicating a shortfall of £3.6bn and a funding ratio of 95%.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principles.

Discount rate (forward rates)	Years 1-10: CPI + 0.14% reducing linearly to CPI - 0.73% Years 11-20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21 Years 21 +: CPI + 1.55%
Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a

Notes to the accounts for the year ended 31 July 2020 (continued)

36 Pension schemes (continued)

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table	**2018 Valuation** Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females. Post-retirement: 97.6% of SAPS S1NMA 'light' for males and 102.7% of RFV00 for females.
Future improvements to mortality	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females.

	2018 valuation	2017 valuation
The current life expectancies on retirement at age 65 are:		
Males currently aged 65 (years)	**24.4**	24.6
Females currently aged 65 (years)	**25.9**	26.1
Males currently aged 45 (years)	**26.3**	26.6
Females currently aged 45 (years)	**27.7**	27.9
The funding position of the scheme has since been updated on an FRS 102 basis:		
Scheme assets	**£63.7bn**	£67.4bn
Total scheme liabilities	**£67.3bn**	£79.2bn
FRS 102 total scheme deficit	**£3.6bn**	£11.8bn
FRS 102 total funding level	**95%**	85%
The key assumptions used to determine the overall scheme deficit are:		
Discount rate	**2.59%**	2.44%
Pensionable pay growth	**4.20%**	2.11%

A new deficit recovery plan was put in place as part of the 2018 valuation and is set out in the new Schedule of Contributions dated 16 September 2019. This new plan requires deficit payments of 2.0% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6.0% of salaries from 1 October 2021 to 31 March 2028. In accordance with the requirements of FRS 102 and the SORP, the University has made a provision for this contractual commitment to fund the past deficit. In the prior year, the deficit payments were 5.0% of salaries up to 30 June 2034.

This change in deficit payments aligned with the reduced funding period has given rise to a significant decrease in the University's deficit provision which has reduced from £347.5m to £185.9m as set out in Note 30. See also Note 14 in respect of significant one-off pension cost changes.

Notes to the accounts for the year ended 31 July 2020 (continued)

36 Pension schemes (continued)

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 the 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 as at 31 July 2018, with a further funding update as at 31 July 2019. The next funding update is due as at 31 July 2020 and the next triennial actuarial valuation is due as at 31 July 2021. The results of the full 2018 triennial valuation showed the actuarial value of the scheme's assets as £708m. These were insufficient to cover the scheme's past service liabilities of £743m; the scheme had a deficit of £35m and was 95% funded.

Since 1 August 2013 employer contributions have been set at 11.5% of pensionable pay for existing members at 31 December 2012 and 5.8% of pensionable pay (together with contributions at 5.0% to a separate defined contribution arrangement) for new entrants from 1 January 2013. In addition, fixed employer contributions totalling £14.6m per annum are payable over the period from 1 August 2011 to 31 July 2021. These payments are subject to review at the next triennial valuation due as at 31 July 2021.

CPS: Pension costs under FRS 102

The liabilities of the plan have been calculated for the purposes of FRS 102 based on the calculations undertaken for the triennial actuarial valuation as at 31 July 2018, allowing for the different assumptions required under FRS 102 and taking fully into consideration changes in the plan benefit structure and membership since that date. The FRS 102 valuation allows for additional CPS pension liability arising from the impact of equalising Guaranteed Minimum Pensions (GMPs) between men and women. The Lloyds Bank High Court Ruling on 26 October 2018 confirmed that GMPs should be equalised from the date of the Barber judgement (17 May 1990).

The principal assumptions used by the actuary were:

	2020	2019
Discount rate	1.40%	2.10%
Rate of increase in salaries*	0.50% – 3.00%	4.20%
Rate of increase in pensions in deferment	3.00%	3.40%
Rate of increase in pensions in payment:		
– to 31 December 2012	3.00%	3.40%
– from 1 January 2013 (RPI max 5.0% p.a)	2.95%	3.25%
Mortality - equivalent life expectancy for members reaching the age of 65:		
Males currently aged 65	85	85
Males currently aged 45	86	86
Females currently aged 65	89	89
Females currently aged 45	91	91

** 0.50% in the year to 31 July 2021 only, 3.00% p.a thereafter*

Notes to the accounts for the year ended 31 July 2020 (continued)

36 Pension schemes (continued)

The following results were measured in accordance with the requirements of FRS 102, based on the assumptions summarised above:

	Present value of defined benefit obligation		Fair value of scheme assets		Net liability recognised in the balance sheet	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Opening	**(1,359.3)**	(1,151.0)	**726.3**	708.2	**(633.0)**	(442.8)
Current service cost	**(38.1)**	(30.1)	**-**	-	**(38.1)**	(30.1)
Past service cost	**-**	(5.8)	**-**	-	**-**	(5.8)
Administrative expenses paid	**-**	-	**(1.1)**	(1.0)	**(1.1)**	(1.0)
Employer contributions	**-**	-	**28.7**	28.5	**28.7**	28.5
Contributions by members	**(0.4)**	(0.5)	**0.4**	0.5	**-**	-
Benefits paid	**25.8**	23.8	**(25.8)**	(23.8)	**-**	-
Interest income / (expense)	**(28.6)**	(31.2)	**15.2**	19.1	**(13.4)**	(12.1)
Remeasurement gains / (losses):						
Actuarial gains / (losses)	**(65.9)**	(164.5)	**-**	-	**(65.9)**	(164.5)
Expected less actual plan expenses	**-**	-	**(0.5)**	(0.6)	**(0.5)**	(0.6)
Return on assets excluding interest	**-**	-	**(53.7)**	(4.6)	**(53.7)**	(4.6)
Closing defined benefit obligation	**(1,466.5)**	(1,359.3)	**689.5**	726.3	**(777.0)**	(633.0)

The assets of the scheme are held in a variety of funds. At the balance sheet date the scheme included assets totalling £67.6m (representing 9.8% of the scheme's assets) invested in various pooled investment funds, where the underlying assets were property based. As a result of COVID-19 the majority of these funds included material valuation uncertainty clauses in their valuations and were themselves suspended at the balance sheet date. Subsequent reports, which had been independently valued as at 31 August and 30 September, have been received which indicate that the material valuation uncertainty clauses were removed during August and September and all of the suspended funds re-opened shortly after 30 September such that by 31 August some £14.9m of the scheme assets were held in funds that included material valuation uncertainty clauses in their valuations and by 30 September none of the scheme assets were subject to material valuation uncertainty clauses. Given the removal of the material valuation uncertainty clauses and the re-opening of the funds shortly after the year end the schemes assets have been valued based on the information received with no adjustments made.

The movement for the year in the net pension liability is reflected in Note 30.

	2020 £m	2019 £m
The total cost recognised in expenditure was:		
Current service cost	**38.1**	30.1
Past service cost	**-**	5.8
Administrative expenses	**1.1**	1.0
Interest cost	**13.4**	12.1
	52.6	49.0
The fair values of the major categories of scheme assets expressed as a percentage of the total were:		
Equities and hedge funds	**62.4%**	67.0%
Bonds and cash	**27.8%**	23.2%
Property	**9.8%**	9.8%
	100.0%	100.0%
The return on the scheme's assets was (£m):		
Interest income	**15.2**	19.1
Return on assets excluding interest income	**(53.7)**	(4.6)
	(38.5)	14.5

Notes to the accounts for the year ended 31 July 2020 (continued)

36 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 2019.

Pension costs under FRS 102

For accounting purposes the schemes' assets are measured at fair value and liabilities are valued using the attained age method and discounted using the gross redemption yield for corporate AA rated bonds. The valuations use market-based assumptions and asset valuations, and represent current valuations. They do not impact on the joint contribution rates set by the trustees of the schemes. The actuary has updated the 1 January 2019 valuation to 31 July 2020 for the purposes of these financial statements. The principal assumptions used by the actuary for both schemes were:

	2020	2019
Discount rate	**1.40%**	2.10%
Rate of increase in salaries - schemes are now on frozen current salary basis	**0.00%**	0.00%
Rate of increase in pensions in deferment	**3.60%**	3.80%
Rate of increase in pensions in payment	**3.60%**	3.80%
Mortality - equivalent life expectancy for members at age 60:		
Males	**86**	86
Females	**89**	89

The following results were measured in accordance with the requirements of FRS 102, based on the assumptions summarised above. The results for the two schemes have been amalgamated.

	Present value of defined benefit obligation		**Fair value of scheme assets**		**Net liability recognised in the balance sheet**	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Opening	**(359.3)**	(323.9)	**250.9**	249.9	**(108.4)**	(74.0)
Current service cost	**(1.4)**	(1.5)	**-**	-	**(1.4)**	(1.5)
Employer contributions	**-**	-	**4.4**	4.5	**4.4**	4.5
Contributions by members	**(0.1)**	(0.1)	**0.1**	0.1	**-**	-
Benefits paid	**11.8**	12.5	**(11.8)**	(12.5)	**-**	-
Interest income / (expense)	**(7.4)**	(8.5)	**5.2**	6.6	**(2.2)**	(1.9)
Remeasurement gains:						
Actuarial gains	**(21.1)**	(37.8)	**(11.4)**	2.3	**(32.5)**	(35.5)
Closing defined benefit obligation	**(377.5)**	(359.3)	**237.4**	250.9	**(140.1)**	(108.4)

The movement for the year in the net pension liability is reflected in Note 30. The above table excludes the US pension schemes net pension liability relating to the Press's US Defined Benefit Plans of £0.4m (2019: £(0.3)m net surplus). The US schemes are included in the other pensions disclosure in Note 30.

Notes to the accounts for the year ended 31 July 2020 (continued)

36 Pension schemes (continued)

The total cost recognised in expenditure was:	2020 £m	2019 £m
Current service cost	1.4	1.5
Interest cost	2.2	1.9
	3.6	3.4

The fair values of the major categories of scheme assets expressed as a percentage of the total were:

	2020	2019
Equities	37.5%	39.1%
Property	6.7%	6.6%
Cash and annuities	0.8%	0.6%
Diversified growth fund	35.9%	34.9%
Diversified credit fund	19.1%	18.8%
	100.0%	100.0%

The return on the scheme's assets was:

	2020	2019
Interest Income (£m)	5.2	6.6

The University also has a number of staff in other pension schemes, including the National Health Service Pension Scheme (NHSPS), the Local Government Pension Scheme (LGPS) and the Cambridge University Assistants' Defined Contribution Pension Scheme. These pension schemes are amalagamated in the other pensions disclosure in Note 30. No further disclosures are provided as the balances are not material.

The total Group pension cost included in staff costs for the year (see Note 14) was:

	Employer contributions 2020 £m	Provisions (Note 30) 2020 £m	Total 2020 £m	Employer contributions 2019 £m	Provisions (Note 30) 2019 £m	Total 2019 £m
USS	126.0	(167.3)	(41.3)	106.6	225.1	331.7
CPS	21.3	10.5	31.8	21.4	8.4	29.8
PCPF	2.2	(0.8)	1.4	2.5	(0.8)	1.7
PSSPS	2.3	(2.2)	0.1	2.3	(2.2)	0.1
NHSPS	2.6	-	2.6	2.3	-	2.3
Other pension schemes	19.0	0.4	19.4	16.4	0.3	16.7
	173.4	(159.4)	14.0	151.5	230.8	382.3

Following the approval of the financial statements for the year ended 31 July 2019 a missclassification was identified between wages and salaries, social security costs and pension costs. As a result the pension cost comparatives included above and in staff costs for 2018-19 have been re-presented (see Note 14).

