Reports and Financial Statements 2021

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UNIVERSITY OF CAMBRIDGE

Professor Steve Jackson, Head of Cancer Research UK Laboratories at the Wellcome Trust/Cancer Research UK Gurdon Institute

Reports and Financial Statements 2021

A brief overview

Professor Stephen J Toope

If the last year was the period when we responded, collectively, to the shock of a global pandemic, then the past twelve months has been the time when we knuckled down and got on with the work of education and research in difficult and constantly changing circumstances.

Adapting to the new circumstances demanded resolve, resourcefulness and resilience, all of which Cambridge's collegiate community displayed in abundance. But our community did much more than adapt: it rolled up its sleeves and tackled its biggest crisis in living memory, demonstrating not only why universities matter, but why the University of Cambridge matters – to the city, to the country, and to the world.

I am extremely proud of everything that Cambridge has achieved in these most challenging of times. We could not have done this without the support of our students, staff, alumni and friends, to whom I would like to extend my heart-felt gratitude.

Professor Stephen J Toope
Vice-Chancellor

About the University

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

Cambridge is one of the top five global research universities addressing some of the world's greatest challenges from climate change and the genomics of human viruses to food security and anti-microbial resistance.

See a **Global Impact Map of our research from the Arctic to Zambia**. The University attracts some of the most able students to undergraduate and postgraduate programmes renowned for intense learning in small groups. Its graduates are highly sought after for leading roles in industry, academia and government. Cambridge is ranked third in the QS World Rankings and has the maximum Employer Reputation score of 100.

According to an in-depth MIT study on entrepreneurial ecosystems, Cambridge is also one of the world's top three university innovation hubs, supporting a high tech local economy in the East of England with a turnover of £48 billion [2020]. The University acts as a catalyst providing ideas for commercialisation, early stage funding, venture capital, incubation for start-up companies and a well-educated workforce to power them as they scale up. Cambridge University Press & Assessment publishes more than 380 academic journals and thousands of books for research and higher education, as well as providing assessment for more than 8 million learners in more than 170 countries every year.

The new Impact Map explores how research carried out by Cambridge and its partners is having a positive impact around the world.

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 2021.

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 this Report and Financial Statements, fully meet the public benefit requirements of advancement of education, research and dissemination of knowledge.

Chris Abell Nursery

Environmental sustainability

The University's **Environmental Sustainability Vision, Policy and Strategy** demonstrates the University's commitment to making a positive impact through outstanding environmental sustainability performance. It also sets out the plans for achieving this including objectives, targets and Key Performance Indicators (KPIs)[1] .Cambridge is the first University in the world to announce a Science Based Target (SBT) 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**.

The University reports its environmental sustainability performance in an annual report. **The 2020-21 report** will be available in early 2022 and will be subject to independent limited assurance. For the first time in 2019-20, the University reported its market-based carbon emissions figure, alongside its location-based emissions figure. The market-based emissions figure takes account of the zero-carbon electricity the University procures via a Power Purchase Agreement (PPA). Therefore, in reporting progress against its SBT, the University will need to continue to report both figures.

The total scope 1 and 2 carbon emission figures are reported below. The total scope 1 and 2 location-based carbon emissions figure for 2019-20 has already been subject to independent limited assurance, and the figures for the year 2020-21 (both location and market-based emissions) will be subject to independent limited assurance.

To ensure location-based emissions remain on track with the SBT, the University will need to take significant steps over the next 5-10 years to reduce its total energy use, as well as increase the proportion of its energy that comes from onsite renewables. There are several bodies of work in motion to achieve this; however, some significant interventions are now needed to ensure location-based emissions remain on track with the target.

The Sustainability Team is developing a SBT programme of work, to support delivery of the University's commitment to zero-carbon. The main building blocks to achieving zero carbon are: decarbonising our energy supply; reducing energy consumption of the estate; embedding carbon reduction into the capital programme; and engagement and behavioural change to reduce energy demand.

[1]The University has adopted what is known as the Operational Control approach, under which the buildings, activities and operations included in our calculations and reporting are those over which the University has direct control or significant influence. Our KPIs therefore do not cover the colleges or the University's subsidiary organisations.

KPI	**2020/21**	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15
Total Scope 1 and 2 **Location-based carbon emissions (energy and fuel use) (tCO_2e)**	**55,106**	53,931	57,872	62,014	69,734	74,828	80,882
Total Scope 1 and 2 **Market-based carbon emissions (energy and fuel use) (tCO_2e)**	**30,141**	49,192*	n/a**	n/a**	n/a**	n/a**	n/a**

*The 2019/20 Total Scope 1 and 2 Market-based carbon emissions figure has not been subject to independent limited assurance.
**We only started reporting our Total Scope 1 and 2 Market-based carbon emissions figure from 2019/20 onwards as we did not have a PPA in place before this time.

Financial highlights

The University's audited financial statements for the year ended **31 July 2021** are included after this overview and will be published in the *Cambridge University Reporter*. The following analyses, extracted from those financial statements and the accompanying financial review, summarise the University's sources of income , surplus for the year and the factors affecting net assets.

Group income

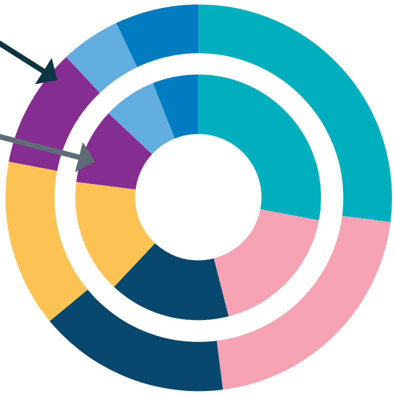
Year ended 31 July 2021

↑ £2,177m

Year ended 31 July 2020

£2,075m

The Group's income has increased by £102m (up 5%) compared to the prior year, largely due to a strong recovery in Cambridge Assessment from the significant impacts of the pandemic on the prior year.



	2021 £m	2020 £m
Research grants and contracts	↑ **589**	579
Examination and assessment services	↑ **456**	377
Tuition fees and education contracts	↑ **339**	335
Publishing services	↓ **303**	318
Funding body grants	↑ **213**	205
Endowment and investment income	↑ **115**	107
Other income	↑ **162**	154

Group surplus for the year

The Group generated a surplus for the year of £884m which included a significant, largely unrealised, gain on investments. After adjusting for this, fair value adjustment for the CPI index-linked Bond, change in USS pension deficit recovery provision, capital grants and significant one-off endowments, the underlying "adjusted operating surplus" was £11m. The University considers this to be the best measure of underlying recurrent operating performance.

Year ended 31 July 2021

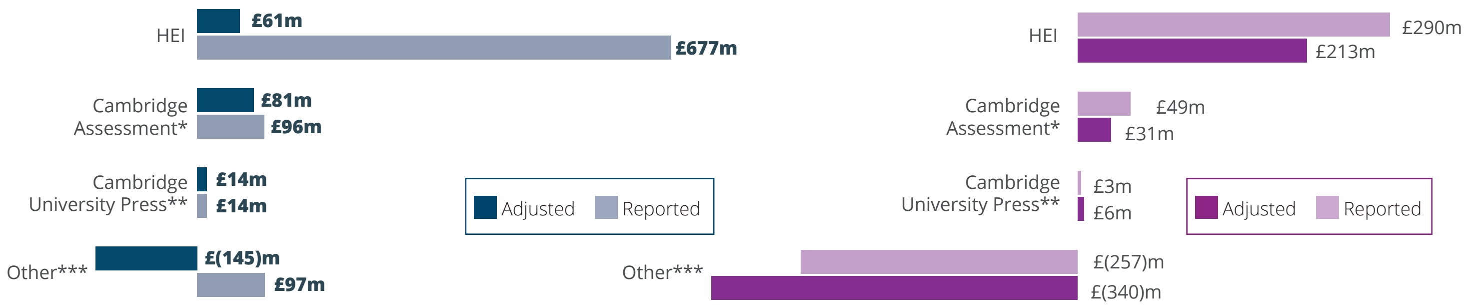
Reported surplus for the year ↑ **£884m**

Adjusted operating surplus for the year* ↑ **£11m**

Year ended 31 July 2020

Reported surplus for the year £85m

Adjusted operating surplus for the year* (£90m)



** See Appendix 1 ** Stated before contributions and transfers made to the University *** Other includes Trusts, HEI subsidiaries and the elimination adjustments*

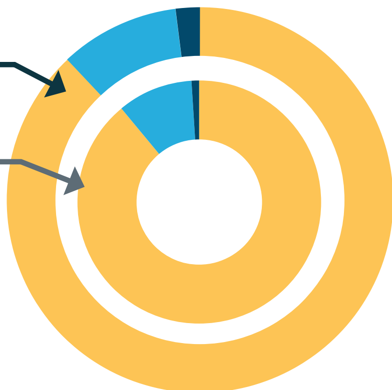
Group net assets

Year ended 31 July 2021

↑ £5,980m

Year ended 31 July 2020

£5,069m



The Group's net assets totalled £5,980m as at 31 July 2021 (2020: £5,069m). The increase in net assets largely reflects an increase in the fair value of investments. Cash and cash equivalents increased due to the increase in operating cash flow and measures taken to ensure adequate mid-term liquidity under pandemic stress-tested scenarios.

	2021 £m	2020 £m
HEI, Trusts and other	↑ **5,289**	4,492
Cambridge Assessment	↑ **592**	522
Cambridge University Press	↑ **99**	55

Responding to COVID-19

Throughout 2020-21, the ongoing COVID-19 pandemic had a major impact on University business. There was only limited in-person teaching throughout the academic year, and while labs and workspaces began to open up at the end of the first lockdown in summer 2020, the majority of staff continued to work from home.

At the start of the academic year, the University introduced an innovative programme for screening asymptomatic students, complementing its testing programme for staff and students with possible symptoms of COVID-19. The Asymptomatic COVID-19 Screening Programme was set up in just eight weeks, and at its peak, 10,000 students were being tested each week. The result was a big success: combined with the Stay Safe Cambridge Uni campaign, infection control measures and genomic surveillance, the programme helped reduce the number of cases of COVID-19 at the University, keeping its students, staff and the wider community, safe.

Swabs from the University's testing programmes were analysed at the Cambridge COVID-19 Test Centre, set up by the University in collaboration with AstraZeneca and GSK. The Centre, based on the Cambridge Biomedical Campus, analysed more than 3 million tests as part of the government's Lighthouse Laboratories network.

University researchers have played a crucial role in helping control the pandemic. The **COVID-19 Genomics UK Consortium (COG-UK)**, led by Professor Sharon Peacock from Cambridge, has been using cutting-edge genome sequencing to track outbreaks and to better understand how the virus spreads and evolves. Its scientists played a crucial role in identifying the Alpha variant of SARS-CoV-2 and in monitoring its spread.

COG-UK scientists were among a number of Cambridge academics who participated in or contributed to the UK government's **Scientific Advisory Group for Emergencies (SAGE)**. Particularly influential were statistical modellers at the MRC Biostatistics Unit who, together with colleagues at Public Health England, produced regular reports tracking in real time the number of infections, the reproduction 'R' number for ongoing transmissions, and predicted number of COVID-19-related deaths.

Scientists at the **Cambridge Institute of Therapeutic Immunology and Infectious Disease (CITIID)** – which pivoted to focus its entire research on the novel coronavirus – have helped in our understanding of how

the variants emerge and why certain genetic mutations help variants become more transmissible and potentially evade our immune response. CITIID scientists also provided a deeper understanding of how the immune system responds to infection and why some people develop 'long COVID', with symptoms lasting several months.

The successful vaccine rollout, while welcome by the vast majority of people, has been met in some circles with scepticism and hesitancy, often driven by misinformation (and even disinformation). Cambridge researchers teamed up with the UK government and UNESCO to launch Go Viral!, an online game designed to fight conspiracies about COVID-19. The game proved successful – three quarters of players were better at sensing when they were being manipulated by misinformation.

As the world slowly begins to recover from the pandemic, Cambridge researchers are among those examining its knock-on effects, with studies looking at its impact on the mental health of young people, their education, and the economy – as well as some positive impacts, such as in reducing the amount of urban crime.


Students at the University Library

Foundation Year

In January 2021, the University launched a **Foundation Year**, offering talented students from backgrounds of educational and social disadvantage a new route to undergraduate study.

The one-year course is aimed at an entirely new stream of applicants who have the ability to succeed at Cambridge, but have been prevented from reaching their full potential by their circumstances. It will prepare students for further learning and offer them the chance to progress straight to an undergraduate degree at Cambridge. Its launch comes at a time when the University's work to forge new pathways into higher education for those groups already facing exceptional disadvantage has never been more pressing.

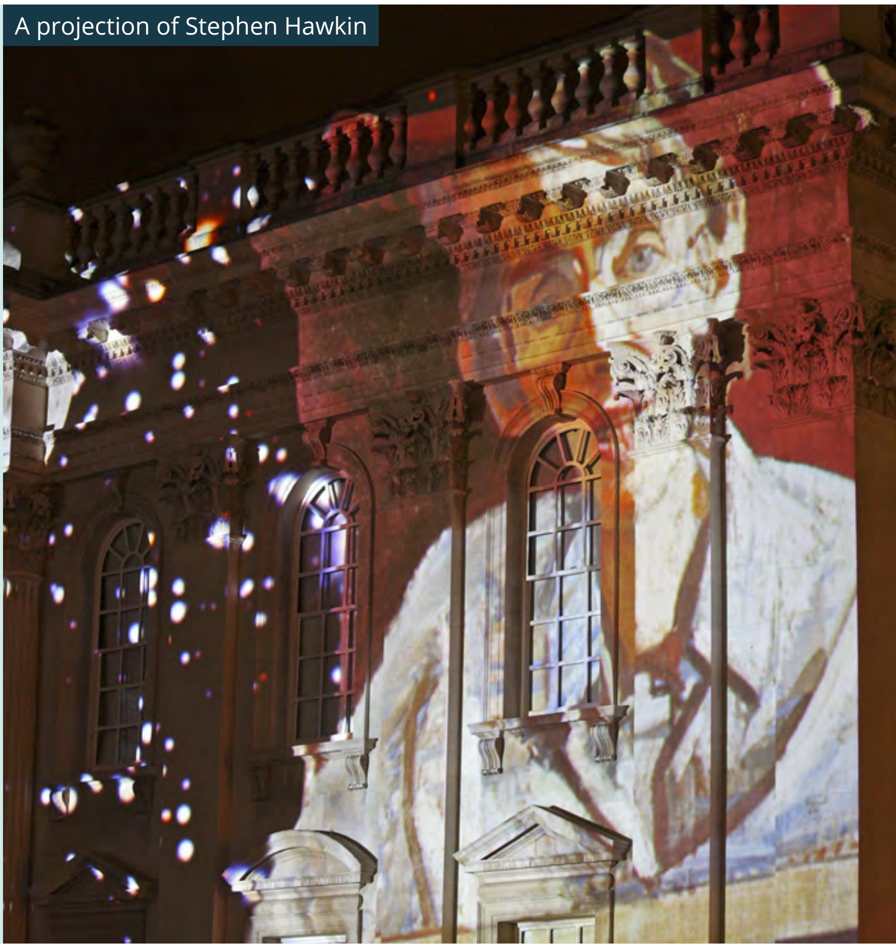
The Foundation Year is free to students; a cornerstone £5 million gift from philanthropists Christina and Peter Dawson will fund the launch of the programme and full one-year scholarships for all students who are accepted.

Hawking Archive comes to the University Library

Cambridge University Library and the **Science Museum** have received a treasure trove of papers and personal objects belonging to Professor Stephen Hawking, from his seminal works on theoretical physics to scripts from episodes of The Simpsons.

The arrival of the archive means that three of the most important scientific archives of all time – those of Isaac Newton, Charles Darwin and Stephen Hawking – are now housed under one roof at the Library's iconic Giles Gilbert Scott building.

Professor Hawking's extensive Cambridge archive will be cared for and made available to current and future generations of scientists hoping to continue his ground-breaking work in theoretical physics, and will provide future biographers and science historians with an extraordinary gateway and insight into Hawking's life and work.

A projection of Stephen Hawkin


Millennium Technology Prize

Cambridge researchers **Professor Shankar Balasubramanian** and **Professor David Klenerman** received the Millennium Technology Prize, one of the world's most prestigious science and technology prizes, for their development of revolutionary DNA sequencing techniques.

Balasubramanian and Klenerman co-invented **Solexa-Illumina Next Generation DNA Sequencing technology** that has enhanced our basic understanding of life. The techniques transformed biosciences into 'big science' by enabling fast, accurate, low-cost and large-scale genome sequencing – the process of determining the complete DNA sequence of an organism's make-up.

The technology has had – and continues to have – a transformative impact in the fields of genomics, medicine and biology. In 2000, sequencing of one human genome took over 10 years and cost more than a billion dollars: today, the human genome can be sequenced in a single day at a cost of $1,000.

Professor David Klenerman and Professor Shankar Balasubramanian received the Millennium Technology Prize

The economics of biodiversity

A major independent review by **Professor Sir Partha Dasgupta** argued that nature is a 'blind spot' in economics and that we can no longer afford for it to be absent from accounting systems that dictate national finances, or ignored by economic decision makers.

Commissioned by the UK Treasury, and published ahead of the 2021 Convention on Biological Diversity, the review is expected to help set the agenda for the UK Government's 25-year environment plan. It describes nature as ***"our most precious asset"*** and finds that humanity has collectively mismanaged its 'global portfolio': "our demands far exceed nature's capacity to supply 'goods and services' we all rely on".

The last few decades of human prosperity have taken a 'devastating' ecological toll, and the review highlights recent estimates that suggest we would need 1.6 Earths to maintain humanity's current way of life.


Dr Darshil Shah

Bamboo bats... Howzat?!

The sound of leather on willow may have delighted cricket lovers for generations but researchers from **Cambridge's Centre for Natural Material Innovation** say the sport should now consider making the blades of its bats with bamboo.

The team compared the performance of specially made prototype laminated bamboo cricket bats, the first of their kind, with that of typical willow bats. They found that bamboo is significantly stronger than willow and able to hold much higher loads, meaning that bats made with bamboo could be thinner. Lighter blades can be swung faster to transfer more energy to the ball.

There is also a shortage of good-quality willow, which takes up to 15 years to mature. Even then, bat makers often have to throw away up to 30% of the wood they source. By contrast, bamboo can mature twice as fast as willow and less raw material is wasted during manufacture.

Working towards Cambridge University Press & Assessment

Preparations for the formal integration of the Press and Cambridge Assessment as a single organisation on 1 August 2021 were a major focus for both organisations throughout 2020-21. That work accelerated ahead of the launch of the new organisation – **Cambridge University Press & Assessment** – building on initiatives such as *Cambridge Partnership for Education* and *Cambridge Exams Publishing*, and included completion of several significant projects, such as **Test and Train**, an interactive digital product that helps students prepare for English exams, and Project 5-14, a new curriculum with associated learning materials for primary and lower secondary pupils.

Cambridge University Press

In addition to the joint initiatives above, which involved the Press' ELT and Education groups, its Academic group also completed a number of significant projects. These included the launch of its **new digital platform for higher education textbooks** nearly six months early to help students during the pandemic. It also published the *Cambridge Greek Lexicon*, the most innovative new dictionary of Ancient Greek in almost 200 years, produced by a team from the Cambridge Classics faculty.

Collaboration with teaching and learning departments in the University included **Cambridge Advance Online**, a new programme of short, flexible courses for professionals.

Cambridge Assessment

The year also saw summer exams in the UK cancelled for the second year running due to COVID-19. Building on the lessons learnt in 2020, Cambridge Assessment and its UK exam board **OCR** contributed to the development of an alternative approach to the awarding of exam grades, working closely with other exam boards, England's Department for Education and exams regulator Ofqual. OCR subsequently delivered results to **over 120,000 A Level and more than 250,000 GCSE students** as well as thousands more vocational and technical students.

Internationally, the response to the pandemic demanded a flexible and nuanced approach as almost every country experienced its own journey with COVID-19. Despite the pandemic, Cambridge Assessment's exam board Cambridge International was able to issue **1.5 million grades** in summer 2021, while **more than five million Cambridge English exams** were taken in 2020/21.

Student at Peterhouse

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 (the 'Academic 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)** and its subsidiary companies, joint ventures and associates;
- **Cambridge University Press (CUP)** and its subsidiary companies, joint ventures and associates, and
- the Gates Cambridge Trust and certain other Trusts (**the 'Associated Trusts'**).

On 20 October 2020, the Vice-Chancellor of the University of Cambridge announced that CA and CUP would combine into a single organisation. On 1 August 2021, both organisations combined to form a new merged organisation named Cambridge University Press & Assessment.

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 2020-21 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 Academic University may be seen in greater detail 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.

Financial results for the year

The results for the Group for the year ended 31 July 2021 are summarised in Table 1:

Table 1	**2020–21 £m**	2019–20 £m	**Change %**
Income	**2,177**	2,075	5%
Expenditure *	**(2,073)**	(1,970)	5%
Surplus before other gains and losses and share of surplus /(deficit) of joint ventures and associates	**104**	**105**	(1%)
Share of surplus /(deficit) of joint ventures and associates	1	(1)	
(Loss) / gain on disposal of fixed assets	(1)	5	
Gain / (loss) on investments	782	(22)	
Taxation	(2)	(2)	
Surplus for the year	**884**	**85**	940%
Actuarial gain / (loss)	30	(157)	
Loss on foreign currency translation	(3)	(3)	
Total comprehensive income / (expense) for the year	**911**	**(75)**	**1315%**
Adjusted operating surplus / (deficit) for the year**	**11**	**(90)**	112%

** Includes the adverse impact of the change in USS deficit recovery provision of £6.1m related to the 2018 valuation (2019-20: credit of £160.4m)*
*** See Appendix 1 to the Accounts*

Financial review

The continuing global pandemic has presented a difficult backdrop to 2020-21. However, the Group has weathered the COVID-19 storm financially better than originally anticipated, showing resilience that bodes well for the future. Revenue (especially fee and research income) did not fall off in the way the Group had anticipated. The support costs and associated measures put in place in response to COVID-19 were also not as large as estimated, and have been largely offset by cost control measures taken and savings on travel and other expenses due to revised patterns of activity resulting from the lockdowns. Trading revenues of CA and CUP saw a steep fall at the outbreak of the pandemic last year, however CA in particular has rebounded well with the gradual resumption of normal activity. The impact of COVID-19 on the Academic University's 2020-21 operating income was relatively limited with the modest improvement in operating results reflecting reduced spend as the country continued in the lockdown for good part of the year.

Total **income is higher year on year** with an increase of 5% compared to 2019-20, driven by the higher trading volumes of CA and higher donations and endowment income.

The Group reported a **surplus for the year** of £883.5m (2019-20: £84.7m). This includes a high proportion of income competitively won each year for teaching and research activities (requiring cross-subsidisation from other activities), the trading results of CA and CUP (noting the contribution from CA and CUP is used by the Academic University towards capital expenditure in the academic estate) and donations for permanent endowment / capital purposes. The surplus is £798.8m higher than last year primarily reflecting the following:

- gain on investments (mostly unrealised) of £781.6m (2019-20: loss of £22.3m) due to strong performance of CUEF achieving a return of 24.1% for the Fund's year ended 30 June 2021 (30 June 2020: 3.8%) representing a bounce back from the prior year as worldwide markets recovered;
- trading performance at CA and CUP (before contributions to Academic University) of £109.9m (2019-20: 52.0m);
- lower fair value adjustment (charged through finance costs) of the CPI-linked bond amounting to £17.0m (2019-20: £98.8m);
- offset (to some extent) by a large credit of £160.4m in 2019-20 in staff costs compared to a charge of £6.1m this year based on the 2018 USS valuation, resulting in an overall adverse impact of £166.5m this year.