Notes to the accounts for the year ended 31 July 2020 (*continued*)

37 Principal subsidiary and associated undertakings and other significant investments

The following undertakings were subsidiary and associated undertakings during the year ended 31 July 2020. 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 Centre for Advanced Research and Education in Singapore Limited	a	Research and development
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 Limited		Land development
Cambridge Investment Management Limited		Investment management
Cambridge Sustainability Ltd		Sustainability leadership programmes
Cambridge Institute for Sustainability Leadership (Australia)	b	Sustainability leadership programmes
Cambridge Institute for Sustainability Leadership (South Africa) NPC	c	Sustainability leadership programmes
Cambridge Institute for Sustainability Leadership (Belgium)	d	Sustainability leadership programmes
Cambridge University Technical Services Limited		Consultancy and commercial exploitation of intellectual property
The Dennis S Avery and Sally Tsui Wong-Avery Endowment Trust	e	Advancement of education and research in cosmology at the University
Fitzwilliam Museum (Enterprises) Limited		Publication of fine art books and sale of museum merchandise
JBS Executive Education Limited		Corporate education services
Lynxvale Limited		Construction and development services
UTS Cambridge		Primary school education
Cambridge ClassServer LLP	f	Development and commercialisation of digital educational material for China
English Language iTutoring Limited	g	Commercialisation of provision of automated tutoring and assessment in learning of English as a foreign language
Portal Estate Management		Management and maintenance of the North West Cambridge estate
Core Sustainable Heat Management Limited		North West Cambridge estate hot water and heating services
Lodge Property Services Ltd		North West Cambridge estate letting and accommodation services
Storey's Field Community Trust	h	Operational management services for the North West Cambridge estate community centre
Foundation for Genomics and Population Health	e, ag	Provision of biological research
Cambridge University International Holdings Limited		Holding company for overseas projects
Cambridge India Research Foundation	o	Research and development
Cambridge University Research and Innovation (Nanjing) Ltd	p	Research and development
Cambridge University Nanjing Centre of Technology and Innovation Ltd	p	Research and development
Light Blue Fibre Limited	ai	Other telecommunication services
Cambridge& Ltd		Promotion of eco-friendly ventures in Cambridge
Associated Trusts	e	Provision of scholarships, grants and other support for the education of UK and overseas students in the University
Cambridge Commonwealth, European and International Trust		
Gates Cambridge Trust		
Malaysian Commonwealth Studies Centre in Cambridge	ah	

Notes to the accounts for the year ended 31 July 2020 (*continued*)

37 Principal subsidiary and associated undertakings and other significant investments (continued)

Cambridge Assessment subsidiary undertakings		
Cambridge Assessment Overseas Limited		Overseas office services
Cambridge Assessment Singapore	i	Overseas office services
Cambridge Avaliacao Representacao e Promocao Ltda	j	Overseas office services
Cambridge Consulting (Beijing) Co. Ltd	k	Overseas office services
Cambridge Assessment Inc	l	Overseas office services
Cambridge English (Aus)	m	Overseas office services
Cambridge Boxhill Language Pty Limited	m	Examination services
Cambridge Michigan Language Assessment LLC (USA)	n	Examination services
Cambridge Assessment India Private Limited	o	Overseas office services
Cambridge Assessment Pakistan Private Limited	q	Overseas office services
Fundacion UCLES	r	Overseas office services
Oxford and Cambridge International Assessment Services Limited		Overseas office services
The West Midlands Examinations Board		Examination services
Oxford Cambridge and RSA Examinations	e	Examination services
Cambridge Assessment Japan Foundation	s	Examination services
IELTS Inc USA	t	Examination services
IELTS UK Services Ltd	u	Examination services
Cambridge University Press subsidiary undertakings	v	
Academic Journal Publishing Pty Limited	m	Intermediate holding company
Australian Academic Press Pty Limited	m	Non-trading
Cambridge Daigaku Shuppan KK	w	Sales support office for the Japanese market
Cambridge Knowledge (China) Limited	x	Sales support office for the Chinese market
Cambridge University Press (Greece) MEPE	y	Sales support office for the Greek, Cypriot and Mediterranean market
Cambridge University Press (Holdings) Limited		Multi-activity holding company
Cambridge University Press India Private Limited	o	Academic and educational book publisher & distributor for India
Cambridge University Press Nigeria Limited	z	Educational book publisher & distributor for Nigeria
Cambridge University Press Operations Limited		Publishing services company
Cambridge University Press Satıs ve Dagıtım Ticaret Limited Sirketi	aa	Non-trading
Cambridge University Press Turkey Satıs Destek Limited Sirketi	aa	Sales support office for the Turkish market
Cambridge University Press South Africa Proprietary Limited	ab	Academic and educational book publisher & distributor for South Africa
Cambridge Learning Limited		Non-trading
Editorial Edicambridge Cia Ltda	ac	Sales support office for the Ecuadorian market
Digital Services Cambridge Limited		Software development, infrastructure and business services
ELT Trading SA de CV	ad	Distribution company (Mexico and Latin America)
HOTmaths Pty Limited	ae	
United Publishers Services Limited	x	Non-trading
Oncoweb Limited		Non-trading intermediate holding company
Cambridge-Obeikan Company Limited	af	Academic and educational book distributor

Notes to the accounts for the year ended 31 July 2020 (*continued*)

37 Principal subsidiary and associated undertakings and other significant investments (continued)

a Cambridge Centre for Advanced Research and Education in Singapore Limited is incorporated in Singapore and has an accounting reference date of 31 March for commercial reasons. The effect of this is not material to the consolidated accounts.

b Cambridge Institute 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.

c Cambridge Institute for Sustainability Leadership (South Africa) is incorporated in South Africa.

d Cambridge Institute for Sustainability Leadership (Belgium) is incorporated in Belgium.

e These entities are exempt charities established by trust deeds.

f Cambridge ClassServer LLP is a limited liability partnership registered in England and Wales, in which the University has a two thirds interest acting through Cambridge Assessment and Cambridge University Press.

g English Language iTutoring Limited is a limited company registered in England and Wales, in which the University has a 100% interest acting through Cambridge Assessment and Cambridge University Press.

h Joint venture arrangement between the University and Cambridge City Council, with the University holding a 50% interest in the company which is limited by guarantee and registered in England and Wales.

i Cambridge Assessment Singapore is incorporated in Singapore.

j Cambridge Avaliacao Representacao e Promocao Ltda is incorporated in Brazil.

k Cambridge Consulting (Beijing) Co. Ltd is incorporated in China.

l Cambridge Assessment Inc is a United States non-stock non-profit corporation.

m Cambridge English (Aus), Cambridge Boxhill Language Pty Limited, Academic Journal Publishing Pty Limited and Australian Academic Press Pty Limited are incorporated in Australia.

n Cambridge Michigan Language Assessmment LLC (USA) is 65% owned by Cambridge Assessment Inc and is incorporated in the United States.

o Cambridge India Research Foundation, Cambridge Assessment India Private Limited and Cambridge University Press India Private Limited are incorporated in India.

p Cambridge University Research and Innovation (Nanjing) Ltd and Cambridge University Nanjing Centre of Technology and Innovation Ltd are incorporated in China and have an accounting reference date of 31 December. Cambridge University Nanjing Centre of Technology and Innovation Ltd is 50% owned by Cambridge University Research and Innovation (Nanjing) Ltd. The effect of the accounting reference date is not material to the consolidated accounts.

q Cambridge Assessment Pakistan Private Limited is incorporated in Pakistan.

r Fundacion UCLES is incorporated in Spain.

s Cambridge Assessment Japan Foundation is 60% owned and incorporated in Japan.

t IELTS Inc USA is incorporated in the United States and is 33% owned by Cambridge Assessment.

u IELTS UK Services Ltd is 33% owned by Cambridge Assessment.

v 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).

w Cambridge Daigaku Shuppan KK is incoporated in Japan.

x Cambridge Knowledge (China) Limited and United Publishers Services Limited are incorporated in Hong Kong.

y Cambridge University Press (Greece) MEPE is incorporated in Greece.

z Cambridge University Press Nigeria Limited is incorporated in Nigeria.

aa Cambridge University Press Satısve Dagıtım Ticaret Limited Sirketi and Cambridge University Press Turkey Satis Destek Limited Sirket are incorporated in Turkey.

ab Cambridge University Press South Africa Proprietary Limited is a 75% subsidiary incorporated in South Africa.

ac Editorial Edicambridge Cia Ltda is incorporated in Ecuador.

ad ELT Trading SA de CV is incorporated in Mexico.

ae HOTmaths Pty Limited is a 65% subsidiary incorporated in Australia.

af Cambridge-Obeikan Company Limited is incorporated in Saudi Arabia.

ag Foundation for Genomics and Population Health has an accounting reference date of 31 March. The effect of this is not material to the consolidated accounts.

ah Malaysian Commonwealth Studies Centre in Cambridge was deconsolidated from the consolidated accounts of the University from 1 August 2018. Following ceasing to be a Trustee, the net assets of the Trust were deconsolidated for nil consideration resulting in a loss of £1.9m in 2018-19.

ai Joint venture arrangement between the University and Cambridgeshire County Council, with the University holding a 50% interest in the company which is limited by shares and registered in England and Wales.

Notes to the accounts for the year ended 31 July 2020 (*continued*)

37 Principal subsidiary and associated undertakings and other significant investments (continued)

Other investments

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 non-current asset investments (see Note 23). In some cases the University's interest amounted to 20% or more of the share capital at the year end, 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
Polypharmakos	**24**	Commercial exploitation of intellectual property
Cambridge Photon Technology	**20**	Commercial exploitation of intellectual property
8Power	**20**	Commercial exploitation of intellectual property

In addition, at the year end the University held an interest of 30.69% in Cambridge Innovation Capital plc as part of its investment portfolio. Movements in the carrying value of this investment are included in the consolidated surplus for the year. As Cambridge Innovation Capital plc is an investment entity the Group's carrying value is based on its share of the entity's net assets.

38 Related party transactions

Due to the nature of the University's operations and the composition of its Council, it is inevitable that the University will enter into transactions in the normal course of business with Colleges, NHS Trusts, Research Councils, other grant-awarding bodies, and other private and public sector organisations in which members of the Council may have an interest. All transactions involving organisations 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 financial statements of the University include transactions with:

(a) entities over which a member of Council or of key management personnel (see Note 14) has control or joint control;

(b) entities over which a member of Council has significant influence; and

(c) entities of which a member of Council is a member of the key management personnel.

Such transactions are summarised below where they are considered material to the University's financial statements and / or to the other party. The University has taken advantage of the exemption within FRS 102 and has not disclosed transactions with other group entities where it holds 100% of the voting rights.

Transactions with Colleges are summarised in Note 39 below. Included within the financial statements are other transactions with the following related parties:

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, is actively involved in setting the Foundation's strategic direction and approving its activities. In 2006 the University approved a proposal to establish a Sainsbury Laboratory for plant science in Cambridge, with Gatsby providing capital funding and research funds over a ten year period. The Sainsbury Laboratory was completed in the year ended 31 July 2011, with Gatsby capital contributions totalling £74m. Research grants and contracts income for the year ended 31 July 2020 includes £8.1m in respect of continuing grants funded by Gatsby and a further £3.7m was included in creditors at the year end. Additionally the University has recognised sales to Gatsby of £7,000.

Cambridge University Students' Union

The President of the Students' Union was also a member of the University's Council for the 2019-20 financial year. Under Statutes and Ordinances, Chapter II, the University has discretion to provide financial assistance to the Union and, in the year ended 31 July 2020, provided a grant of £357,000 and made other payments totalling £46,000 for services provided. The Union made payments to the University totalling £5,000 for temporary staff, network and other services provided of which £1,000 was included in debtors at the year end.

Notes to the accounts for the year ended 31 July 2020 (*continued*)

38 Related party transactions

University of Cambridge Graduate Union

The President of the Graduate Union was also a member of the University's Council for the 2019-20 financial year. The Union made payments to the University totalling £11,000 for services provided in the year ended 31 July 2020 of which £1,000 was included in debtors at the year end. The University also paid for services provided by the Graduate Union amounting to £1,000 during the financial year.