The Group's total **comprehensive income for the year** is £910.7m (2019-20: loss of £74.9m) which benefited from the surplus of £883.5 and £30.0m of actuarial gains (2019-20: loss of £156.8m), mainly from CUP Defined Benefit pension schemes.

The unrealised gains/losses on investments, fair value adjustment of the CPI-linked bond, and actuarial gains and losses on pension schemes will continue to fluctuate 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, fair value adjustment for the CPI index-linked Bond, the change in USS pension deficit recovery provision, capital grants and significant one-off endowments. The Group delivered an adjusted operating surplus this year largely as a result of the trading performance of CA. The Academic University's operating cash flows are also supported by the element of CUEF distributions funded from long-term capital growth, subsidising any deficit on core teaching and research activities.

Investment by the University in its capital infrastructure continued during 2020-21 with £247.0m (2019-20: £204.3m) invested in fixed assets, software and investment property over the period. The overall investment programme activity remains largely on track during the year, despite the challenging environment resulting from the pandemic.

The underlying 2020-21 **financial operating performance was satisfactory, including the recovery on the trading performance of CA**. Management regard the most representative measure of underlying performance to be the **adjusted operating surplus** for the year of £11.2m reflected in Appendix 1 to the Accounts.

Segmental analysis

The consolidated position comprises four main segments: (i) core academic activities of the Academic University; (ii) the assessment activities carried out by CA; and (iii) the publishing activities carried out by CUP; and (iv) the combination of smaller entities including the associated trusts and subsidiary companies not included in the Assessment and Press groups.

Within the Group there are a number of intra-group transactions, principally the financial and other support from CA and CUP and CUEF distribution from capital growth. **Table 2** gives segmental information, which is considered in further detail in Note 19 to the Accounts.

Table 2

	HEI 2021 £m	Cambridge Assessment 2021 £m	Cambridge University Press 2021 £m	Trust and other subsidiaries 2021 £m	Elimination*** 2021 £m	Total 2021 £m
Income *	1,495	468	312	239	(337)	2,177
Expenditure	(1,342)	(388)	(296)	(229)	182	(2,073)
Surplus / (deficit) before other gains and losses and share of surplus /(deficit) of joint ventures and associates	153	80	16	10	(155)	104
Share of surplus of joint ventures and associates	–	1				1
Loss on disposal of fixed assets	–	(1)				(1)
Gain on investments (including CUEF gain / loss)	524	16	–	121	121	782
Taxation	–		(2)			(2)
Surplus for the year **	**677**	**96**	**14**	**131**	**(34)**	**884**
Adjusted operating surplus for the year	**61**	**81**	**14**	**10**	**(155)**	**11**

* Income includes distribution from CUEF as income which is eliminated at consolidated level
** Surplus for the year for CA and CUP is before distribution to the Academic University
*** Includes elimination on consolidation of CUP&A transfers, CUEF distribution from capital growth and other consolidation adjustments

	HEI 2020 £m	Cambridge Assessment 2020 £m	Cambridge University Press 2020 £m	Trust and other subsidiaries 2020 £m	Elimination*** 2020 £m	Total 2020 £m
Income *	1,634	404	327	196	(486)	2,075
Expenditure	(1,250)	(352)	(319)	(194)	145	(1,970)
Surplus / (deficit) before other gains and losses and share of surplus /(deficit) of joint ventures and associates	384	52	8	2	(341)	105
Share of deficit of joint ventures and associates	–	(1)				(1)
Gain on disposal of fixed assets	5	–				5
(Loss) / gain on investments (including CUEF gain / loss)	(99)	(2)	(3)	(22)	104	(22)
Taxation	–		(2)			(2)
Surplus / (deficit) for the year **	290	49	3	(20)	(237)	85
Adjusted operating surplus / (deficit) for the year	213	31	6	1	(341)	(90)

* Income includes distribution from CUEF as income which is eliminated at consolidated level
** Surplus for the year for CA and CUP is before distrbution to the Academic University
*** Includes elimination on consolidation of CUP&A transfers, CUEF distribution from capital growth and other consolidation adjustments

Income

The Group's income increased by £102.0m (up 5%) from £2,074.9m to £2,176.9m. The Group has diversified sources of revenue providing operational stability with a compound growth of 5.7% over a rolling ten-year period. The increase this year has come from the recovery in examination and assessment services, with increase of £79.2m over 2019-20. All other sources of income showed modest increases this year with the exception of publishing income and investment income. Research and trading activities in CA and CUP continue to be affected by the pandemic; however, associated revenues have held up well during the current year.

- **Combined revenues from Examination, assessment and Publishing services (from CA & CUP)** represent the largest source of the Group income, and in aggregate totalled £759.3m (2019-20: £695.1m) which amounts to 35% of total revenues for the year.

- **Sponsors of research projects** continue to be the single largest source of income for the Academic University. Research grants and contracts increased modestly this year to £588.6m (2019-20: £579.4m). The increase has mainly come from higher funding from

Financial review

Research Councils which increased by 5% to £200.2m.

- **Tuition fees and education contracts** totalled £339.5m (2019-20: £334.5m) up 1%, principally due to an increase in student numbers and increases in non-regulated fee rates offset to some extent by decrease in the non-credit bearing courses and research support training grants due to continued impact of COVID-19.

- **Funding body grants** from the Office for Students (OfS) and Research England increased by 4% to £212.9m (2019-20: £204.7m), all of which came from capital grant funding.

- **Other income** of £161.8m (2019-20: £154.2m) increased slightly this year with income from the Cambridge COVID-19 testing facilities offset to some extent by reductions in income streams such as residential, conference and catering due to the prolonged impact of lockdowns.

- **Donations and endowments** received were £112.6m, (2019-20: £85.4m) including an endowment of $30m (£22.8m) received for the Chemistry Department.

- **Investment income,** on a reported basis, decreased to £2.2m from £21.6m in 2019-20, as expenditure on CUEF funds exceeded income received; the entire CUEF distribution was met from long-term capital growth.

Examination and assessment services are carried out by CA through its three exam boards: **Cambridge Assessment English, Cambridge Assessment International Education, and Oxford Cambridge and RSA Examinations (OCR).** CA's international businesses now account for some 75% of their total income. **Total examination and assessment income in the year to 31 July 2021 increased** by 21% to £456.6m (2019-20: £377.4m)

Income from publishing services in the period fell by 5% to £302.7m (2019-20: £317.7m) due to the continuing 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

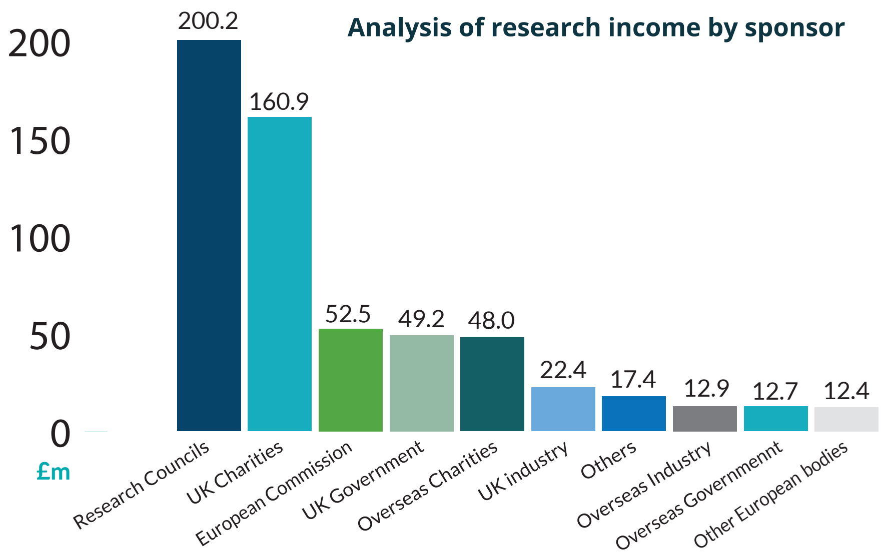
The Group's 2020-21 research income increased to £588.6m from £579.4m in the previous year despite the ongoing uncertainty, with the single largest contribution received from Research Councils' grants of £200.2m. Research income from sources other than UK Research Councils was £388.4m. Of this, £160.9m came from UK-based charities, and £48.0m from overseas charities, £64.9m from European Commission and other EU sources, £61.9m from UK and overseas government, and £52.7m from UK and overseas industries and other sources.

The University receives recurrent funding from the UK government in the form of grants for teaching, research and other activities. In 2020-21, the University was also allocated £134.0m of Quality-Related (QR) funding, representing 7.7% of the overall grant award for England.

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 assets, and other restricted and unrestricted donations available for current spend.

In aggregate over the year ended 31 July 2021, donations and endowment income totalled £112.6m (2019-20: £85.4m). A large endowment of $30m (£22.8m) was received for the Chemistry Department. Capital



donations of £4.9m were received during the year (2019-20: £7.2m)

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 2020-21, the £2bn *Dear World, Yours Cambridge* Campaign for the University and Colleges raised £230m. The campaign total currently stands at £1.96bn 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.

Other income

The Group 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 of £161.8m (2019-20: £154.2m) has increased slightly this year and included income from the COVID-19 testing facilities and from the Coronavirus Job Retention Scheme (CJRS).

Investment income

Investment income is an important component of the University's funding mix generated by the Group's financial investments, in particular the CUEF and from current asset investments (deposits and money market investments). The Group has reported an investment expense of £4.5m from the CUEF this year (2019-20: investment income of £8.2m) to operate and run the CUEF, which was more than dividends, rentals and interest received from the funds' assets. On a 'distribution basis' i.e. considering distribution from capital growth of CUEF as income, investment income was £122.7m (2019-20: £125.5m).

Other investment assets generated income of £6.7m during 2020–21 (2019-20: £13.4m) mainly from current asset investments. The majority of the University and Group's current asset investments are invested in the deposit pool. This pool is managed by the Group Treasury 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.

Expenditure

The Group's total expenditure in 2020–21 of £2,073.2m (2019-20: £1,969.8m) was £103.4m (5%) higher than prior year. Expenditure comprises: staff costs (including research) of 48%; other operating expenses of 44%; depreciation of 5%; and interest and other finance costs of 3%. The main changes compared to 2019-20 levels reflect the following:

- **Staff costs** increased by 25% to £990.6m (2019-20: £789.4m). Excluding the change in pension provision for the USS scheme deficit based on the 2018 USS valuation (see Note 30), staff costs increased by 4%, some of which is represented by the increase in CA activities during the year. The Academic University implemented certain control measures including a partial pause in recruitment in response to the impact of the pandemic.

- **Other operating expenses** decreased by 1% to £922.6m (2019-20: £932.8m) as different modes of operations, necessary during lockdowns, provided greater efficiency and an overall decrease in spend levels on travel and other items.

- **Depreciation** has slightly decreased from £106.8m to £104.4m.

- **Interest and other finance costs** decreased from £140.8m in 2019-20 to £55.6m (down 61%). The significant element of the decrease reflects a lower fair value adjustment related to the CPI-linked bond which resulted in a financing charge of £17.0m in the year compared to £98.8m in 2019-20.

- The cash interest charges associated with all of the University's bond liabilities was £21.1m for the year (2019-20: £21.0m).

Cash flow and financing

During the year, the underlying net cash inflows from operating activities after taxation of £119.2m were slightly lower than 2019-20. This was mainly due to increases in trade debtors at 31 July 2021 due to increased activity levels in CA offset to some extent by better operating results. 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 2020-21 totalled cash outflow of £229.2m (2019-20: £190.4m).

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 2021, examination and assessment services produced a surplus (before contribution to University) of £95.8m (2019-20: £48.5m), while publishing services produced £14.1m (2019-20: £3.5m) 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.

The overall net cash inflow for the Group was £231.5m (2019-20: £154.2m) for the year, driven by the net cash inflows from operating activities after taxation as noted above of £119.2m (2019-20: £123.5m) as well as cash inflow from investment activities of £85.9m (2019-20: £18.2m) and financing activities of £26.4m (2019-20: £12.5m). 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. The majority of the Group net cash inflows from operating activities stem from CA and CUP. Management's policy is to support the Academic University's net cash flow from operating activities through the annual CUEF distribution associated with its invested restricted funds, in seeking to achieve, over time, a modest operational cash flow surplus essential for long-term financial sustainability.