Office of Intercollegiate Services

The Office of Intercollegiate Services (OIS) is responsible primarily for providing support to the 31 colleges of the Collegiate University(Cambridge). A Director of the OIS was also a member of the University's Council for the year ended 31 July 2020. In 2019-20 the University received payments from the OIS amounting to £1,608,000 relating to contributions to the Vice-Chancellor's Fund and the Cambridge Admissions Office and £2,164,000 for other services, of which £1,000 was included in debtors at the year end. In addition, services were provided to the University by the OIS during the 2019-20 financial year amounting to £16,000.

Corpus Conferences Ltd

A member of the University's Council was also a Director of Corpus Conferences Ltd during 2019-20 which provides event catering services on behalf of Corpus Christi College. The University made payments to the company for conference-related services amounting to £57,000 during the 2019-20 financial year.

Kings College Cambridge Developments Ltd

Kings College Cambridge Development Ltd manages property development activities for Kings College, Cambridge. A member of the University's Council was also a Director of Kings College Cambridge Developments Ltd during 2019-20. The University provided services to the company amounting to £2,000 during the 2019-20 financial year.

Cambridge University Health Partners Ltd (CUHP)

CUHP is a partnership organisation managing an academic health science centre which brings together the University, Cambridge University Hospitals NHS Foundation Trust and the Royal Papworth Hospital NHS Foundation Trust. A member of the University's Council and a member of the Registrary team serving on the University's Council were Directors of CUHP during 2019-20. The University received research funding of £1,000 during the financial year and a further £10,000 was included as a deferred creditor at the year end. In addition, the University also provided services to the organisation amounting to £9,000 during the year of which £2,000 was included in debtors at the year end.

University of Southampton

A member of the University's Council was a member of the Council of the University of Southampton (UoS) during 2019-20. The University received research funding from the UoS of £360,000 during the financial year of which £47,000 was included in debtors and a further £1,000 was included as a deferred creditor at the year end. In addition, the University provided services to the UoS amounting to £11,000 during the year.

Notes to the accounts for the year ended 31 July 2020 (continued)

39 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 the University paid the Colleges sums totalling £77.5m (2019: £73.8m) under the terms of agreements between the University and the Colleges to share fee income with the Colleges in a way that recognises the relative contributions of the University and the Colleges. These payments are included as "Payments to Colleges" in Note 15.

The University distributed third party donations to the Colleges totalling £26.1m (2019: £27.9m); these payments are not included in the consolidated statement of comprehensive income. During the year the University provided printing, network and other services to the Colleges for which the Colleges paid a total of £5.6m (2019: £5.5m), and the Colleges provided accommodation, catering and other services to the University for which the University paid a total of £9.0m (2019: £14.4m). During the year the Colleges made donations to the University totalling £4.9m (2019: £4.0m).

Current asset investments include £253.9m (2019: £334.3m) held on behalf of 13 (2019: 16) Colleges in the form of CUEF units (see Note 26), £6.5m (2019: £9.8m) held on behalf of the Isaac Newton Trust and £2.7m (2019: £3.8m) held on behalf of other associated bodies.

Colleges Fund	**2020 £m**	2019 £m
Balance at 1 August	–	–
Contributions received from Colleges	**4.9**	4.7
Interest earned	–	–
Payments to Colleges	**(4.9)**	(4.7)
Balance at 31 July (included in creditors)	**–**	–

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 statement of comprehensive income.

40 Financial risk management

In the ordinary course of its activities, the University manages a variety of financial risks including credit risk, liquidity risk, currency risk and market risk. The principal risks and the University's approach to managing them are set out below. In view of the significance of the Cambridge University Endowment Fund (CUEF, see Note 12), some aspects of financial risk management are considered for CUEF and non-CUEF separately.

Through the CUEF, the University invests in various categories of assets for the long term in order to achieve the CUEF's investment objective. The University has a long-term investment objective to generate an average 5.0% p.a. return over the Consumer Price Index (CPI). The CUEF is managed by the University's Investment Office on behalf of Cambridge Investment Management Limited, with the oversight of the University's Investment Board. In order to pursue its investment objective the CUEF seeks exposure to a variety of risks. This exposure could result in a reduction in the University's net assets.

a Credit risk

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

Credit risk exposure

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

	2020 £m	2019 £m
Investment cash balances	**261.9**	27.7
Trade debtors: invoices receivable	**163.9**	224.6
Research grants recoverable	**115.5**	129.4
Other debtors	**113.4**	109.2
Money market investments	**937.1**	820.2
Cash at bank	**121.9**	86.4
Total financial assets exposed to credit risk	**1,713.7**	1,397.5

Notes to the accounts for the year ended 31 July 2020 (continued)

40 Financial risk management (continued)

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

	2020 £m	2019 £m
Trade and research debtors: outstanding invoices and uninvoiced research grants	299.5	367.9
Less: Provision for impairment of receivables	(20.1)	(13.9)
	279.4	354.0

Trade debtors that are less than three months past their due date are not considered impaired unless they are included in the specific provision. At 31 July 2020, trade and research grant debtors with a carrying value of £63.7m (2019: £62.1m) were past their due date but not impaired.

	2020 £m	2019 £m
Balances against which a provision has been made	20.1	13.9
Uninvoiced research grants recoverable	77.8	76.6
Balances not past their due date	137.9	215.3
Up to 3 months past due	30.9	38.5
3 to 6 months past due	25.2	13.8
Over 6 months past due	7.6	9.8
	299.5	367.9

Movement on provision for impairment of receivables

	Trade Debtors		Research Debtors		Total	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Opening balance	3.1	2.9	10.8	3.4	13.9	6.3
Provided in year	7.2	3.2	10.7	10.1	17.9	13.3
Balances written off	(1.4)	(3.0)	(10.3)	(2.7)	(11.7)	(5.7)
Closing balance at 31 July	8.9	3.1	11.2	10.8	20.1	13.9

Notes to the accounts for the year ended 31 July 2020 (*continued*)

40 Financial risk management

a Credit risk (continued)

Risk management policies and procedures

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

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

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

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

Fitch credit quality rating (short / long term)		2020 £m	2019 £m
AAF/S2		299.8	300.6
F1+ / AA	Highest / Very High	-	-
F1+ / AA-	Highest / Very High	130.8	199.8
F1 / A+	Highest / High	452.0	192.9
F1 / A	Highest / High	33.1	135.1
F1 / A-	Highest / High	50.3	35.5
F2 / A	Good / High	80.0	30.0
F2 / BBB+	Good / Good	0.1	1.4
F3 / BBB	Fair / Good	4.0	1.2
	Lower ratings	8.9	10.1
		1,059.0	906.6

b Liquidity risk

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

Risk management policies and procedures

Public equities, which are readily realisable, remain the largest single asset class held by the CUEF and liquidity is carefully monitored using a comprehensive set of liquidity limits. For those CUEF assets which are not readily realisable (typically requiring more than six months to realise) and where the CUEF has commitments to provide additional capital to private investments held within the portfolio on short notice there is risk mitigation in place. Limits are set for the extent of outstanding capital commitments in the CUEF and there is regular monitoring of the amounts of distributions and redemptions and the extent of unpaid capital commitments to private investments, compared to actual and potential liquidity of the CUEF. While CUEF assets are not available to fund obligations beyond those of the CUEF, there is no significant liquidity risk in relation to the CUEF itself.

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

Notes to the accounts for the year ended 31 July 2020 (continued)

40 Financial risk management

b Liquidity risk (continued)

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

	Three months or less £m	Between three months and one year £m	Between one and five years £m	More than five years £m	Total £m
As at 31 July 2020:					
Bond liabilities	**6.6**	**14.4**	**83.8**	**2,354.4**	**2,459.2**
Derivative financial instruments liability positions	**0.1**	**0.1**	**–**	**–**	**0.2**
Investments held on behalf of others	**3.8**	**263.1**	**–**	**–**	**266.9**
Bank overdraft	**2.2**	**–**	**–**	**–**	**2.2**
Finance leases	**–**	**0.2**	**0.2**	**0.8**	**1.2**
Other creditors excluding deferred income	**215.6**	**70.4**	**11.9**	**0.6**	**298.5**
Totals at 31 July 2020	**228.3**	**348.2**	**95.9**	**2,355.8**	**3,028.2**
As at 31 July 2019:					
Bond liabilities	10.1	10.9	83.8	2,357.2	2,462.0
Derivative financial instruments liability positions	0.4	0.8	–	–	1.2
Investments held on behalf of others	2.6	347.9	–	–	350.5
Bank overdraft	–	–	–	–	–
Finance leases	–	1.3	0.3	0.9	2.5
Other creditors excluding deferred income	195.7	84.9	1.8	9.6	292.0
Totals at 31 July 2019	208.8	445.8	85.9	2,367.7	3,108.2

Capital commitments, excluded from the above analysis, are disclosed in Note 35.

c Market risk

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

CUEF

The Investment Board advises the Council and is made up of investment professionals. The Investment Board monitors the performance of the Investment Office as well as providing advice to it. Investments in the CUEF are selected and combined with the aim of optimising the future long-term total return bearing in mind the expected future volatility of the return. The risk taken in order to meet the total return objective is managed by utilising diversification of investment strategies, of investment asset classes and of external investment managers. The CUEF operates an evolving asset allocation, in the context of a long-term direction. An asset allocation paper is presented annually to the Investment Board and the latest position on asset allocations is disclosed in the quarterly Investment Board and investor reporting. Within each asset class, fund managers are appointed and carry out the day-to-day investment transactions.

c (i) Currency risk

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

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

	2020	2019
Pounds Sterling	**55.6%**	43.4%
US Dollar	**37.6%**	47.5%
Euro	**1.4%**	1.8%
Japanese Yen	**3.1%**	3.1%
Other currency	**2.3%**	4.2%
	100.0%	100.0%

Notes to the accounts for the year ended 31 July 2020 (continued)

40 Financial risk management

c (i) Currency risk (continued)

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

The following table summarises the significant assets and liabilities exposed to currency risk as at 31 July 2020:

	US Dollar $m	Euro €m	US Dollar £m	Euro £m	Other £m	Total £m
CUEF investment assets excluding currency contracts	2,506.5	159.3	1,911.4	144.0	243.0	2,298.4
CUEF forward currency contracts	(898.5)	(109.2)	(685.2)	(98.7)	(67.8)	(851.7)
Net exposure of CUEF	1,608.0	50.1	1,226.2	45.3	175.2	1,446.7
Exposures outside CUEF:						
Debtors	50.2	36.5	38.3	33.0	31.0	102.3
Cash balances	18.6	8.3	14.2	7.5	36.2	57.9
Creditors including bank and other loans	(26.2)	(9.0)	(20.0)	(8.1)	(11.1)	(39.2)
Forward currency contracts	(8.5)	(15.2)	(6.5)	(13.7)	–	(20.2)
Net exposure	1,642.1	70.7	1,252.2	64.0	231.3	1,547.5

The impact on total recognised gains for the year 2019-20 of additional 10% variations in the principal exchange rates would have been:

10% US Dollar appreciation	125.2
10% Euro appreciation	6.4

The following table summarises the significant assets and liabilities exposed to currency risk as at 31 July 2019:

	US Dollar $m	Euro €m	US Dollar £m	Euro £m	Other £m	Total £m
CUEF investment assets excluding currency contracts	2,539.6	185.3	2,083.2	169.4	319.8	2,572.4
CUEF forward currency contracts	(540.3)	(115.2)	(443.2)	(105.3)	(68.3)	(616.8)
Net exposure of CUEF	1,999.3	70.1	1,640.0	64.1	251.5	1,955.6
Exposures outside CUEF:						
Debtors	55.1	39.6	45.2	36.2	38.5	119.9
Cash balances	20.0	12.0	16.4	11.0	28.3	55.7
Creditors including bank and other loans	(30.0)	(10.1)	(24.6)	(9.2)	(21.4)	(55.2)
Forward currency contracts	(0.9)	(0.5)	(0.7)	(0.5)	–	(1.2)
Net exposure	2,043.5	111.1	1,676.3	101.6	296.9	2,074.8

The impact on total recognised gains for the year 2018-19 of additional 10% variations in the principal exchange rates would have been:

10% US Dollar appreciation	167.6
10% Euro appreciation	10.2

Risk management policies and procedures

Currency exposures are managed in accordance with the current hedging policy which has been reviewed and approved by the Cambridge Investment Management Limited board and the Investment Board.

Notes to the accounts for the year ended 31 July 2020 (*continued*)

40 Financial risk management

c Market risk (continued)

c (ii) Interest rate risk

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

Interest rate exposure and sensitivity

As stated in the accounting policies, the University's fixed interest bond liabilities are measured at amortised cost using the effective interest rate method, rather than at fair value. The University has not directly invested in variable rate deposits or interest-bearing securities however it does hold in various fixed income instruments through its investment fund managers. The CUEF held a fixed interest investment in US Treasury notes amounting to £63.0m at 31 July 2020.

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

At 31 July 2020 the University did not directly hold any, £0.0m (2019: £0.0m) corporate and overseas government bonds with fixed interest.

Risk management policies and procedures

Cambridge Investment Management Limited (the Investment manager of the CUEF) takes into account the possible effects of a change in interest rates on the fair value and cash flows of the interest-bearing financial assets and liabilities when making investment decisions. The CUEF has limited risk exposure to interest rates as there is regular monitoring of the allocations made to fixed interest investments not intended to be held to maturity and confirming there is no fixed interest borrowing.

c (iii) Other price risk

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

This is a key risk for the University because of the significance of the endowments and other funds invested in the CUEF and the dependence of future plans on maintaining the value of CUEF units in real terms. Additionally the Indexed bonds issued in June 2018 are subject to changes in the Consumer Price Index with the fair value of these liabilities fluctuating at each reporting date dependent on the movement in this index.

Concentration of exposure to other price risk

As the majority of the CUEF's investments are carried at fair value, all changes in market conditions will directly affect the University's net assets. The fund's asset allocation at the reporting date is shown in Note 12.

Risk management policies and procedures

The CUEF measures the value of most of its investments on a monthly basis, and the remainder quarterly using market value if available (otherwise fair value). There is regular monitoring of the asset allocation to identify if the current allocation is in line with the actual and intended future allocations agreed with the Investment Board. Variations are then considered as part of the ongoing investment decisions.

41 Fair value

Debtors and current liabilities are stated in the Group balance sheet at book values which are not materially different from their fair values. The fixed interest bond liabilities are measured at amortised cost of £640.7m (2019: £640.6m, see Note 29) whereas the fair value of the fixed interest bond liabilities at 31 July 2020 was £1,103.6m (2019: £848.6m) based on an independent valuation provided by Morgan Stanley.

The Indexed bond liabilities are measured at fair value at the balance sheet date based on an independent valuation provided by Morgan Stanley. The CPI-linked bond valuation relies on an estimate of the offer price. The University sought three estimates from independent institutions (including Morgan Stanley) which indicated a sensitivity of some 6% of the value (a range of some £27m) between the highest and lowest valuation, Morgan Stanley being at the higher end of the range.

The fair value measurements of all the bond liabilities are categorised as Level 2 using the definitions as noted below.

The book values of the Group's other financial assets and long term liabilities, including pension obligations shown on the statement of financial position are the same as the fair values.

Notes to the accounts for the year ended 31 July 2020 (continued)

41 Fair value (continued)

Fair value measurements

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

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

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

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

The valuation techniques used are described in more detail in Note 4 (iii) to the accounts.

Investment assets at fair value at 31 July 2020:		**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
CUEF:	Quoted investments	**614.6**	**–**	**–**	**614.6**
	Unquoted investments	**1,124.3**	**298.1**	**931.0**	**2,353.4**
	Derivative financial instruments	**–**	**29.2**	**–**	**29.2**
	Cash in hand and at investment managers	**261.9**	**–**	**–**	**261.9**
Total CUEF net assets		**2,000.8**	**327.3**	**931.0**	**3,259.1**
Other quoted investments		**2.8**	**–**	**–**	**2.8**
Other unquoted investments		**0.9**	**9.3**	**112.4**	**122.6**
Investment properties		**–**	**574.8**	**–**	**574.8**
Money market investments		**170.1**	**–**	**–**	**170.1**
Total investment assets at fair value at 31 July 2020		**2,174.6**	**911.4**	**1,043.4**	**4,129.4**

Investment assets at fair value at 31 July 2019:		Level 1 £m	Level 2 £m	Level 3 £m	Total £m
CUEF:	Quoted investments	906.5	6.5	–	913.0
	Unquoted investments	–	2,515.2	–	2,515.2
	Derivative financial instruments	–	–	–	–
	Cash in hand and at investment managers	27.6	0.1	–	27.7
Total CUEF net assets		934.1	2,521.8	–	3,455.9
Other quoted investments		9.7	–	–	9.7
Other unquoted investments		0.9	30.3	71.2	102.4
Investment properties		–	547.5	–	547.5
Money market investments		174.1	–	–	174.1
Total investment assets at fair value at 31 July 2019		1,118.8	3,099.6	71.2	4,289.6

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

	2020 £m	2019 £m
Fair value at 1 August	**71.2**	55.0
Purchases less sales proceeds	**42.0**	(2.2)
Total gains	**(3.9)**	18.4
Transfers in / (out) of Level 3	**934.1**	–
Fair value at 31 July	**1,043.4**	71.2

Notes to the accounts for the year ended 31 July 2020 (continued)

41 Fair value (continued)

Unquoted investments include investments in hedge funds, private equity funds and property funds. The fair values of unquoted investments and derivative financial instruments held through pooled funds and partnerships are based on the level assigned to the underlying assets as disclosed by the fund in their latest financial statements. Where multiple levels are split across the asset class, the fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant (>15%) to the fair value measurement in its entirety. Transfers into and out of Level 3 occur when the classification of the underlying assets and liabilities of these funds changes.

During 2019-20 the fair value hierarchy classifications of individual investments was reviewed in detail. Previously, the fair values of these unquoted investments held through pooled funds and partnerships was based on the custodian's standard policy whereby the default classification was Level 2. As a result of the more detailed review a substantial number of these investments were re-categorised to Level 3 hence resulting in the large transfer movement during the year.

42 Reconciliation of Net Debt

An analysis of the movement in net debt for the year ended 31 July 2020 is provided below:

	At 1 August 2019 £m	Cash Flows £m	Non-cash changes £m	At 31 July 2020 £m
Cash and cash equivalents (see Note 27)	732.5	159.2	(2.8)	888.9
Money market investments (see Note 26)	174.1	(4.0)	-	170.1
Debt due within one year (see Note 28):				
- Bank overdraft	-	(2.2)	-	(2.2)
- Finance leases	(1.2)	1.2	(0.2)	(0.2)
Debt due after more than one year (see Note 29):				
- Finance leases	(1.3)	-	0.2	(1.1)
- Bond liabilities (unsecured 2012 fixed interest)	(342.8)	-	(0.1)	(342.9)
- Bond liabilities (unsecured 2018 fixed interest)	(297.8)	-	-	(297.8)
- Bond liabilities (unsecured 2018 index-linked)	(348.2)	-	(98.8)	(447.0)
Net debt	(84.7)	154.2	(101.7)	(32.2)

Net debt includes the non-cash fair value adjustment to revalue the CPI-linked bond at the balance sheet date. This represents a valuation of the liability at apoint in time and is not necessarily reflective of the final repayment value on redemption of the bond. As such, management's view is that an adjusted net cash position (removing the effects of the fair value adjustment) of £66.6m is more representative of the underlying borrowing position of the Group.

43 Post balance sheet events (non adjusting)

In September 2020, the Trustee of the USS Pension Scheme (USS) launched a consultation with Universities UK on key aspects of the scheme's 2020 valuation. The scope of this exercise covers a wide range of potential outcomes - reflecting issues still to be resolved on employer support as well as uncertainties for the higher education sector and financial markets in general - but, based on the proposals put forward, the Trustees have indicated that the fund's deficit at 31 March 2020 could range from between £9.8bn and £17.9bn.

This would represent a significant deterioration from the £3.6bn deficit established under the 2018 valuation (and against which the current recovery plan is set) and a return to the levels of shortfall experienced under the previous 2017 valuation (£11.8bn)

At this stage, an outcome is far from agreed and the USS Trustee has until 30 June 2021 to conclude the valuation. For the 2019-20 financial year therefore, this is considered a non-adjusting post balance sheet event with the reported results in these financial statements reflecting the 2018 valuation.

Appendix 1

Summary Consolidated Financial Information

Financial summary (unaudited)

The financial summary set out below has been derived from the audited consolidated financial statements of the University for the five years ended 31 July 2020. It should be read in conjunction with the consolidated financial statements and related notes.

(a) Summary consolidated statement of comprehensive income (£m)	2020	2019	2018	2017	2016
Total income	**2,074.9**	2,192.0	1,964.8	1,869.9	1,799.6
Total expenditure	**1,969.8**	2,307.5	1,911.1	1,806.5	1,733.8
Surplus / (deficit) before other gains and losses	**105.1**	**(115.5)**	**53.7**	**63.4**	**65.8**
Share of operating surplus in joint ventures	**(0.8)**	1.5	–	–	–
Gain on disposal of fixed assets *	**4.7**	–	–	–	–
Gain / (loss) on investments	**(22.3)**	235.1	219.0	407.1	221.8
Surplus for the year before taxation	**86.7**	**121.1**	**272.7**	**470.5**	**287.6**
Surplus for the year	**84.7**	**117.3**	**269.6**	**466.4**	**284.6**
Actuarial gain / (loss)	**(156.8)**	(208.2)	122.5	26.3	(182.2)
Other comprehensive income / (expense) for the year	**(2.8)**	–	(1.3)	(0.4)	9.8
Total comprehensive income / (expense) for the year	**(74.9)**	**(90.9)**	**390.8**	**492.3**	**112.2**
Represented by:					
Endowment comprehensive income / (expense) for the year	**(38.8)**	115.6	127.8	208.7	105.2
Restricted comprehensive income for the year	**126.2**	121.5	74.3	49.5	65.8
Unrestricted comprehensive income / (expense) for the year	**(162.3)**	(328.0)	188.7	234.1	(58.8)
	(74.9)	**(90.9)**	**390.8**	**492.3**	**112.2**
Adjusted consolidated statement of comprehensive income					
Surplus for the year	**84.7**	**117.3**	**269.6**	**466.4**	**284.6**
Less: (Gain) / loss on investments	**22.3**	(235.1)	(219.0)	(407.1)	(221.8)
Less: CPI-linked bond fair value adjustment	**98.8**	51.5	–	–	–
Less: USS pension deficit recovery reflected in staff costs	**(160.4)**	230.7	4.5	(1.5)	17.6
Less: Harding endowment	**(15.0)**	(41.3)	–	–	–
Less: Capital grants and donations	**(120.0)**	(107.0)	(75.6)	(80.5)	(105.4)
Adjusted operating surplus / (deficit) for the year	**(89.6)**	**16.1**	**(20.5)**	**(22.7)**	**(25.0)**

(b) Summary consolidated statement of financial position (£m)	2020	2019	2018	2017	2016
Non-current assets	**6,511.3**	6,528.1	6,106.7	5,805.3	5,293.9
Current assets	**1,765.1**	1,770.4	1,833.8	1,055.6	990.8
Total assets	**8,276.4**	**8,298.5**	**7,940.5**	**6,860.9**	**6,284.7**
Current liabilities	**(966.6)**	(1,038.7)	(1,096.8)	(896.0)	(792.3)
Non-current liabilities	**(2,240.8)**	(2,115.0)	(1,606.3)	(1,117.8)	(1,137.6)
Net assets	**5,069.0**	**5,144.8**	**5,237.4**	**4,847.1**	**4,354.8**
Income and expenditure reserve - endowment	**1,932.5**	1,971.3	1,855.7	1,727.9	1,519.2
Income and expenditure reserve - restricted	**153.5**	128.3	97.9	85.5	79.2
Income and expenditure reserve - unrestricted	**2,983.0**	3,045.2	3,283.8	3,033.7	2,756.4
Total reserves	**5,069.0**	**5,144.8**	**5,237.4**	**4,847.1**	**4,354.8**
Net debt	**(32.2)**	(84.7)	(21.3)	(23.1)	(15.4)
Less: CPI-linked bond fair value adjustment	**98.8**	51.5	–	–	–
Adjusted net (debt) / cash	**66.6**	**(33.2)**	**(21.3)**	**(23.1)**	**(15.4)**