Net assets

The Group's net assets totalled £5,980m as at 31 July 2021 (2020: £5,069m). The increase in net assets largely reflects an increase in the value of investments. Cash and cash equivalents increased due to increase in operating and investing cash flows.

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.

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 operational 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 programme's future success.

In the year 2020-21, fixed asset additions for the Group were £198.8m (2019-20: £162.5m), with capital expenditure on land and buildings of £163.6m (2019-20: £135.5m), and further expenditure of £35.2m (2019-20: £27.0m) on equipment. The University is now completing the extensive capital investment programme of the last few years and developing a more sustainable mid-term programme of investments in buildings, people and infrastructure. More than 95% of the capital expenditure was incurred by the Academic University across a wide range of building projects, with significant expenditure on the new Cavendish III national laboratory facilities, Shared Facilities Hub and the Heart and Lung Research Institute based on the West Cambridge site. These three projects constituted 90% of the capital expenditure on land and buildings.

Despite challenges presented by COVID-19, the works on the new Cavendish III national laboratory facilities have progressed well and substantially on time.

During the year, the University also completed a nursery south of the city, near Hills Road, which has been named in memory of the late Professor Chris Abell.

Investment Property

Aside from the Operational Estate (land and buildings used for teaching, research and administrative support functions), the University has a growing

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

Table 3

	HEI, Trusts and others £m	Assessment £m	Press £m	Eliminations £m	Group £m
Net assets at 1 August 2020	4,509	522	55	(17)	5,069
Surplus for the year before tax	802	72	12	-	886
Taxation	-	-	(2)	-	(2)
Surplus for the year*	**802**	**72**	**10**	**-**	**884**
Actuarial (loss) / gain	(5)	-	35	-	30
Loss on currency translation	-	(2)	(1)	-	(3)
Net assets at 31 July 2021	**5,306**	**592**	**99**	**(17)**	**5,980**

** Net of transfers from Cambridge Assessment and Cambridge University Press of (£28.1m)*

The Cavendish III national laboratory facilities

portfolio of Investment Property in the Non-Operational Estate, with a valuation of £589.9m as at 31 July 2021 (2020: £574.8m), including net gains from fair value adjustments of £5.8m (2020: £8.8m). Investment properties, which are managed on a self-funded basis and designed to generate long-term financial returns through rental and capital appreciation, include shared equity properties, residential and non-residential rental properties, and the North West Cambridge development. 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.

Cambridge University Endowment Fund (CUEF)

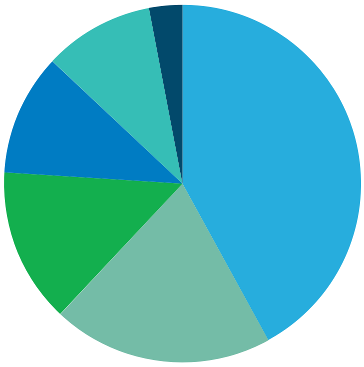
CUEF is an investment vehicle, which enables the University to pool assets held on trust and invest them for the very long term, gaining from scale, diversification and professional management. The CUEF is managed by Cambridge Investment Management Limited under investment and distribution policies set 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 2021, there were 13 (2019-20: 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 2021, the net asset value of the CUEF was £3,799.3m (31 July 2020: £3,259.1m) of which £3,536.8m (31 July 2020: £2,996.0m) was attributable to the Group.

The CUEF reports its performance to 30 June 2021. During the year ended 30 June 2021, the CUEF had an investment return of 24.1% (2019-20: 3.8%). The Fund has returned an annualised 11.8% return over a rolling five-year period. This exceeds the long-term investment objective over this period. The value of the CUEF at 30 June 2021 was £3,839.6m (2019-20: £3,313.0m) of which £3,575.6m (2019-20: £3,040.4m) was attributable to the Group.

Public equities comprised 42% of the CUEF as at 30 June 2021 and have been the main driver of returns in both the long and short term. Investments in private equity have seen the largest growth in value, increasing by 44% in the financial year ended 30 June 2021. Allocations to this class are likely to increase further in the future as the portfolio is further optimised, while ensuring liquidity requirements continue to be met.

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) by 2038, with ongoing active engagement with our fund managers and in a manner consistent with the CUEF's successful investment model.

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.



CUEF's asset allocation as at 30 June 2021

Public equity	42%
Private equity	20%
Fixed interests / Cash	14%
Absolute return	11%
Real assets	10%
Credit strategies	3%

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 2021 is shown above. Over the course of 2020-21, allocations to these broad asset classes have largely remained similar to 2020 with small movement from Public equity and Fixed interest/cash to private equity and Absolute return investment.

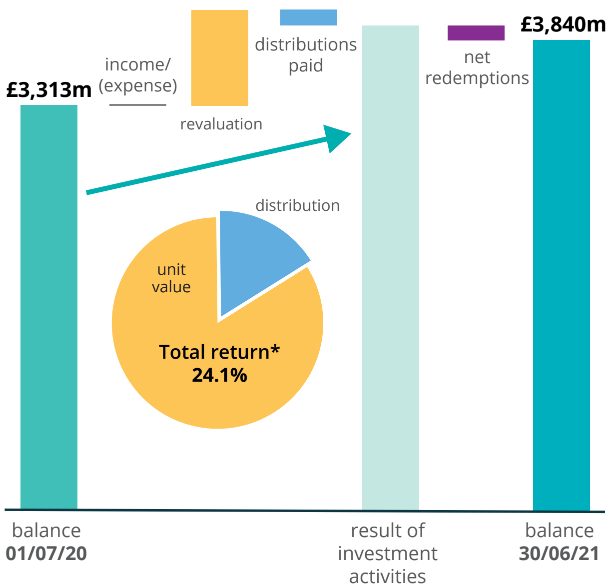
The University's Financial Statements include the CUEF values and gains on investment on a 31 July basis.

The overall CUEF movements are demonstrated below.

Other Investments

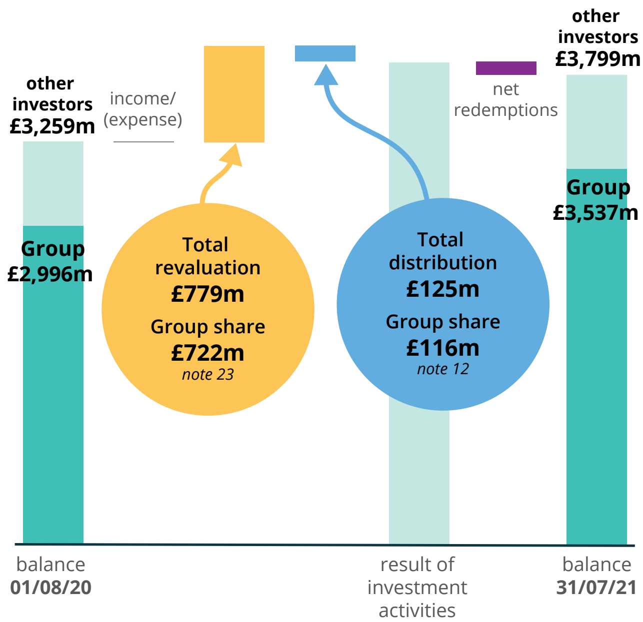
Some long-term investments are held outside the CUEF amounting to £181.0m (2019-20: £125.5m). These include other securities, JVs, associates and equity investments in spin-out companies overseen by the University's technology transfer company Cambridge Enterprise Limited and through its holding in Cambridge Innovation Capital.

CUEF Fund Performance year to 30 June 2021



*The CUEF reports performance to 30 June and generated a total investment return of 24.1% for unit holders, representing growth in unit value and cash

CUEF as Reported year to 31 July 2021



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). The USS is a multi-employer scheme and Note 36 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 is currently being mitigated though an agreed Deficit Recovery Plan paid by all institutions as per an agreed Schedule of Contributions.

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. 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 (BUFDG) 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 liability for this year has decreased slightly to £184.9m (2020: £185.9m).

The 2020 USS valuation has been completed and filed with the pension regulator with an effective date of 1 October 2021. The valuation has been finalised with a dual rate of contribution. The first option includes a small increase in contribution rates from the 2018 Valuation and a longer deficit recovery period along with benefit changes proposed by the Joint Negotiating Committee (JNC) subject to members' consultation. If this is not executed by 28 February 2022, more significant increases in contribution rates from the 2018 Valuation and a shorter deficit recovery period would be adopted. As the 2020 valuation has resulted in a material shortfall between scheme assets and liabilities, the change in deficit recovery provision will be significantly higher for next year's financial Statements. As explained in Note 43 (Post balance sheet events), the estimated increase in the deficit recovery provision would be £347m under the first option above, rising to a potential £666m if the JNC recommended deed on benefit changes is not executed by 28 February 2022.

The Group has three other major schemes: the Cambridge University Assistants' Contributory Pension Scheme (CPS) 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 annually.

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 2021, £6.9m of the deficit contribution remains to be funded.

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 2021 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 decreased to £915.8m (2020: £917.1m), of which £108.1m (2020: £140.1m) relates to the Cambridge University Press UK schemes, as market conditions have improved during 2020-21.

Finally, there is a modest net pension asset recognised in 2020-21 of £1.6m (2020: net liability 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 2020-21 were £180.7m (2019-20: £14.0m). 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.

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) 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

As at 31 July 2021, the Group had outstanding bond liabilities totalling £1,104.8m (2019-20: £1,087.7m).

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 alterative income streams at a time of significant financial volatility.

The Group's net cash as at 31 July 2021 was £150.3m (see Note 42). However, this includes the non-cash fair value re-measurement of the CPI-linked bond at the balance sheet date of £17.0m (2020: £98.8m) this year and aggregate change of £167.3m from inception. 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 position is **adjusted net cash of £302.0m (2020: £118.1m)** taking into account the accretion in the value of CPI-linked Bond of £15.6m from inception. Please refer to Appendix 1 for more information.

Financial outlook

The University is confident in its long-term financial sustainability and has responded well 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.

Tuition fee income is expected to grow modestly, reflecting a gradual increase in the number of postgraduate students and the higher proportion of students paying international fees after Brexit, but with overall growth levels limited by the continued freezing of regulated home fees. Research income is expected to recover in the short term reflecting the increased activity possible after the lifting of many COVID-19 restrictions. The University continues to compete for research grants and contracts in a highly competitive market. The University's longer term trajectory will depend on the level of Government funding for research and the University's performance in the recent Research Excellence Framework exercise.

The combination of CUP and CA to form Cambridge University Press and Assessment (CUP&A) was completed on 1 August 2021. The outlook for the combined organisation will depend, amongst other things, on the path of the recovery of the global economy from COVID-19, the level of international interest in learning and obtaining certification in English, and the use of international curricula in schools around the world. COVID-19 has significantly accelerated the transition to digital modes of learning and assessment and CUP&A's prospects will also rely on its

The University is confident in its long-term financial sustainability

ability to continue to develop its digital delivery successfully as its competitors develop theirs.

Costs are expected to rise significantly, partly in relation to renewed activity post COVID-19, but also through filling staff vacancies held open over the last 18 months, the resumption of promotions that were suspended last year and the general level of inflation for goods and services. A new estate-wide asset condition survey has also identified that a significant increase in maintenance and renewal costs will be required, to which must be added the investment needed to meet the University's zero carbon objectives. However, an understanding of alternative approaches to working developed through the pandemic points to opportunities to both improve cost efficiency and lower carbon usage.

The long-term growth objective for the CUEF remains at 5.0% + CPI. However, asset valuations are at historically high levels and short to medium term investment returns are likely to be volatile - particularly as monetary policy normalises after the pandemic.

We must continue to secure the resources to maintain global leadership and deliver on our strategic commitments

Principal risks and uncertainties

The University Council, which is the University's principal executive body, 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. 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 any repeated waves 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. 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. Furthermore, there are potential additional sources of revenue open to the University however the University choses not to 'profit maximise'.

A student walking across the Senate House lawn.

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 and ensuring effective participation; student dissatisfaction in the quality of their educational experience; failure to compete with international competitors especially in providing financial support for doctoral students, particularly through failure to obtain funding for for Doctoral Training Programmes (DTPs); inadequate support for student mental health and wellbeing; 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 Access and Participation Plan agreed with the OfS (2020–21 to 2024–25). • Full engagement with Colleges which are responsible for undergraduate admission decisions . • Implementation of the recommendations of the strategic review of admissions and outreach. • Continued progress in the Student Support Initiative with a particular focus on postgraduate studentships. • International Student Recruitment Strategy. • Support for innovation in methods of teaching and examination. • Implementation of the strategic review of student mental health and wellbeing. • Programme Board for Education Space responsible for improving educational space. • New strategy to support DTPs and Centres for Doctoral Training (CDTs).
Any repeated waves of 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.	• Work closely with the Higher Education (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 costs by using flexible ways of working and other similar measures. • Secure efficiencies in procurement across the University. • Secure efficiencies in administration by rethinking the delivery and organisation of professional services across the whole University. • Continue to accelerate the use of digital capabilities both to broaden revenues and operate more efficiently.
Changes to government policy particularly resulting from increased funding 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 Research Excellence Framework (REF) preparedness across the University to maintain Quality-Related (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 post 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 University's strategic and operational-level Brexit working groups concluded their remits in January as they felt confident each institution could successfully respond to external environment changes. • The ongoing financial and labour market challenges due to 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 agreed interim measures to support meeting immigration costs for existing European Economic Area (EEA) staff. • Managing the expectation of research projects due to increased costs of goods and services from EU as well as shortages of skilled labour to deliver these projects. • Decrease in European Research Council (ERC) funding could still impact the University's research income and its ability to engage leading researchers. HM Treasury has committed to guarantee existing ERC funding commitments. • The University continues to monitor external supply chain issues and institutions have developed contingency plans to mitigate each situation as it arises.
Increasingly competitive landscape for all forms of **research funding.**	• The University 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.	• 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. 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.

Risk area	Responses and actions
Significant increase in **inflation** would result in increased costs base of the University without matching increases in home student and government revenue streams. Increased cost of USS pension scheme due to higher inflation.	• The University will continue to engage with government directly and through the HE sector to ensure the funding is allocated reflecting inflationary pressures and increased costs of services for the sector. • The University will continue to explore other revenue streams (both in UK and internationally) with Cambridge Press and Assessment to ensure the resources are maximised to offset increased costs. • The University will explore an alternative scheme design that shares risk more effectively between employers and members and achieve a sustainable and good value-for-money pension for members.
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 Partnership 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. • The combination of CA and CUP addresses 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.
Inability to attract and retain the best academics and adequately resource professional 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 and reduced benefits.	• 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 University continues to work with the sector to ensure long-term and attractive pension schemes including the USS. • The University is offering a flexible working environment.

Risk area	Responses and actions
Failure to maintain adequate risk management of **Health & 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 for Health and Safety related risks. However, the devolved nature of the University and diverse nature of associated direct and indirect activities represent a challenge in ensuring full assurance coverage. The University is currently strengthening its central oversight and governance of health and safety risks, one aim of which is to provide greater visibility of, and therefore assurance around, health and safety matters across the institution.
Inadequate long-term **maintenance and development of the academic and non-academic estate** and supporting infrastructure. Failure to develop and protect a fit-for-purpose IT infrastructure due to devolved organisation and associated fragmentation, customisation and local solution development.	• 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. • A comprehensive programme of work is well underway, aimed at tackling the considerable maintenance backlog and regulatory compliance deficit. Allocated funds for maintenance have been substantially enhanced to enable this work to build momentum. • The University is implementing a Digital Workplace programme, with regular reports to the Audit Committee. This will include the adoption of a determined direction of travel to include: consistent and secure infrastructure agnostic of location; appropriate policies and standards for staff to work securely and effectively from any location; and a path to maximise the benefits offered by digital technologies. • Establish appropriate investment levels and the prioritised allocation of resources between the University's digital vs. physical estate.
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

In a remarkably challenging year, the University has shown great operational and financial resilience and has weathered the pandemic better than originally envisaged. Our Academic University revenues have held up, and while both CA and CUP experienced significant downturns in 2019-20, we have seen recovery in 2020-21 and look forward to enhanced long term opportunities in the newly merged CUP&A.

Additional exceptional and support costs associated with the pandemic have been managed, while the extended lock-downs have resulted in significant reductions in the run rates on non-staff operational expenses. The University's balance sheet remains strong and the general market recovery has resulted in a material uplift to valuations, while pension liabilities do not as yet reflect the anticipated 2020 USS valuation outcome.

We continue to strive to further diversify income streams and manage costs and organisational efficiencies to achieve long-term financial sustainability. The different modes of operation, necessary during lockdown, have provided greater flexibility and efficiency that we will look to capitalise on as we return to the new digital and hybrid working practices going forward.

Anthony Odgers Chief Financial Officer

Newnham College Library

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 University's 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 (whistleblowing). 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 it also 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 newly established Property Board oversees the development, management and stewardship of the University's non-operational estate, including the West and North West Cambridge sites. It reports to the Council's Finance Committee. The Press and Assessment Board advises the Council on matters concerning Cambridge University Press & 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 University's 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 OfS as appropriate; to make an annual report to the Council 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 via an annual declarations of interests process. In addition, interests that relate to particular agenda items are noted at the start of each meeting. 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. This statement covers the period of this financial year and up to the date of approval of the financial statements.

Members of the Council

during the year ended 31 July 2021

The Chancellor:
Lord Sainsbury of Turville

The Vice-Chancellor:
Professor Stephen Toope*

Heads of Colleges:
Professor Dame Madeleine Atkins
Dr Anthony Freeling
Professor Christopher Kelly
Dr Pippa Rogerson (From 6 July 2021)
The Reverend Dr Jeremy Morris (to 30 June 2021)

Professors and Readers:
Professor Richard Penty
Dr Jason Scott-Warren
Professor Anthony Davenport (from 1 Jan 2021)
Professor Maria Manuel Lisboa (from 1 Jan 2021)
Professor Nick Gay (to 31 Dec 2020)
Professor Fiona Karet (to 31 Dec 2020)

Members of the Regent House:
Dr Ruth Charles
Dr Nicholas Holmes
Dr Philip Knox
Dr Andrew Sanchez
Dr Zoe Adams (from 1 Jan 2021)
Dr Ann Kaminski (from 1 Jan 2021)
Dr Mike Sewell (from 1 Jan 2021)
Dr Pieter van Houten (from 1 Jan 2021)
Dr Stephen Cowley (to 31 Dec 2020)
Dr Jennifer Hirst (to 31 Dec 2020)
Dr Mark Wormald (to 31 Dec 2020)
Ms Jocelyn Wyburd (to 31 Dec 2020)

Student members:
Mr Freddie Poser
Mr Zak Coleman (from 1 July 2021)
Ms Anjum Nahar (from 1 July 2021)
Ms Aastha Dahal (to 30 June 2021)
Mr Ben Margolis (to 30 June 2021)

External members:
Ms Gaenor Bagley
Ms Sharon Flood
Professor Sir David Greenaway
Mr Mark Lewisohn

The Chancellor, external members, student members, Professor Atkins and Dr Freeling 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.

* On 20 September 2021, Professor Stephen J Toope notified the University Council of his decision to complete his term as the University of Cambridge's Vice-Chancellor at the end of September 2022, after five years in office.

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 framework, introduced in 2019, continued to be in place for the year ended 31 July 2021 and up to the date of approval for the financial statements. The framework 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.

    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 Chairman 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 2020-21 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.

Inside the University Library

Independent auditors' report to the Council of University of Cambridge ('the University')

Report on the audit of the financial statements

Opinion

In our opinion, 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 2021 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and of 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 Student's 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 2021, 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 accounts, 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 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.

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 2020 to 31 July 2021.

Our audit approach

Overview

Audit scope

- The scope of our work covered the Academic University, Cambridge Assessment, Cambridge University Press, Cambridge University Endowment Fund and Cambridge Enterprise Limited.

- We conducted a full scope audit of the Academic University, Cambridge Assessment and Cambridge University Press and we have treated the investment balances of Cambridge University Endowment Fund and Cambridge Enterprise Limited as financially significant.
- These audit procedures covered 89% of the Group's income and 93% of the Group's total assets.

Key audit matters

- Valuation of endowment fund (CUEF) investments.
- Valuation of investment properties.
- Valuation of pension schemes.

Materiality

- Overall Group materiality: £21.2 million (2020: £20.7 million), based on 1% of total income.
- Overall University materiality: £18.4 million (2020: £19.6 million), based on 1% of total income.
- Performance materiality: £15.9 million (Group) £13.8 million (University)

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.

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.

The impact of COVID-19 which was a key audit matter last year is no longer included because the level of uncertainty over areas such as asset valuations at 31 July 2021 has reduced from last year such that, whilst COVID-19 has continued to impact the University and economic environment, it has not been considered to be a key audit matter in the current year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of endowment fund (CUEF) investments Refer to note 23 (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. The total CUEF fund value is £3,799.3m (2020:£3,259.1m) of which the Group share is £3,536.8m (2020:£2,996.0m) and is recorded as part of non-current asset investments - other investments and comprises 95% (2020: 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. Approximately a quarter of the investments held by the CUEF are directly held quoted securities or cash valued using readily available market data and are therefore relatively straightforward to value. Within CUEF, a large proportion, approximately 68.1% of	We assessed the fair value of investments in the CUEF as at the fund's year-end date of 30 June 2021 and at the Group's year end of 31 July 2021. For the cash and currency balances we obtained confirmations independently from the custodian, JPMorgan. For quoted securities we have agreed management's valuation to independent listed prices as at the relevant year-end date. We have also performed recalculations for the derivatives contracts and obtained the trade tickets in order to support the exchange rates used. We have no matters to report in respect of quoted securities. For materially all pooled investment vehicles ('PIVs') we have obtained independent confirmations from fund managers as at June and July. For PIVs that are classified

investments are in pooled investment vehicles where valuations are provided by the investment manager on a monthly or quarterly basis, rather than directly from market data and the valuation of the underlying asset classes can, for some of these funds, be more subjective. For the pooled investment vehicles not receiving a statement as at July 2021, there is a significant level of judgement within the roll forward performed by management from 30 June valuations (for funds valued only quarterly) to 31 July. This exercise has been performed using movements in relevant indices, currency, and cash flow movements, to estimate the impact. Indices have been selected based on the nature of the fund, but are considered a proxy, given the complex nature of the funds.

The overall movement in valuation from June to July valuation was £103.2m. Of this £19.5m related to the roll forward exercise performed by management.

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

as straightforward to price (primarily with level 1 investments), we obtained investment manager confirmations at 30 June and at the year-end date. For those funds which are classified as more complex (level 2 and 3 in note 41), additional procedures were undertaken to assess the reliability. This included one or more of the following:

- Understanding the nature of the fund including where it is based, and whether it is regulated by the FCA or SEC;
- Obtaining bridging letters and controls reports (where available) and assessing the findings specifically around the valuation controls to determine the impact on the extent of audit procedures required;
- Obtaining copies of the most recently audited financial statements of the fund and comparing the unaudited valuation statement received from the fund as at the fund's year end to the audited financial statements to assess whether there are material changes to the valuation as a result of the fund's audit.

In relation to the roll forward for quarterly valued PIVs, where indices were applied to estimate the values at 31 July we performed additional procedures. These included:

- Sample testing the suitability of the indices by reference to the underlying assets in the fund's audited financial statements.
- Testing on a sample basis, the roll forward calculation, including agreeing any known capital movements to independently obtained Investment manager confirmation statements and / or agreeing to bank statements and agreeing currency movements.
- Recalculating the application of the above elements.