(c) Summary consolidated statement of cash flows (£m)	2020	2019	2018	2017	2016
Net cash inflow from operating activities after taxation	**123.5**	124.4	78.7	77.6	51.4
Net cash inflow / (outflow) from investing activities	**18.2**	(292.6)	(103.3)	(105.2)	(101.5)
Net cash inflow from financing activities	**12.5**	45.4	598.6	14.6	14.8
Increase / (reduction) in cash and cash equivalents in the year	**154.2**	**(122.8)**	**574.0**	**(13.0)**	**(35.3)**
Cash and cash equivalents at end of the year	**886.7**	**732.5**	**855.3**	**281.3**	**294.3**

** Prior to 2019-20 any gain/loss on disposal of fixed assets was included in "other income" and not separately disclosed on the face of the statement of comprehensive income*

ANNUAL REMUNERATION REPORT

The Council publishes the following report on remuneration to provide assurance that the Council, acting through its Remuneration Committee, has discharged its responsibilities effectively. The report also provides a further breakdown of remuneration data, which can be read in parallel with the remuneration data provided in the Notes to the Accounts section of the Reports and Financial Statements for the year ended 31 July 2020 (at p. 606 above).

Annual remuneration report, 2019–20

Executive summary

A. Introduction

This annual report has been produced by the University Remuneration Committee for the University Council primarily in fulfilment of the Committee's requirement to be transparent and accountable in reporting on the remuneration of those staff which fall under its purview as defined below.

B. Postholders who fall within the remit of the Remuneration Committee

The following staff fall within the Committee's remit:

the Vice-Chancellor (VC)
the Vice-Chancellor-Elect (when appropriate)
the Pro-Vice-Chancellors (PVCs)
the Registrary
the Chief Financial Officer
the Executive Director of Development and Alumni Relations (CUDAR)
the Director of University Information Services (UIS)

C. Policy on remuneration for postholders within the remit of the Remuneration Committee

The policy is contained within the Remuneration Committee's Terms of Reference.[1] Factors in considering remuneration proposals for senior staff can be found in Section B.4. of the full Remuneration report (p. 647).

D. Choice of comparator institutions / organisations

The Committee takes account of benchmarking data for roles similar to those within its remit from UCEA, Russell Group Survey, search firms and, where available and relevant, international salary surveys.

E. Policy on income derived from external activities

The University does not have a specific policy on income derived from private consultancy. However, staff have a contractual requirement with respect to any external activities they undertake which states:

> *The University does not expect to be informed about remuneration from private work and consultancy. Such work, however, must not interfere with the performance of the duties of your office or post. If you are in any doubt about this you should consult your head of institution. If you undertake any work in a private capacity or act as a consultant, you should be clear that you undertake such work at your own risk, and that the University must not be involved in any such arrangements. University letterheads or other facilities must not be used.*

F. Vice-Chancellor's remuneration

See Section C.1. of the Remuneration report (p. 648) for a detailed account of the Vice-Chancellor's remuneration.

G. Senior postholders' remuneration

For Pro-Vice-Chancellors, whose salary is calculated via a formula:

- the Committee recommends to the Council approval of market pay awards on appointment, and any subsequent change to such market payments. Together with the appointee's prior academic salary, this will determine the remuneration of the PVC role;
- separate from any increase to market pay awards, the base component of a Pro-Vice-Chancellor's salary will rise in line with the agreed increase in the single pay spine.

For the Chief Financial Officer, the Registrary, the Executive Director of CUDAR and the Director of UIS, the Committee:

- recommends to the Council a salary range within which an initial appointment can be made;
- informs the Council of the actual salary at which the candidate has been appointed within that range;
- informs the Council of the range of their salary increases in an anonymised form compared to any increase in academic or other salaries.[2]

[1] See https://www.admin.cam.ac.uk/reporter/2020-21/weekly/6590/section1.shtml#heading2-13.
[2] None was considered by the Committee during the year.

Total remuneration (basic salary and any additional payments (namely directorships, PVC supplements, market pay, but excluding pension arrangements)) of senior postholders who fall under the purview of the Remuneration Committee (excluding the VC, see F. above) are shown in £5k bands below:

Range	*Number*
£150,000–£154,999	2
£155,000–£159,999	0
£160,000–£164,999	1
£165,000–£169,999	0
£170,000–£174,999	1
£175,000–£179,999	0
£180,000–£184,999	1
…	
£195,000–£199,000	1
…	
£205,000–£209,999	1
…	
£230,000–£234,999	1
…	
£335,000–£339,999	1

The remuneration of senior postholders is also included within Appendix 2 of the Remuneration report (p. 657) (i.e., staff earning > £100k shown in £5k bands).

H. Other

The Committee also reviewed and approved remuneration arrangements for the Executive Team of the West and North West Cambridge Estates Board.

The Committee commissioned and approved a Policy on Payments to External Members of University Bodies and Committees.[3] The Committee applied this Policy in reviewing nineteen payments, one of which was requested to be reduced to be in line with the Policy.

I. Market pay

Market payments are made for recruitment, retention, promotion or renewal purposes where a case for market pay exceeds 10% of the lowest salary point of the grade 12 band.

Market payments are time-limited and are reduced each year by the amount of base pay that is increased as a result of an award made through any of the University's reward and progression schemes.

The annual summary of market pay cases approved over the previous twelve months by the Remuneration Committee appears below.

[3] See https://www.governance.cam.ac.uk/committees/remco/Pages/Policy-on-payments-to-external-committee-members.aspx (raven-only).

Summary of Market Pay cases approved by the Remuneration Committee in 2019–20

			Request type			*Staff type*		*Grade 12 band*												*Recruitment/retention successful*		
								1			2			3			4					
School / institution	Min%	Max%	Market Pay Pre-emptive	Market Pay Recruitment	Market Pay Retention	Academic	Academic-related	M	W	U	M	W	U	M	W	U	M	W	U	Yes	No	U
Other institutions (Council)	13.70	68.86		1	2		3	1	1					1						1	2	
Schools:																						
Arts and Humanities	34.23	34.23	1			1							1									1
Biological Sciences	39.23	39.23			1	1								1								1
Clinical Medicine	14.94	14.94			1	1											1					1
Humanities and Social Sciences	21.76	171.36	3	3	1	7		1			4		2							2	1	4
Physical Sciences	6.35	92.60		1	7	8		3	1		1		1	2						2	3	3
Technology	22.53	347.62	5	3	6	11	3	3	1	3	2	2	2	1						1	3	10
Unified Administrative Service	14.21	41.11	4	3			7	1						1		4			1	1	2	4
Grand total	**6.35**	**347.62**	**13**	**11**	**18**	**29**	**13**	**9**	**3**	**3**	**7**	**2**	**6**	**6**		**4**	**1**		**1**	**7**	**11**	**24**

Notes

Min% and Max % represent the percentage of market pay value to bottom of grade or band.

M = Men; W = Women; U = Unknown.

Outcomes of cases that are Unknown or Not Applicable reflect cases that are not yet resolved i.e. either pre-emptive market pay cases, or where discussions are in progress with the individual but have not concluded.

A total of 43 market pay cases were reviewed by the Committee between 1 October 2019 and 30 September 2020. The outcomes of the market pay cases reviewed was that:

- 37 were approved when submitted for the first time;
- 5 were rejected following the initial submission but were subsequently approved following resubmissions;
- 1 was rejected following the initial submission and had not been resubmitted before 30 September 2020.

Remuneration report

This report is based on current guidance provided by both the Committee of University Chairs (CUC) and the Office for Students (OfS). The report is in three parts:

A. a description of the University's Remuneration Committee;

B. the general principles behind the University's overall approach to remuneration for all staff; and

C. details about the required pay disclosures set out in the University's Reports and Financial Statements for the year ended 31 July 2020 (p. 567 at p. 606).

A. The Remuneration Committee

The University's Remuneration Committee operates under delegated authority from the University's Council and is responsible, *inter alia*, for setting the Vice-Chancellor's pay, reviewing his or her performance and advising on senior postholders'[4] remuneration. The Committee meets about ten times a year and is comprised of a Chair who is an external member of the Council and four other members. Of these four members, at least two will be members of the Council, and at least two will be completely external to the University or external to the Academic University[5] (but may be members of a Cambridge College or other associated organisation). The role of the Committee continues to evolve in response to emergence of best-practice guidance from a range of bodies.

1. Terms of reference

The terms of reference (ToRs) applicable during 2019–20 for the Remuneration Committee were agreed by the Council in October 2019.[6] These ToRs were developed in line with the CUC Remuneration Code for Higher Education, the Office for Students (OfS) Regulatory framework for Higher Education, and revisions to the Financial Reporting Council Corporate Governance Code. The original ToRs, presented to the Council in January 2019, were revised following a note of dissent signed by eight members of the Council.

The emphasis of the Committee's work is to set the policy for senior reward so that it supports the objectives of the institution, facilitates recruitment and retention, ensures fairness, equity and transparency and to advise Council on senior pay matters.

2. Membership of the Committee

Membership is set out in the ToRs. The members for the period in question were as follows:

Name	*Position*	*Appointing Body*
Ms Sara Weller (*Chair*)	External, Member of the Council (until 31 December 2019)	The Council
Ms Gaenor Bagley (*Chair*)	External, Member of the Council (from 1 January 2020)	The Council
The Revd Canon Dr Jeremy Morris	External, Member of the Council, Master of Trinity Hall	The Council
Professor Fiona Karet	Professor of Nephrology, Director of Organisational Affairs at the School of Clinical Medicine, Vice-Master of Darwin College, Member of the Council	The Council
Ms Jocelyn Wyburd	Director of the Language Centre, Member of the Council	The Council
Vacant	External (from 1 January 2020)	
In attendance:		
Ms Emma Rampton	Registrary (*Secretary*)	*ex officio*
Professor Eilís Ferran	Pro-Vice-Chancellor for Institutional and International Relations	*ex officio*
Ms Emma Stone	Director of Human Resources (until 20 January 2020)	*ex officio*
Ms Andrea Hudson	Interim Director of Human Resources (from 16 March 2020)	

3. Meetings

The Remuneration Committee met ten times during the 2019–20 academic year. The Committee was chaired by Ms Sara Weller (until December 2019) then by Ms Gaenor Bagley (from January 2020), both of whom have been (and in Ms Bagley's case continues to be) an external member of the Council. A written report of the Committee's business is submitted to the following Council meeting (usually a month later).

[4] Senior postholders are the postholders who report directly to the Vice-Chancellor, in institutions for which the Council is the competent authority, and such other senior posts as may be determined by the Council from time to time.

[5] Staff in the Academic University are defined as those involved in the core teaching and research activities of the University *together with* the WNWCE team and the staff of the Investment Office but *excluding* the staff of Cambridge University Press, Cambridge Assessment and all subsidiary companies, associated trusts and joint ventures.

[6] See https://www.admin.cam.ac.uk/reporter/2020-21/weekly/6590/section1.shtml#heading2-13.

B. General principles behind the University's overall approach to remuneration

1. Operating environment and markets

The University is proud to be one of the world's leading academic centres and is committed to attracting the most talented staff and students from the UK and from overseas to further that mission.

The University ranks in the top five in international league tables for the quality of its research. Cambridge can claim 109 Nobel Prize winners.