Differences that arose were investigated and determined to be immaterial.

Overall we have concluded that the roll forward approach applied to the quarterly priced PIVs provides a reasonable estimate of the valuation at 31 July.

Investments in properties including in two more complex, long term reversionary interests 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.

Valuation of investment properties

Refer to note 23 b) (Non-current investments - Investment Property). The University and Group's investment property comprises the North West Cambridge ('NWC') development of £368.4m (FY20 £369.4m), and a range of other residential and non-residential properties of £221.5m (FY20 205.4m).

We have performed testing of the valuation reports prepared by the external valuation experts engaged by the University for the North West Cambridge Development, other residential and non-residential properties.

In relation to the North West Cambridge Development:

Materially all of the properties are valued by independent external valuers.

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. Although the use of external valuers mitigates some of the risk of inappropriate assumptions / methodology being used, the magnitude of the balance means that small changes in assumptions could lead to potentially material variances.

Group and University

- We reviewed a sample of individual components of the development, agreeing estimates back to supporting evidence (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. We also confirmed they are in line with our own expectations based on our knowledge of the business, market benchmarks from comparable property sectors and the wider economic conditions having an impact on the year-on-year capital value movement.
- 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 prior 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 (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 based on our knowledge of the business, market benchmarks from comparable property sectors and the wider economic conditions having an impact on the year-on-year capital value movement.

We discussed with management and their external valuation experts whether there continues to be an impact of COVID-19 on the reliability of valuations given the uncertainties over valuations identified in the prior year.

We challenged management 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.

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 £915.8m (FY20 £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 £178.7m (FY20: £179.2m) and £184.9m (FY20: £185.9m) respectively. £807.7m (FY20 £777m) of the University and Group's net pension liabilities relate to the CPS scheme.

For the CPS scheme, there are a range of assumptions which can be used by actuaries depending upon the individual circumstances of the scheme, and a change of a few percentage points in the assumptions can have a significant financial impact.

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). The 2020 valuation has been signed and filed with The Pension Regulator but will be effective on 1 October 2021 and is disclosed as a non-adjusting post balance sheet event.

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 used our actuarial experts to assess the reasonableness of the key assumptions used by the University's and CUP's actuaries in the valuation reports relating to the discount rate, inflation, salary / pension increases, mortality and challenged them in relation to our own benchmarks to ensure they were within appropriate ranges.

We performed testing over the census data on which the valuation is based. We obtained an understanding of the checks performed by the actuary on the completeness of the data. We agreed a sample of member records between the administration records and the actuary's records to confirm consistency of data. For a sample of new joiners in the year we also agreed the start dates and salary data to HR records.

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.
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.

We have also reviewed and challenged the assumptions used within the post balance sheet event disclosure.

Based on this work, no material issues were noted.

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 scoping our work we have considered the Academic University, Cambridge Assessment and Cambridge University Press to be significant components. We have also treated the investment balances of Cambridge University Endowment Fund and Cambridge Enterprise Limited as financially significant.

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	£21.2 million (2020: £20.7 million).	£18.4 million (2020: £19.6 million).
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 use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £15.9 million for the Group financial statements and £13.8 million for the University financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.0 million (Group audit) (2020: £1.0 million) and £0.9 million (University audit) (2020: £1.0 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Council's assessment of the Group's and the University's ability to continue to adopt the going concern basis of accounting included:

- We reviewed and challenged management's analysis and models, and how these have been applied to a going concern assessment period to 31 July 2023. These included base forecast assumptions and a set of stress tests and considered whether these were reasonable and appropriate in light of our knowledge of the Group, University and sector and past performance.
- We validated the liquidity position of the Group and in particular the extent of unrestricted and available cash and equivalent resources, and considered the extent of headroom these resources provided against the stress tests applied to the cash flow forecasts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the University's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Council's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Council with respect to going concern are described in the relevant sections of this report.

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 is 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 set out on page 36, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the institution and the industry, we identified that the principal risks of non-compliance with laws and regulations related to the Office for Students Regulatory Framework under the Charities Act 2011 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 financial statements such as the Office for Students' Accounts Direction (OfS 2019.41) 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 manipulate income, misappropriation of assets and the potential for management bias in significant accounting estimates.

Audit procedures performed 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;
- Procedures to ensure the financial statements are appropriately prepared and disclosed in line with the Accounts Direction of the Office for Students;
- Inspecting the Group and University's minutes to ensure we have identified any possible non-compliance reported internally;

- Challenging assumptions and judgements made by management, in particular in relation to the recoverability of research debtors, the valuation of investment properties, investments in the Cambridge University Endowment Fund, CPI-linked listed bond and pension scheme liabilities;
- Identifying and testing journal entries, in particular appropriateness of top level revenue adjustments, journal entries with unusual account combinations or entries posted by members of senior management with a financial reporting oversight role;
- Incorporation of an element of unpredictability around the nature, timing or extent of our testing and performed testing over the validity of supplier information; and
- Performing department visits.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: 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 of the University 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.

Other required reporting

Opinions on other matters prescribed in the Office for Student's 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 13 years, covering the years ended 31 July 2009 to 31 July 2021.

Stuart Newman (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge

29 November 2021

Consolidated and University statement of comprehensive income

for the year ended 31 July 2021

Income	Note	Group Year ended 31 July 2021 £m	Group Year ended 31 July 2020 £m	University Year ended 31 July 2021 £m	University Year ended 31 July 2020 £m
Tuition fees and education contracts	5	**339.5**	334.5	**332.1**	322.7
Funding body grants	6	**212.9**	204.7	**212.9**	204.7
Research grants and contracts	7	**588.6**	579.4	**580.4**	571.4
Examination and assessment services	8	**456.6**	377.4	**370.4**	305.7
Publishing services		**302.7**	317.7	**272.0**	289.4
Donations and endowments	9	**112.6**	85.4	**102.6**	80.0
Other income	11	**161.8**	154.2	**146.5**	170.0
Investment income	12	**2.2**	21.6	**2.2**	18.3
Total income	13	**2,176.9**	2,074.9	**2,019.1**	1,962.2
Expenditure					
Staff costs					
- Excluding impact of USS deficit recovery	14	**984.5**	949.8	**896.8**	870.0
- Movement in USS pension provision	14	**6.1**	(160.4)	**6.3**	(156.5)
		990.6	789.4	**903.1**	713.5
Other operating expenses	15	**922.6**	932.8	**838.3**	854.8
Depreciation	15, 21	**104.4**	106.8	**102.3**	104.5
Interest and other finance costs	15, 17	**55.6**	140.8	**55.6**	140.6
Total expenditure		**2,073.2**	1,969.8	**1,899.3**	1,813.4
Surplus before other gains and losses and share of surplus in joint ventures and associates		**103.7**	105.1	**119.8**	148.8
Share of operating surplus / (deficit) in joint ventures and associates		**1.4**	(0.8)	**–**	–
(Loss) / gain on disposal of fixed assets		**(1.1)**	4.7	**(1.1)**	4.7
Gain / (loss) on other investments	23a	**775.8**	(31.1)	**619.5**	(24.7)
Gain on investment property	23b	**5.8**	8.8	**5.8**	8.8
Surplus for the year before taxation		**885.6**	86.7	**744.0**	137.6
Taxation	18	**(2.1)**	(2.0)	**(1.4)**	(1.4)
Surplus for the year		**883.5**	84.7	**742.6**	136.2
Other comprehensive income / (expense):					
Actuarial gain / (loss)	30, 31	**30.0**	(156.8)	**30.0**	(156.6)
Loss arising on foreign currency translation		**(2.8)**	(2.8)	**(2.1)**	(1.6)
Total comprehensive income / (expense) for the year		**910.7**	(74.9)	**770.5**	(22.0)
Represented by:					
Endowment comprehensive income / (expense) for the year		**445.7**	(38.8)	**383.2**	(26.3)
Restricted comprehensive income for the year		**129.0**	126.2	**129.1**	126.7
Unrestricted comprehensive income / (expense) for the year		**336.0**	(162.3)	**258.2**	(122.4)
		910.7	(74.9)	**770.5**	(22.0)

Consolidated and University statement of changes in reserves

for the year ended 31 July 2021

Group	Endowment £m	Restricted £m	Unrestricted £m	Total £m
Balance at 1 August 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**
Surplus for the year ended 31 July 2021	**445.7**	**129.0**	**308.8**	**883.5**
Other comprehensive income	**–**	**–**	**27.2**	**27.2**
Total comprehensive income for the year ended 31 July 2021	**445.7**	**129.0**	**336.0**	**910.7**
Release of restricted capital funds spent in the year ended 31 July 2021	**–**	**(100.1)**	**100.1**	**–**
Dividend paid to non-controlling interest	**–**	**–**	**(0.2)**	**(0.2)**
Balance at 31 July 2021	**2,378.2**	**182.4**	**3,418.9**	**5,979.5**
University				
Balance at 1 August 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**
Surplus for the year ended 31 July 2021	**383.2**	**129.1**	**230.3**	**742.6**
Other comprehensive income	**–**	**–**	**27.9**	**27.9**
Total comprehensive income for the year ended 31 July 2021	**383.2**	**129.1**	**258.2**	**770.5**
Release of restricted capital funds spent in the year ended 31 July 2021	**–**	**(100.1)**	**100.1**	**–**
Balance at 31 July 2021	**2,030.8**	**182.0**	**3,070.3**	**5,283.1**

Consolidated and University statement of financial position

as at 31 July 2021

	Note	**Group 31 July 2021 £m**	Group 31 July 2020 £m	**University 31 July 2021 £m**	University 31 July 2020 £m
Non-current assets					
Intangible assets and goodwill	*20*	**93.0**	100.1	**88.4**	88.2
Tangible assets	*21*	**2,734.6**	2,641.3	**2,733.2**	2,636.9
Heritage assets	*22*	**77.4**	73.6	**77.4**	73.6
Investments – other investments	*23a*	**3,708.1**	3,112.4	**3,063.0**	2,605.3
Investments – investment property	*23b*	**589.9**	574.8	**589.9**	574.8
Investments in joint ventures	*23a*	**8.8**	8.3	**0.9**	0.5
Investments in associates	*23a*	**0.9**	0.8	**0.9**	0.8
		7,212.7	6,511.3	**6,553.7**	5,980.1
Current assets					
Stock and work in progress	*24*	**46.7**	50.2	**42.3**	45.1
Trade and other receivables	*25*	**435.0**	392.8	**418.6**	389.1
Investments	*26*	**400.5**	433.2	**1,027.5**	954.8
Cash and cash equivalents	*27*	**1,123.0**	888.9	**1,056.9**	836.0
		2,005.2	1,765.1	**2,545.3**	2,225.0
Creditors: amounts falling due within one year	*28*	**(988.0)**	(966.6)	**(1,582.9)**	(1,469.4)
Net current assets		**1,017.2**	**798.5**	**962.4**	**755.6**
Total assets less current liabilities		**8,229.9**	7,309.8	**7,516.1**	6,735.7
Creditors: amounts falling due after more than one year	*29*	**(1,125.3)**	(1,109.3)	**(1,115.1)**	(1,099.2)
Pension liabilities	*30*	**(1,099.1)**	(1,103.7)	**(1,091.9)**	(1,096.1)
Other retirement benefits liabilities	*31*	**(26.0)**	(27.8)	**(26.0)**	(27.8)
Total net assets		**5,979.5**	**5,069.0**	**5,283.1**	**4,512.6**
Restricted reserves					
Income and expenditure reserve – endowment	*32*	**2,378.2**	1,932.5	**2,030.8**	1,647.6
Income and expenditure reserve – restricted	*33*	**182.4**	153.5	**182.0**	153.0
Unrestricted reserves					
Income and expenditure reserve – unrestricted		**3,418.9**	2,983.0	**3,070.3**	2,712.0
Total reserves		**5,979.5**	**5,069.0**	**5,283.1**	**4,512.6**

The financial statements on pages 47 to 101 were approved by the Council on 29 November 2021 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 2021

	Note	Group Year ended 31 July 2021 £m	Group Year ended 31 July 2020 £m
Surplus for the year before taxation		**885.6**	86.7
Adjustments for non-cash items:			
Depreciation	*15, 21*	**104.4**	106.8
Amortisation of intangible assets	*20*	**36.6**	24.7
(Gain) / loss on investments		**(781.6)**	22.3
Decrease in stock and work in progress	*24*	**3.5**	2.5
(Increase) / decrease in trade and other receivables		**(42.2)**	70.5
Increase in creditors		**13.9**	11.6
Revision of deficit recovery cost / (credit) recognised in the year	*14, 30*	**6.1**	(160.4)
Other pension costs less contributions payable	*30*	**18.2**	22.3
Other retirement benefit costs less contributions payable	*31*	**(0.3)**	(0.2)
Receipt of donated assets	*22*	**(3.7)**	(1.6)
Currency adjustments		**2.8**	2.8
Adjustments for investing or financing activities:			
Investment income	*12*	**(2.2)**	(21.6)
Interest payable	*17*	**38.2**	118.9
New endowments	*9*	**(47.9)**	(35.9)
Capital grants and donations		**(109.8)**	(120.0)
Share of joint venture and associates net (surplus) / deficit		**(1.4)**	0.8
Loss / (gain) on the sale of fixed assets		**1.1**	(4.7)
Net cash inflow from operating activities before taxation		**121.3**	125.5
Taxation	*18*	**(2.1)**	(2.0)
Net cash inflow from operating activities after taxation		**119.2**	123.5
Cash flows from investing activities			
Capital grants and donations		**109.8**	120.0
Proceeds from sales of fixed assets		**0.2**	7.5
Proceeds of sales: North West Cambridge		**-**	6.3
Proceeds from sales of other non-current asset investments		**257.0**	233.0
Net disposal of other current asset investments		**32.7**	3.2
Investment income	*12*	**2.2**	21.6
Payments made to acquire intangible assets	*20*	**(31.1)**	(28.3)
Payments made on purchase of a business	*20*	**–**	(10.2)
Payments made to acquire fixed assets		**(198.1)**	(152.1)
Payments made to acquire heritage assets	*22*	**(0.1)**	–
Payments made to acquire other non-current asset investments		**(80.3)**	(170.5)
Payments made re North West Cambridge development costs		**(6.4)**	(12.3)
Net cash inflow from investing activities		**85.9**	18.2
Cash flows from financing activities			
New endowments	*9*	**47.9**	35.9
Interest paid		**(21.1)**	(21.0)
Dividend payment to non-controlling interest	*34*	**(0.2)**	(1.2)
Capital element of finance lease repayment	*28, 29*	**(0.2)**	(1.2)
Net cash inflow from financing activities		**26.4**	12.5
Increase in cash and cash equivalents in the year		**231.5**	154.2
Cash and cash equivalents at beginning of the year		**886.7**	732.5
Cash and cash equivalents at end of the year		**1,118.2**	886.7
Represented by:			
Cash and cash equivalents	*27*	**1,123.0**	888.9
Bank overdrafts	*28*	**(4.8)**	(2.2)
		1,118.2	886.7

Students waiting for their turn to enter the Senate House.

Notes to the accounts
for the year ended 31 July 2021

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 legislation. The University is a public benefit entity and an exempt charity subject to regulation by the Office for Students (OfS) 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, 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, 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 as well as 10 year plans for Academic University 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
- in considering the going concern of the University, the Council has considered the forecasts and cash position to July 2023 and has considered the liquidity under various stress test scenarios to ensure adequate headroom is available to the University. Potential impact of credit risk and liquidity risk are 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. Entities over which the Group has the power to direct the relevant activities so as to affect the returns to the Group, generally through control over the financial and operating policies, are accounted for as subsidiaries. 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.

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. An entity is accounted for as an associate where the Group has the ability to exercise significant influence over that entity. The University accounts for joint ventures and associates using the equity method.

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 a subsidiary company is held at cost less accumulated impairment losses.

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 pound sterling and the financial statements are presented in pound 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 Group 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 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. In respect of grants where no performance related conditions are defined, income is recognised on the basis of proportionate costs incurred on such grants.

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.

Investments

Non-current investments are included in the balance sheet at fair value, except for investments in subsidiary undertakings 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. Investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

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.

(k) 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. Cost includes the purchase price, including taxes, duties and transport and handling costs directly attributable to bringing the inventory to its present location and condition.

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.

(l) 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.

(m) 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 and 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.

(n) Related party transaction

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

(o) 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).

(p) 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 continued uncertainty on economic recovery post 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 continue to recover from global pandemic. 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 assumption

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 flow.

ii. *Investment valuations (Note 12)*

The Cambridge University Endowment Fund (CUEF) is comprised of a range of investment asset 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 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

The CUEF valuation was based on 30 June and the University has carried out an exercise to determine the fund valuation as at 31 July. Where July statements were not available, the Group has used the movement in indices for various asset classes to estimate the valuation changes from June to July. The indices chosen to be used for this exercise represented the underlying characteristics of these specific funds (i.e. geographic location, industry of the fund, similar markets). The use of these indices require judgment. The valuation approach was approved by the University's valuation Committee.

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

In the current year, one of the key estimate used by the valuers based on historic performance and by analysing historic wage inflation is rental growth of key worker housing which is used as 2.5% for 2021 (2020: 2.5%). The total investment property portfolio for key worker housing is £140.0m (2020: £142.0m). The investment property has increased over last few years and a change in valuation of 5% would result in an increase / decrease of £29.5m in comprehensive income.

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 now complete. The decision to proceed with changes proposed by the Joint Negotiating Committee (JNC) is subject to members' consultation However, there will be a significant increase in the deficit provision as at 31 July 2022 whether members accept or reject the JNC proposal. Given the outcome of this valuation has not yet been finalised it has not been factored into the 2020-21 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 for more information on methodology).

Graduation at the Senate House

University Constables

		Group 2021 £m	Group 2020 £m	University 2021 £m	University 2020 £m
5	**Tuition fees and education contracts**				
	Full-time home / EU students	**142.3**	136.4	**142.3**	136.4
	Full-time overseas (non-EU) students	**138.6**	132.0	**138.6**	132.0
	Other course fees	**28.7**	34.9	**21.3**	23.1
	Research Training Support Grants	**29.9**	31.2	**29.9**	31.2
		339.5	334.5	**332.1**	322.7
6	**Funding body grants**				
	Office for Students (OfS):				
	Recurrent grant: teaching	**17.8**	18.9	**17.8**	18.9
	Recurrent grant: research	**133.7**	137.6	**133.7**	137.6
	Recurrent grant: museum funding	**2.1**	2.1	**2.1**	2.1
	Other revenue grants	**14.1**	10.5	**14.1**	10.5
	Total revenue grants	**167.7**	169.1	**167.7**	169.1
	Capital grants recognised in the year	**45.2**	35.6	**45.2**	35.6
		212.9	204.7	**212.9**	204.7
7	**Research grants and contracts**				
	Research councils	**200.2**	190.1	**200.2**	190.1
	UK-based charities	**160.9**	162.4	**160.8**	161.8
	European Commission	**52.5**	52.1	**52.5**	52.0
	UK industry	**22.4**	22.7	**21.4**	21.5
	UK government	**49.2**	45.2	**49.1**	45.0
	Other bodies	**103.4**	106.9	**96.4**	101.0
		588.6	579.4	**580.4**	571.4

Total research grants and contracts income includes grants of £41.6m (2020: £63.6m) towards the cost of buildings and £21.8m (2020: £15.2m) for the purchase of equipment.

		Group 2021 £m	Group 2020 £m	University 2021 £m	University 2020 £m
8	**Examination and assessment services**				
	Examination fees	**410.6**	329.7	**325.7**	259.5
	Other examination and assessment services	**46.0**	47.7	**44.7**	46.2
		456.6	377.4	**370.4**	305.7
9	**Donations and endowments**				
	New endowments	**47.9**	35.9	**43.6**	35.5
	Donations of, and for the purchase of, fixed assets	**1.2**	5.6	**1.2**	5.6
	Donations of, and for the purchase of, heritage assets	**3.7**	1.6	**3.7**	1.6
	Other donations with restrictions	**43.1**	27.0	**36.9**	19.9
	Donations from subsidiary companies	**-**	-	**4.9**	6.0
	Unrestricted donations	**16.7**	15.3	**12.3**	11.4
		112.6	85.4	**102.6**	80.0

Included within donations from subsidiary companies is £1.0m (2020: £1.0m) relating to capital donations received for the purchase of fixed assets.

10 Sources of grant and fee income

	Group 2021 £m	Group 2020 £m	University 2021 £m	University 2020 £m
Grant income from the OfS	**23.5**	24.1	**23.5**	24.1
Grant income from other bodies	**189.4**	180.6	**189.4**	180.6
Fee income for taught awards *	**233.8**	218.1	**226.4**	218.1
Fee income for research awards *	**72.8**	63.5	**72.8**	63.5
Fee income from non-qualifying courses *	**32.9**	52.9	**32.9**	41.1
	552.4	539.2	**545.0**	527.4

** Exclusive of Value Added Tax*

Grant and fee income consist of Tuition fees and education contracts of £339.5m (2019-20: £334.5m) and Funding body grants of £212.9m (2019-20: £204.7m) included in Note 5 and Note 6. 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 2021 £m	Group 2020 £m	University 2021 £m	University 2020 £m
Other services rendered	**55.7**	49.6	**47.1**	40.9
Health and hospital authorities	**21.6**	22.6	**21.6**	22.6
Residences, catering, and conferences	**4.5**	8.2	**4.4**	8.2
Income from intellectual property	**6.7**	6.2	**4.0**	4.4
Rental income	**23.4**	23.3	**21.1**	21.5
Grants received (other than those included in Notes 6 and 7 above)	**14.0**	23.1	**9.9**	14.0
Sundry income	**35.9**	21.2	**38.4**	58.4
	161.8	154.2	**146.5**	170.0

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 included income from Coronavirus Job Retention Scheme.

During the financial year the University was the recipient of an award from the Arts Council Cultural Recovery Fund, to support the University of Cambridge Museums, West Road Concert Hall, and ADC Theatre. The total grant (included within grants received above) award was £0.6m and first tranche received during the year was £0.4m. The expenditure incurred was £0.5m during the year. The balance will be received in the next financial year, following completion of the grant-funded activities on or before 31 December 2021.

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 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 usually 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 2021 distributions by the CUEF totalled £116.0m (2020: £112.1m) all of of which were funded by drawing on the long-term capital gain as expenses to operate and run CUEF were more than income received from the funds' assets during the year. On a 'distribution basis', investment income was £122.7m.

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 2021 £m	Group 2020 £m	**University 2021 £m**	University 2020 £m
Net investment (expense) / income from underlying CUEF assets	**(4.5)**	8.2	**(3.7)**	6.6
Income from other investments including current asset investments and cash equivalents	**6.7**	13.4	**5.9**	11.7
Total investment income reported in financial statements	**2.2**	21.6	**2.2**	18.3
Distributions credited to unit holders	**116.0**	112.1	**95.7**	91.9
Income from other investments including current asset investments and cash equivalents	**6.7**	13.4	**5.9**	11.7
Investment Income on distribution basis	**122.7**	125.5	**101.6**	103.6

The amounts funded by CUEF from long-term capital growth includes the distribution to the unit holders of £116.0m (2019-20: 112.1m) as well as CUEF expense of £4.5m (2019-20 income of £8.2m) totalling £120.5m (2019-20: £103.9m).