The University remains financially strong with an Aa1 (stable) rating from Moody's, a balance sheet of £5.1 billion, and a well-performing endowment fund of £3.2 billion that has, over the past several years, achieved returns above its benchmark. In common with the whole sector, the Covid-19 pandemic has left the collegiate University facing considerable financial pressure. Most students were obliged to stay away from Cambridge during the Easter Term and both teaching and administrative staff were required where feasible to work from home. Mitigating factors were put in place by both the University and Colleges but there will be a significant shortfall in income which is likely to impact the University's activities for several years. The pandemic has added to the challenges already posed by increased international competition. The wider UK environment remains difficult, with growing public scrutiny of universities and an increase in regulation.

It is clear that departure from the European Union will have some impact, particularly on research funding, but the University is confident that its status as a world-leading institution will mean that it continues to attract financial support for its academic endeavours from the UK government.

The wider University Group includes Cambridge University Press and Cambridge Assessment. Across the Group, the University has an annual income of over £2 billion and employs more than 17,000 staff. Research income, won competitively from the UK Research Councils, the European Union (EU), major charities and industry, exceeds £570 million per annum.

The Academic University has more than 11,200 staff, with a further 5,800 employed by its subsidiaries. Of the Academic University staff approximately half are employed on academic or research contracts.

2. Fundamental principles guiding decisions related to remuneration of all staff

The HR Committee and the Remuneration Committee have agreed a set of Reward Principles to guide all decisions relating to remuneration taken at the University:

- A recognition of the need for the University to operate in a competitive local, national and international market for the most talented staff. Our reward strategy needs to offer sufficiently competitive reward packages to attract and retain staff to help the institution retain its leading position in research and teaching.
- All staff should be rewarded in a way which demonstrates fairness and consistency, paying due attention to addressing pay gaps and appropriately valuing contributions of all staff.
- An acknowledgement that while pay and benefits are central, non-financial or intangible mechanisms are also important and should form part of our attractive total award approach.
- Remuneration must be affordable and consistent with the charitable status of the University.
- A commitment to transparency so that our staff, students, regulators and other stakeholders can have confidence in how we use our resources.
- Recognition of the higher than average cost of living in Cambridge, and the impact this has on our staff.

3. Policies and procedures guiding the remuneration of staff

The University has established a number of procedures and policies to guide the remuneration of staff drawing on the principles identified above. These include schemes to reward significant contribution to the University (which for senior academics can also include promotion); and schemes to recognise difficulties in recruitment and retention and where individuals take on responsibilities in addition to their normal duties. Details of these schemes are included in Appendix 1.

4. Factors in considering remuneration proposals for senior staff

At **recruitment**, the factors taken into account when developing the total remuneration package include:

- appropriate remuneration needed to attract and appoint senior staff;
- current remuneration;
- benchmarked salary data for roles similar to those from the Universities and Colleges Employers' Association (UCEA), the Russell Group Survey, and, where available and relevant, international salary surveys;
- the extent to which the individual has a demonstrable record of achievement (and how this could transfer to the role in question) in areas identified as being of strategic importance to the institution;
- the extent to which the individual has demonstrated staff development and strategic leadership in their area(s); and
- for senior clinical academic roles, the appointment package will be in line with their existing NHS national pay and conditions, including any Clinical Excellence Awards in payment, together with payment for any additional clinical activity.

For cases of **retention**, the factors set out in the University's procedures include:

- a managerial business case and evidence, including the impact that would or would be likely to occur if the individual was not retained and why they would be difficult to replace;
- evidence of exceptional contribution and achievements for which the individual is responsible and which demonstrate the furtherance of the University's mission;
- implications of the loss of the employee to the organisation, including organisational performance, internal relativities, gender pay position, reputation, student and teaching impact, and research impact;
- evidence of any offer of alternative employment or approach from another university/organisation; and
- salary data including external and internal relativities and benchmarks.

The University draws data from many sources to support senior staff remuneration decisions. These include:

- annual participation in the UCEA, Russell Group and CUC salary surveys and provision of an analysis of these data to the Remuneration Committee to show the University's position in the market. These data are used in the consideration of the Vice-Chancellor's remuneration and during discussions about the recruitment or retention of Professorial and senior staff; and
- internal comparisons of pay for similar senior academic and professional services roles, and a gender pay analysis. On 18 March 2020, the University published its 2019 Gender Pay Gap Report.[7] Whilst recognising that there was still significant progress to be made, the report showed a reduction on the previous year of 2.2% and 1.3% in the median and mean gender pay gaps.

5. Job evaluation, pay awards and pension schemes

For most roles, the University uses the Higher Education Role Analysis (HERA) job evaluation method. This does not apply to the four Professorial bands (in grade 12, the highest grade), where movement through the bands is based on meeting the criteria for each of the Professorial levels under the headings of research, teaching and general contribution.

The University is a member of UCEA and participates in the national pay negotiations. The University's policy is to implement the outcomes of the pay negotiations across all staff groups, with the exception of clinical academic staff where the University applies the NHS pay uplifts once agreed nationally.

The University operates the following principal pension schemes:

- Universities Superannuation Scheme (USS);
- Cambridge University Assistants' Contributory Pension Scheme (CPS);
- National Health Service Pension Scheme (NHSPS); and
- Cambridge Colleges' Federated Pension Scheme (CCFPS).

6. Performance-related pay

The Academic University does not operate a specific performance-related pay scheme, other than the NHS scheme for some senior clinicians. It should be noted that such staff are not on the University's pay scales.

Grade 12 postholders can progress through the Professorial Pay Review Scheme (for Professorial roles) or the Contribution Reward Scheme (for academic-related roles).

The staff of the West and North West Cambridge Estates team (responsible for the delivery of the mixed-use housing, retail and research facility at North West and West Cambridge) have bonus arrangements which are assessed by its remuneration committee and reported to the University's Remuneration Committee.

Staff at Cambridge Assessment and Cambridge University Press also have bonus arrangements which are assessed by their own remuneration committees and reported to their respective Boards of Directors.

7. Expenses policy

The University's expenses policy is included in the Financial Procedures Manual.[8] It applies to all University staff.

C. Senior pay disclosures

1. The Vice-Chancellor

(*a*) *Pay and remuneration*

With income of over £2 billion, more than 17,000 staff across the Group and a diverse range of academic and non-academic strands, the University is a complex organisation. It is one of the largest universities in the UK, with significant academic standing and global presence, regularly appearing in the top five of global university rankings.

Consequently, when considering the remuneration for the Vice-Chancellor, the Remuneration Committee undertakes detailed analysis of comparable salaries in the UK, North America and Australia. The Remuneration Committee considers the range within which a salary can be offered and proposes a package to the Council once the candidate is identified.

The last Vice-Chancellor recruitment exercise was undertaken in 2016–17. The Vice-Chancellor is appointed for a fixed term of seven years.

The Vice-Chancellor's performance is assessed annually against objectives agreed by the Council. The Vice-Chancellor's remuneration is reviewed at the end of the second, fourth and sixth years of his or her term of office. Based on that assessment, the Council determines any salary increase, having been advised by the Remuneration Committee and taking due regard of salary growth across the wider University. It should be noted that whilst a pay review was due during 2018–19, the Vice-Chancellor elected not to receive any increase in pay other than the national pay award.

[7] https://www.inclusivecambridge.admin.cam.ac.uk/gender-equality-reporting

[8] https://www.finance.admin.cam.ac.uk/policy-and-procedures/financial-procedures

(*i*) *Details of the remuneration of the Vice-Chancellor*

The remuneration of the Vice-Chancellor is detailed in the table below and relates to the period from 1 August 2019 to 31 July 2020, with the comparative data relating to the year from 1 August 2018 to 31 July 2019.

Emoluments of the Vice-Chancellor	**Year ended 31 July 2020** (£'000)	**Year ended 31 July 2019** (£'000)
Salary for the period	379	372
Deductions to reflect salary sacrifice arrangements	(9)	(9)
Net salary paid in the year	**370**	**363**
Taxable benefits in kind	9	11
Non-taxable benefits in kind	27	39
Total excluding employer pension contributions	**406**	**413**
Employer pension contributions	17	17
Payments made in lieu of pension	45	45
Total	**468**	**475**

The salary for the period is the basic contractual salary before adjusting for salary sacrifice arrangements under which, in common with other employees, the Vice-Chancellor sacrificed an amount of pay relating to enhanced opt-out benefits for Death in Service and Ill Health. The employer pension contributions reflect both the employer payments for these benefits over to the Universities Superannuation Scheme and the Vice-Chancellor's contribution of £9k (2019: £9k).

Taxable benefits in kind include private healthcare of £4,831 (2019: £6,730), and accommodation-related costs (heating, lighting and maintenance) of £4,431 (2019: £4,401). In the prior year financial statements, the provision of accommodation benefit was treated as a taxable benefit based on HMRC's announced changes which would remove the exemption for certain employees from being subject to income tax and national insurance contributions on such a benefit provided certain conditions were met. The change was scheduled to come into effect in April 2019 but subsequently this change was deferred and is now scheduled to come into effect in April 2021. As such, the provision of accommodation benefit has been reclassified as a non-taxable benefit and the prior year restated. The accommodation benefit has been based on an independent valuation using comparable market data for market rentals of similar properties in the Cambridge area and has been pro-rated to reflect only the personal use of the property, as opposed to business and entertaining use.

Non-taxable benefits include flights home of £7,199 (2019: £19,143) and the provision of accommodation of £20,000 (2019: £20,000) as noted above.

(*b*) *External appointments – payments from external bodies to the Vice-Chancellor*

Income generated from external bodies is set out in the University's Private Work and Consultancy Policy.[9]

The Vice-Chancellor is an *ex officio* member of the International Academic Advisory Panel (IAAP) established by the government of Singapore. The meetings occur every 2–3 years and the Vice-Chancellor last attended in June 2018. The fee for the Vice-Chancellor's advisory work is paid directly to the Vice-Chancellor's Office and used for University purposes.

(*c*) *The pay ratio – Head of Institution against median of all staff*

The methodology used in this calculation was provided by UCEA in 2018. Under this formula, pay ratios are calculated as the ratio between the Head of Institution's (HoI's) total pay and the median all-staff total salary (sources: HESA, UCEA and *Times Higher Education*).

During the period from 1 August 2019 to 31 July 2020 the median pay for employees was:

- *Median basic salary*: £34,894 (2019: £33,589), calculated on a full-time equivalent basis of the salaries paid by the University to its staff; and
- *Median total remuneration* (including employer's pension contribution): £42,563 (2019: £40,285).

The median pay calculation includes over 975 agency staff employed on temporary contracts through the University's Temporary Employment Services (TES).

Based on the above figures, the pay multiples for the Vice-Chancellor, including prior year comparative data, are as follows:

- The Vice-Chancellor's[10] **basic** salary is **10.9** times (2019: 11.1) the median pay of staff.
- The Vice-Chancellor's **basic** salary is **6.0** times (2019: 6.0) the median basic salary of academic staff of £62,727 (2019: £61,618) (including clinical staff).
- The Vice-Chancellor's **total** remuneration is **11.2** times (2019: 12.0) the median total remuneration of staff.
- The Vice-Chancellor's **total** remuneration is **6.2** times (2019: 6.5) the £77,415 (2019: £74,167) median total remuneration of academic staff (including clinical staff).

Of the four pay multiples reported, three have reduced, while one remained the same.

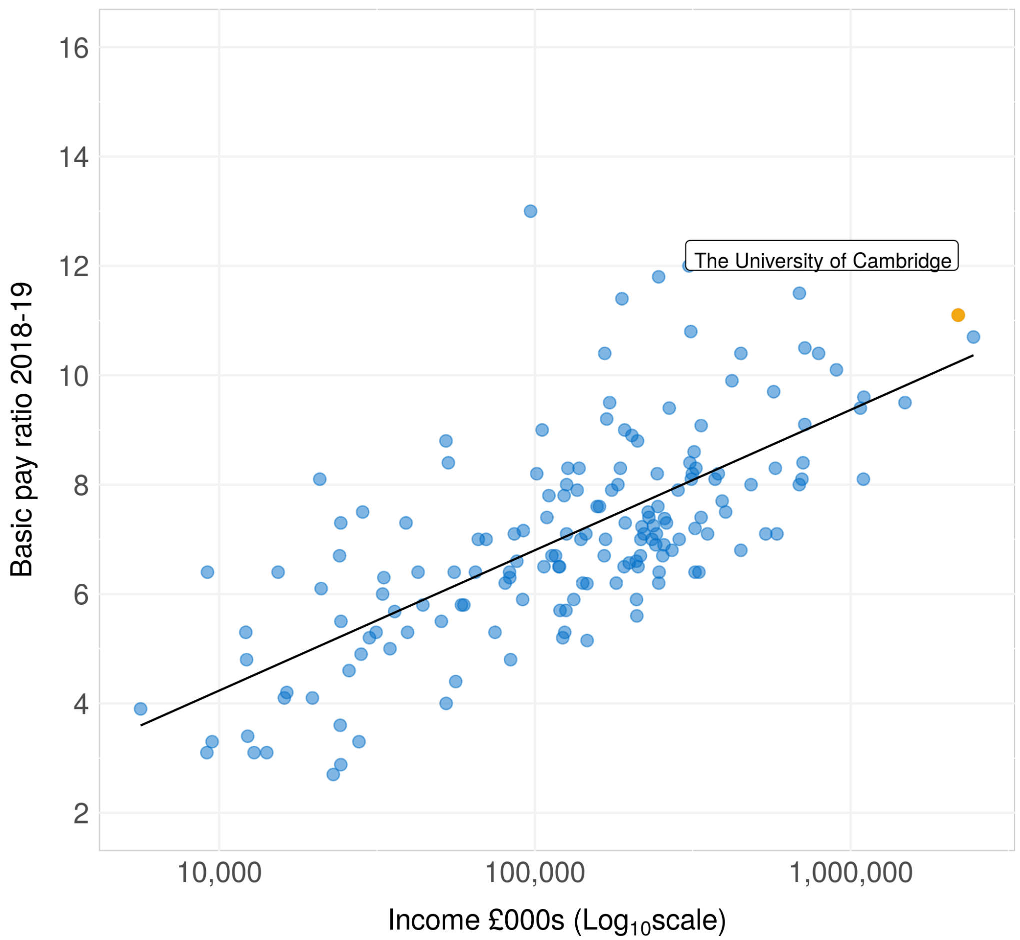
[9] https://www.hr.admin.cam.ac.uk/hr-staff/information-staff/staff-guide/terms-employment/private-consultancy

[10] In each case, the ratio reflects the full year basic salary equivalent for the Vice-Chancellor; and uses a full time equivalent basis of the salaries paid by the University to its staff.

Comparative data for the Sector are not yet available for 2019–20. However, the Office for Students published data for the year 2017–18,[11] and through UCEA, the University has access to similar data for the year 2018–19. These data show that the 2017–18 pay ratio for the Vice-Chancellor against staff ranked fifth on basic pay and fourth on total pay; and showed that the University of Cambridge was the second largest provider in terms of total income. The 2018–19 data show that the pay ratio for the Vice-Chancellor fell to sixth on basic pay and fifth on total pay, whilst the University retained its place as the second largest provider in terms of income.

The two graphs below illustrate the 2018–19 (UCEA-sourced) data.

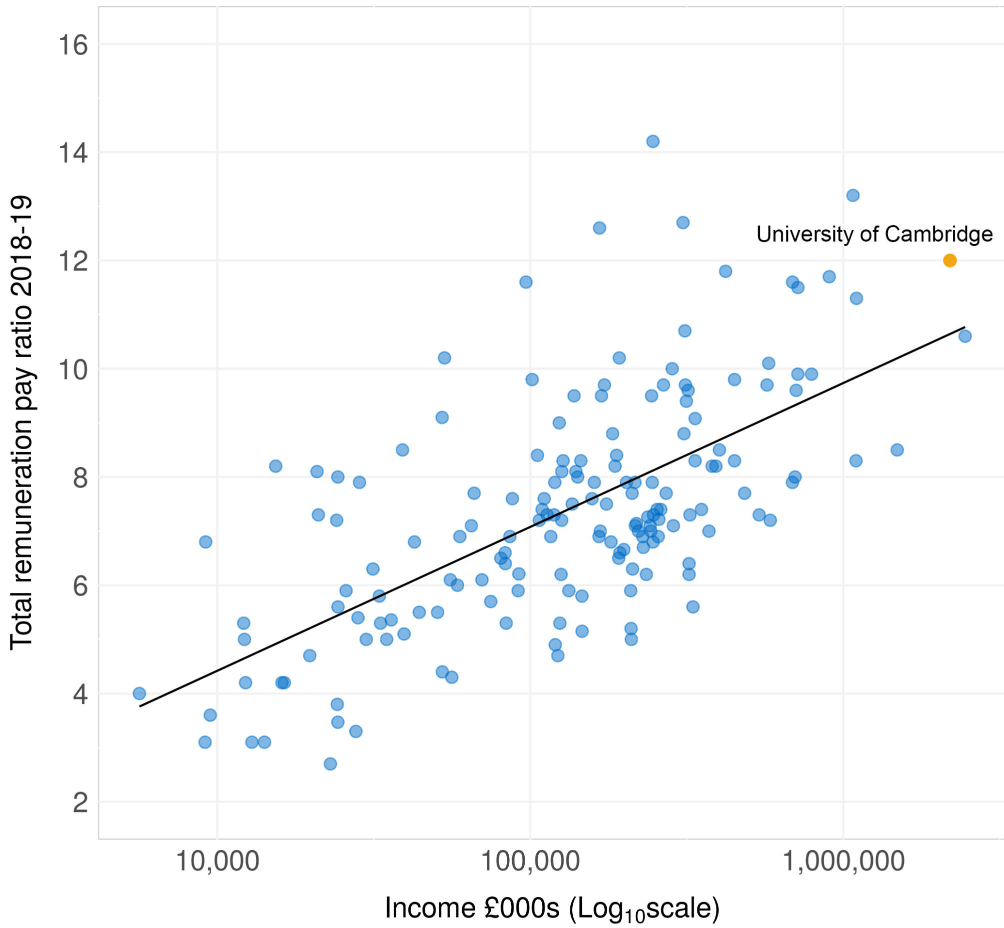
Relationship between income and basic pay ratio – The University of Cambridge



Source: HESA

[11] https://www.officeforstudents.org.uk/advice-and-guidance/regulation/senior-staff-pay/

Relationship between income and total remuneration pay ratio – The University of Cambridge



Source: HESA

2. Salaries over £100,000

(*a*) *Overview of the University Group*

The table below shows changes in salaries (basic salary, plus market pay if applicable) over £100,000 between 2019–20 and 2018–19 in the University Group.[12]

	TOTAL GROUP					
	Clinical Academic		**Non-clinical Academic and other**		**Total number**	
	2020	2019	**2020**	2019	**2020**	2019
£100,001 – £150,000	**87**	57	**294**	272	**381**	329
£150,001 – £200,000	**0**	2	**61**	44	**61**	46
£200,001 – £250,000	**0**	0	**10**	12	**10**	12
£250,001+	**0**	0	**5**	6	**5**	6
	87	59	**370**	334	**457**	393

Note: Figures based on Regulatory Advice 9: Accounts Direction (OfS 2019.41) published 25 October 2019.

[12] Staff in the University Group are defined as those involved in the core teaching and research activities of the University *together with* the WNWCE team and the staff of the Investment Office, Cambridge Assessment and Cambridge University Press, all subsidiary companies, associated trusts and joint ventures.

(*b*) *Detailed breakdown within the Group*

(*i*) *Academic University*[13]

Overview

	Band	2020	No change	Moved up from a lower band	Moved down from a higher band	New employees	2019
A	£100,000 – £150,000	**291**	206	78	4	3	**241**
B	£150,001 – £200,000	**41**	32	5	1	3	**31**
C	£200,001 – £250,000	**7**	7	0	0	0	**10**
D	£250,001+	**3**	3	0	0	0	**3**
	TOTAL	**342**					**285**

Note: figures based on Regulatory Advice 9: Accounts Direction (OfS 2019.41) published 25 October 2019.

Movement between bands, both up and down, is common. Promotions and Professorial Pay Reviews are the main reason for upward movements. Upward movement can also occur due to the annual pay increase (1.8% in 2019). Total remuneration falls when a Head of Department role or payments for additional duties come to an end.

By band, the main reasons for change are:

- *Band A*: annual pay increase, Professorial Pay Reviews, promotions;
- *Band B*: annual pay increase, Professorial Pay Reviews, promotions;
- *Band C*: no changes; and
- *Band D*: no changes.

Breakdown by staff group

The chart below shows the breakdown of the Academic University between clinical academic and non-clinical academic salaries.

	Academic University					
	Clinical		**Non-clinical**		**Total number**	
	2020	2019	**2020**	2019	**2020**	2019
£100,001 – £150,000	**87**	57	**204**	184	**291**	241
£150,001 – £200,000	**0**	2	**41**	29	**41**	31
£200,001 – £250,000	**0**	0	**7**	10	**7**	10
£250,001+	**0**	0	**3**	3	**3**	3
	87	59	**255**	226	**342**	285

Note: figures based on Regulatory Advice 9: Accounts Direction (OfS 2019.41) published 25 October 2019.

(*ii*) *Cambridge University Press and Cambridge Assessment*

The following chart gives details for Cambridge University Press and Cambridge Assessment:

	Cambridge University Press		**Cambridge Assessment**	
	2020	2019	**2020**	2019
£100,001 – £150,000	**49**	53	**32**	29
£150,001 – £200,000	**9**	8	**8**	5
£200,001 – £250,000	**2**	1	**1**	1
£250,001+	**1**	2	**1**	1
	61	64	**42**	36

Note: figures based on Regulatory Advice 9: Accounts Direction (OfS 2019.41) published 25 October 2019.

[13] Staff in the Academic University are defined as those involved in the core teaching and research activities of the University *together with* the WNWCE team and the staff of the Investment Office but *excluding* the staff of Cambridge University Press, Cambridge Assessment and all subsidiary companies, associated trusts and joint ventures.

(*iii*) *Trusts and subsidiaries*

The following chart gives details for trusts and subsidiaries:

	Trusts		Subsidiaries	
	2020	2019	**2020**	2019
£100,001 – £150,000	**2**	2	**7**	4
£150,001 – £200,000	**0**	0	**3**	2
£200,001 – £250,000	**0**	0	**0**	0
£250,001+	**0**	0	**0**	0
	2	2	**10**	6

Note: figures based on Regulatory Advice 9: Accounts Direction (*OfS 2019.41*) *published 25 October 2019.*

Subsidiaries include:

Cambridge Enterprise, 2 FTE (up from 1 in 2019);
Judge Business School Executive Education Limited (JBSEEL), 3 FTE (up from 2 in 2019);
Institute for Manufacturing Education and Consultancy Services (IfM ECS), 2 FTE (no change);
the Cambridge Centre for Advanced Research and Education in Singapore (CARES), 1 FTE (no change);
the PHG Foundation, 1 FTE (up from 0 in 2019)
Cambridge Investment Management Limited (CIML), 1 FTE (up from 0 in 2019).

Trusts include:

Cambridge Commonwealth European and International Trust, 1 FTE (no change); and
the Gates Cambridge Trust, 1 FTE (no change).

(*c*) *Compensation for ending employment*

Across the Group, a total of 344 payments were made in the year to staff for the ending of employment (e.g. settlement agreements, redundancy payments, and termination of fixed-term contracts). These figures have increased from last year's report primarily as a result of the updated guidance from the OfS specifically requiring the inclusion of payments associated with the end of fixed-term contracts. The 2019 figures have been restated against the new guidance. The breakdown is as follows:

Compensation for loss of office	2020		2019	
		Amount		**Amount**
	Number	£'000	**Number**	£'000
Academic University	**304****	2,218**	**398****	2,100**
Cambridge Assessment	**25**	654	**30**	831
Cambridge University Press	**11**	265	**19**	510
Subsidiaries*	**4**	104	**3**	25
	344	3,241	**450**	3,466

* *Relates to JBSEEL*

** *The figures excluding the termination of fixed-term contracts are 34 cases costing £760k (2020) and 42 cases costing £726k (2019)* (*d*) *Like-for-like comparison between 2019–20 and 2018–19*

The definition of pay has again been changed which makes year-to-year comparisons difficult. The current year and previous year figures in this report relate to the OfS current definition. Consequently comparison of these numbers with those contained in previous versions of this report are difficult.

The key pay element changes in the pay definitions in previous years are:

Pay element	Year end: 2019–20 (OfS current definition)	Year end: 2017–19 (OfS definition)	Year end: 2016–17 (HEFCE/SORP definition)
Basic salary	✓	✓	✓
Market pay supplements / retention payments / enhancements	✓	Not included	✓
Bonus	Not included	Not included	✓
Local and National Clinical Excellence Award payments	Not included	Not included	✓
Pension cash supplements	Not included	Not included	n/a – policy not in place in 2016–17
Additional programmed activity payments (Clinical academic staff only)	Not included	Not included	✓
Wellcome Trust Merit Awards	Not included	Not included	✓

All the definitions have defined the pay bandings to be before (i.e. gross of) salary sacrifice arrangements, and excluding employer pension contributions.

The result of the 2019–20 definition has been to increase the number of staff in the higher pay bandings compared to the 2018–19 definition as market pay supplements are now included.

Appendix 1

Reward and progression schemes

The University operates a number of contribution reward and progression schemes, many of which are currently under review. Details of the current schemes can be found on the University website: https://www.hr.admin.cam.ac.uk/pay-benefits/reward-schemes. These include:

- Professorial Pay Review
- Senior Academic Promotions Scheme (to be replaced by a new Academic Career Pathways Scheme)
- Contribution Increment Scheme for Researchers
- Contribution Increment Scheme for Grade 12 Academic-Related Staff
- Contribution Reward Scheme (for academic-related and assistant staff in grades 1–11)
- Additional Responsibility Payments
- Market Pay policy
- Advanced Contribution Supplements
- Recruitment incentive schemes

The University's promotion processes apply to academic staff only. For all other categories of staff, promotion occurs through the advertising of vacancies and an application and selection process including interviews.

For staff in grades 11, 12 and those above the scale, there is no automatic incremental progression, only the annual nationally negotiated uplift in the salary scale points. For staff in grades up to grade 10, annual automatic incremental progression applies.

Whilst not within the timeframe for this report, it should be noted that due to the financial challenges arising from Covid-19 the University has limited the use of its reward and progression schemes for the academic year 2020–21. The following schemes will not be running unless the financial situation materially improves: Professorial Pay Review 2020; Academic Career Pathways 2020; Grade 12 Contribution Reward Scheme 2021; USL Contribution Reward Scheme 2021; and Researcher Increment Scheme 2020–21. A more limited version of Grade 1–11 Contribution Reward Scheme 2021 will run, with applications for one-off single contribution payments only open to assistant staff in Grades 1 to 5.

Professorial Pay Review

The current Professorial Pay Review (PPR) process involves Professors applying, should they wish to, every two years. The process involves the applicant supplying evidence of achievement against the band descriptors, of which there are four bands. The determination of awards is made by the Vice-Chancellor's Advisory Committee on Professorial Pay. This Committee receives recommendations for awards in bands 1 and 2 [or progression from band 1 to 3] from a School-level committee and determines awards within or progression to bands 3 and 4.

Senior Academic Promotions Scheme [to become the Academic Career Pathways scheme]

The Senior Academic Promotions Scheme allows eligible academic staff to apply for promotion to the offices of University Senior Lecturer, Reader and Professor.

Contribution Increment Scheme for Researchers

This termly scheme allows Heads of Institution to reward research staff on the basis of outstandingly good work by the member of staff in comparison with others of the same grade and for which some additional recompense is appropriate; or, where a recruitment incentive payment cannot be awarded, on the basis of the need to retain the specialist skills possessed by a particular member of staff who would otherwise be likely to seek a more highly paid appointment elsewhere.

Contribution Increment Scheme for Grade 12 Academic-Related Staff

The University operates a biennial contribution reward scheme for academic-related grade 12 postholders. To be eligible for consideration, individuals must have been in post and performing their duties at their current grade for at least two years prior to the effective date of the award. Increments are awarded for sustained and ongoing contribution and there must be some indication that the cost is justified by the benefit brought to the University over the longer term.

Cases are considered by the Registrary, relevant Pro-Vice-Chancellor or Head of School (as appropriate) who will put forward recommendations to the Vice-Chancellor's Advisory Committee on Supplementary Payments for Non-Academic Officers in the Professorial Grade 12.

Contribution Reward Scheme for Academic-Related and Assistant Staff in Grades 1–11

The University operates an annual contribution reward scheme for academic-related and assistant staff in grades 1 to 11. The scheme has two components:

1. *Contribution Increments* (*for sustained / ongoing contribution*)
   The award of additional increments (in the normal pay range or in the contribution range for the grade) to recognise an individual's outstanding contribution over and above the normal expectation for the role, over a period of at least a year and in the context of expected continuation at that level.
2. *Single Contribution Payments* (*for one-off / time limited contribution*)
   The award of one-off payments of 3% (individual awards) or 2% (team awards) of salary to recognise an individual's outstanding contribution, over and above the normal expectation for the role, in the context of a one-off task or project that is finite in nature.

Additional Responsibility Payments

Additional Responsibility Payments can be made to employees who are taking on additional responsibilities over and above those set out in their job description and at a higher level, with the agreement of their institution. Examples include, if the employee is taking on additional higher graded duties for a percentage of time rather than for their full hours; or for temporary acting-up duties. Additional Responsibility Payments can be paid to academic, academic-related, and assistant staff irrespective of grade or type.

Market Pay

In terms of market pay considerations, the grade of an office or post is first determined prior to advertisement using the Higher Education Role Analysis (HERA) scheme. Where evidence indicates that similar posts outside the University command a higher salary than that determined by role analysis, it may be appropriate to request a market pay award in order to secure the recruitment or retention of an individual. Market pay is aimed at assistant and academic-related posts where a particular specialist skill exists, but is also used to recruit or retain academic staff where there are particular pay pressures in the discipline.

Advanced Contribution Supplement

In view of the difficulties experienced in defining the 'market' in relation to academic posts, where justified, an Advanced Contribution Supplement (ACS) may be awarded as the primary means of supplementing the salary of an academic member of staff for retention or recruitment purposes. An ACS is awarded in the expectation that an individual will reach a certain level of achievement (normally no more than five years ahead).

Contribution reward and progression schemes apply to all employees on the single salary scale.

Recruitment Incentive schemes

Recruitment incentive payments. These are one-off, taxable, *ex gratia* payments that do not form part of the employee's salary. Payments can only be made to individuals taking up their first appointment at the University. The award of a payment is conditional upon the employee completing at least three years of service; repayments are required if the employee leaves before that time is up. All requests for recruitment incentive payments must be considered by the Head of the relevant School, and by the Registrary in the case of Council institutions.

There are a number of other recruitment incentives available to staff, including:

- the *rental deposit loan scheme*, which provides an interest-free loan of up to £3,000. This can be used for some of the costs associated with private rental accommodation, such as initial deposit, first month's rent and other fees;
- the *shared equity scheme* is available to new permanent members of staff (grade 7 and above) and holders of certain fellowships to help with the purchase of living accommodation if they have to relocate to take up their appointment. Under the scheme, the University may make a contribution towards the capital cost of purchasing a property close to, or within Cambridge, and would hold a share of the equity in proportion to its capital contribution;
- the *visa loan scheme*. The University recognises that UK immigration fees present a considerable burden for non-EEA staff, particularly members of the postdoctoral community who may struggle to meet these costs for themselves and their families. The scheme offers an interest-free loan for prospective staff and their dependants, up to a certain value, which staff members can use towards meeting the costs of these visas; and
- *relocation expenses*. This scheme provides financial assistance of up to £8,000 with relocation costs for moves within the UK and from overseas. The scheme is open to all newly appointed centrally-funded staff.

Appendix 2

Higher pay banding analysis

	Based on latest OfS definitions					
	TOTAL GROUP					
	Clinical		**Non-clinical**		**Total number**	
	2020	2019	**2020**	2019	**2020**	2019
£100,001–£105,000	**19**	27	**72**	77	**91**	104
£105,001–£110,000	**36**	9	**61**	33	**97**	42
£110,001–£115,000	**11**	5	**31**	35	**42**	40
£115,001–£120,000	**8**	7	**25**	22	**33**	29
£120,001–£125,000	**3**	1	**24**	28	**27**	29
£125,001–£130,000	**4**	1	**17**	17	**21**	18
£130,001–£135,000	**0**	5	**15**	15	**15**	20
£135,001–£140,000	**3**	1	**19**	19	**22**	20
£140,001–£145,000	**1**	1	**14**	11	**15**	12
£145,001–£150,000	**2**	0	**16**	15	**18**	15
£150,001–£155,000	**0**	1	**10**	10	**10**	11
£155,001–£160,000	**0**	0	**10**	8	**10**	8
£160,001–£165,000	**0**	0	**7**	2	**7**	2
£165,001–£170,000	**0**	0	**4**	5	**4**	5
£170,001–£175,000	**0**	0	**6**	4	**6**	4
£175,001–£180,000	**0**	0	**2**	2	**2**	2
£180,001–£185,000	**0**	0	**3**	6	**3**	6
£185,001–£190,000	**0**	0	**8**	3	**8**	3
£190,001–£195,000	**0**	1	**7**	3	**7**	4
£195,001–£200,000	**0**	0	**4**	1	**4**	1
£200,001–£205,000	**0**	0	**1**	4	**1**	4
£205,001–£210,000	**0**	0	**3**	1	**3**	1
£210,001–£215,000	**0**	0	**2**	1	**2**	1
£215,001–£220,000	**0**	0	**1**	2	**1**	2
£220,001–£225,000	**0**	0	**0**	2	**0**	2
£225,001–£230,000	**0**	0	**1**	0	**1**	0
£230,001–£235,000	**0**	0	**1**	0	**1**	0
£240,001–£245,000	**0**	0	**0**	2	**0**	2
£245,001–£250,000	**0**	0	**1**	0	**1**	0
£255,001–£260,000	**0**	0	**0**	1	**0**	1
£295,001–£300,000	**0**	0	**0**	1	**0**	1
£300,001–£305,000	**0**	0	**0**	1	**0**	1
£305,001–£310,000	**0**	0	**1**	0	**1**	0
£315,001–£320,000	**0**	0	**1**	0	**1**	0
£330,001–£335,000	**0**	0	**0**	1	**0**	1
£335,001–£340,000	**0**	0	**1**	0	**1**	0
£370,001–£375,000	**0**	0	**0**	1	**0**	1
£375,001–£380,000	**0**	0	**1**	0	**1**	0
£380,001–£385,001	**0**	0	**0**	1	**0**	1
£390,001–£395,000	**0**	0	**1**	0	**1**	0
	87	59	**370**	334	**457**	393

Note 1: Clinical staff are not on the University's pay scales.

Note 2: In comparing the 2020 data against that of the previous year, it should be noted that the thresholds for the bands are set, yet pay is increasing (e.g. by the 2019 1.8% annual pay award for non-clinical staff in the Academic University). Consequently, each year we would expect some increase in employees earning over 100k, simply as annual pay increases move a certain number of staff members into the lower band, and a proportion of staff would be expected to move through the bands each year.