Credited to:

	Investment Income on distribution basis 2021 £m	**Amounts distributed from capital 2021 £m**	**Net Investment income 2021 £m**	Net Investment income 2020 £m
Group				
Permanent endowment reserves	**53.2**	**(55.0)**	**(1.8)**	4.4
Expendable endowment reserves	**19.8**	**(20.2)**	**(0.4)**	1.7
Restricted reserves	**2.2**	**(2.5)**	**(0.3)**	0.2
Unrestricted reserves	**47.5**	**(42.8)**	**4.7**	15.3
	122.7	**(120.5)**	**2.2**	21.6
University				
Permanent endowment reserves	**52.3**	**(54.7)**	**(2.4)**	3.8
Expendable endowment reserves	**9.0**	**(9.1)**	**(0.1)**	0.8
Restricted reserves	**2.4**	**(2.5)**	**(0.1)**	0.2
Unrestricted reserves	**37.9**	**(33.1)**	**4.8**	13.5
	101.6	**(99.4)**	**2.2**	18.3

13 Total income

Consolidated total income of £2,176.9m (2020: £2,074.9m) is credited to reserves as follows:

	Group: Year ended 31 July 2021			Group: Year ended 31 July 2020		
	Endowments £m	**Restricted £m**	**Unrestricted £m**	Endowments £m	Restricted £m	Unrestricted £m
Tuition fees and education contracts	**-**	**-**	**339.5**	-	-	334.5
Funding body grants	**-**	**45.2**	**167.7**	-	35.6	169.1
Research grants and contracts	**-**	**72.3**	**516.3**	-	93.6	485.8
Examination and assessment services	**-**	**-**	**456.6**	-	-	377.4
Publishing services	**-**	**-**	**302.7**	-	-	317.7
Donations and endowments	**47.9**	**38.5**	**26.2**	35.9	26.6	22.9
Other income	**-**	**9.0**	**152.8**	-	4.2	150.0
Investment income	**(2.2)**	**(0.3)**	**4.7**	6.1	0.2	15.3
	45.7	**164.7**	**1,966.5**	42.0	160.2	1,872.7

Consolidated total income of £2,176.9m (2020: £2,074.9m) 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	**309.6**	**29.9**	**-**	303.3	31.2	-
Funding body grants	**-**	**212.9**	**-**	-	204.7	-
Research grants and contracts	**-**	**301.9**	**286.7**	-	287.4	292.0
Examination and assessment services	**456.6**	**-**	**-**	377.4	-	-
Publishing services	**302.7**	**-**	**-**	317.7	-	-
Donations and endowments	**-**	**-**	**112.6**	-	-	85.4
Other income	**111.9**	**14.0**	**35.9**	109.9	23.1	21.2
Investment income	**2.2**	**-**	**-**	21.6	-	-
	1,183.0	**558.7**	**435.2**	1,129.9	546.4	398.6

14 Staff costs

	Group 2021 £m	Group 2020 £m	**University 2021 £m**	University 2020 £m
Wages and salaries	**735.0**	702.3	**660.0**	635.2
Social security costs	**74.9**	73.1	**68.8**	68.0
Pension costs:				
Current service cost	**183.1**	181.3	**176.2**	173.5
Past service cost	**-**	-	**-**	-
Net change in underlying assumptions in calculating USS deficit recovery provision (see Note 30)	**(2.4)**	(167.3)	**(1.9)**	(163.2)
Total pension costs (see Note 36)	**180.7**	14.0	**174.3**	10.3
Total staff costs	**990.6**	789.4	**903.1**	713.5

The average number of staff employed in the year, expressed as full-time equivalents, was:	**17,693**	17,621

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 was included in the prior year which resulted in a credit of £160.4m. The non-cash charge to staff costs resulting from the change in assumptions this year, including the change in discount rate, is £6.1m (2020: credit of £160.4m). Cash contributions made to reduce the deficit in the year amounted to £8.5m (2020: £6.9m) resulting in a net credit to staff costs of £2.4m (2020: £167.3m) for the year.

The total Group pension cost included in staff costs for the year was:

	Employer contributions 2021 £m	**Provisions (Note 30) 2021 £m**	**Total 2021 £m**	Employer contributions 2020 £m	Provisions (Note 30) 2020 £m	Total 2020 £m
USS	**124.5**	**(2.4)**	**122.1**	126.0	(167.3)	(41.3)
CPS	**20.9**	**15.2**	**36.1**	21.3	10.5	31.8
PCPF	**1.7**	**(0.8)**	**0.9**	2.2	(0.8)	1.4
PSSPS	**2.3**	**(2.2)**	**0.1**	2.3	(2.2)	0.1
NHSPS	**2.6**	**-**	**2.6**	2.6	-	2.6
Other pension schemes	**18.7**	**0.2**	**18.9**	19.0	0.4	19.4
	170.7	**10.0**	**180.7**	173.4	(159.4)	14.0

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 and relates to the year from 1 August 2020 to 31 July 2021 with the comparative relating to the year from 1 August 2019 to 31 July 2020.

14 Staff costs (continued)

	2021 £'000	2020 £'000
Salary for the year	**379**	379
Deductions to reflect salary sacrifice arrangements	**(9)**	(9)
Net salary paid in the year	**370**	370
Taxable benefits in kind	**24**	9
Non-taxable benefits in kind	**19**	27
Total excluding employer pension contributions	**413**	406
Employer pension contributions	**17**	17
Payments made in lieu of pension	**45**	45
Total remuneration	**475**	**468**

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 (2019-20: £9,475).

Taxable benefits in kind include private healthcare of £4,883 (2019-20: £4,831), accommodation-related costs (heating, lighting and maintenance) of £4,262 (2019-20: £4,431) and, for the first time, accommodation of £14,395.

HMRC wrote to all universities in April 2019 to warn that proposed changes to HMRC's interpretation of the relevant legislation would likely result in the provision of any accommodation associated with employment becoming a taxable benefit from 6 April 2021. For many universities, including Cambridge, the subsequent change affected official residences occupied by university leaders. The University of Cambridge has therefore had to reassess, from 6 April 2021, the way in which it covers the costs of the Vice-Chancellor's Lodge. The Lodge is provided to the Vice-Chancellor as part of his employment contract and the post holder is contractually required to reside there. The taxable accommodation benefit has been calculated on a basis agreed with HMRC, using the 'employer-related living accommodation' rules. The University Council has approved an equalisation payment to the Vice-Chancellor to cover the additional costs arising from the change in tax position, given the exceptional circumstances of the change occurring during the Vice-Chancellor's contract. Although a liability has arisen in the year to 31 July 2021, no tax payments in respect of the HMRC's change have fallen due in that year; equalisation payments will therefore instead be reflected in subsequent reporting periods. These payments are made to ensure that the Vice-Chancellor's financial position is the same as it was before HMRC made this change.

Non-taxable benefits include flights home of £5,117 (2019-20: £7,199). The non-taxable benefits also include an amount of £13,589 (2019-20: £20,000) relating to the provision of the accommodation during the financial year, prior to the change in the tax position.

Pay ratios:

(a) The Vice-Chancellor's basic salary is 10.7 times (2019-20: 10.9) 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 (2019-20: 11.2) 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 832 agency staff employed on temporary contracts through the University's Temporary Employment Services (TES).

During the previous financial year the University Council agreed to implement a voluntary donation from taxable pay for those senior staff earning more than £100k per annum. The Vice-Chancellor contributed 15% of his pay to the scheme for a period of six months from 1 October 2020 to 31 March 2021.

14 Staff costs (continued)

Basic salary bandings for higher paid staff

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

	Group 2021	Group 2020
£100,001 - £105,000	**83**	91
£105,001 - £110,000	**81**	97
£110,001 - £115,000	**66**	42
£115,001 - £120,000	**48**	33
£120,001 - £125,000	**33**	27
£125,001 - £130,000	**29**	21
£130,001 - £135,000	**18**	15
£135,001 - £140,000	**13**	22
£140,001 - £145,000	**14**	15
£145,001 - £150,000	**23**	18
£150,001 - £155,000	**7**	10
£155,001 - £160,000	**12**	10
£160,001 - £165,000	**6**	7
£165,001 - £170,000	**4**	4
£170,001 - £175,000	**7**	6
£175,001 - £180,000	**6**	2
£180,001 - £185,000	**5**	3
£185,001 - £190,000	**7**	8
£190,001 - £195,000	**5**	7
£195,001 - £200,000	**3**	4
£200,001 - £205,000	**3**	1
£205,001 - £210,000	**4**	3
£210,001 - £215,000	**1**	2
£215,001 - £220,000	**2**	1
£225,001 - £230,000	**1**	1
£230,001 - £235,000	**1**	1
£240,001 - £245,000	**1**	–
£245,001 - £250,000	**2**	1
£295,001 - £300,000	**1**	–
£305,001 - £310,000	**1**	1
£315,001 - £320,000	**–**	1
£325,001 - £330,000	**1**	–
£335,001 - £340,000	**1**	1
£375,001 - £380,000	**1**	1
£390,001 - £395,000	**1**	1
	491	457

The above statistics include staff engaged in business and commercial activities, including those of Cambridge Assessment and Cambridge University Press.

Compensation for loss of office

Aggregate payments for compensation for loss of office were paid to 460 members of staff in 2021-20 (344 in 2019-20):

Group 2021 £000	Group 2020 £000
5,431	3,241

14 Staff costs (continued)

Key management personnel

	Group 2021 £000	Group 2020 £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:	**2,159**	2,110

15 Analysis of consolidated expenditure by activity

	Staff costs £m	Other operating expenses £m	Depreciation £m	Interest payable £m	Group 2021 Total £m	Group 2020 Total £m
Academic departments	**290.1**	**59.1**	**7.2**	**-**	**356.4**	360.9
Academic services	**38.6**	**8.2**	**1.9**	**-**	**48.7**	52.2
Payments to Colleges (see Note 39)	**-**	**80.4**	**-**	**-**	**80.4**	77.5
Research grants and contracts	**248.1**	**199.9**	**23.5**	**-**	**471.5**	450.7
Other activities:						
Examination and assessment services	**156.5**	**213.1**	**12.3**	**-**	**381.9**	366.8
Publishing services	**124.4**	**152.8**	**4.1**	**2.4**	**283.7**	308.0
Other services rendered	**23.4**	**32.8**	**0.5**	**-**	**56.7**	51.3
Intellectual property	**4.4**	**5.1**	**-**	**-**	**9.5**	6.6
Residences, catering and conferences	**2.7**	**2.5**	**-**	**-**	**5.2**	14.2
Other activities total	**311.4**	**406.3**	**16.9**	**2.4**	**737.0**	746.9
Administration and central services:						
Administration	**52.4**	**12.6**	**0.7**	**2.7**	**68.4**	55.6
General educational	**6.9**	**70.2**	**-**	**-**	**77.1**	74.2
Staff and student facilities	**4.1**	**0.4**	**-**	**-**	**4.5**	4.8
Development office	**7.4**	**5.4**	**-**	**-**	**12.8**	13.6
Other	**(0.4)**	**9.4**	**(0.3)**	**-**	**8.7**	12.0
Administration and central services total	**70.4**	**98.0**	**0.4**	**2.7**	**171.5**	160.2
Premises	**19.2**	**70.7**	**54.5**	**-**	**144.4**	139.2
Interest payable on bond liabilities	**-**	**-**	**-**	**38.1**	**38.1**	119.9
Pension cost adjustments for USS (see Note 30)	**(2.4)**	**-**	**-**	**1.4**	**(1.0)**	(161.6)
Pension cost adjustments for CPS (see Note 36)	**15.2**	**-**	**-**	**11.0**	**26.2**	23.9
Total per statement of comprehensive income	**990.6**	**922.6**	**104.4**	**55.6**	**2,073.2**	1,969.8

	Group 2021 £000	Group 2020 £000
Other operating expenses include:		
Operating lease charges:		
Land and buildings	**10,099**	12,393
Other	**665**	873
Auditors' remuneration:		
Audit fees payable to the Group's external auditors	**1,315**	1,081
Additional audit fee in respect of the prior year	**80**	-
Other fees payable to the Group's external auditors	**75**	329
Audit fees payable to other firms (in respect of certain Trusts and subsidiary undertakings)	**129**	118
Payments to trustees		
Reimbursement of expenses to no external members of Council (2020: five).	**-**	5

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

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 2021.

	2021 £m	2020 £m
Access investment	**1.6**	1.7
Financial support for students	**4.9**	4.3
Support for disabled students	**1.0**	1.1
Research and evaluation	**0.2**	0.2
	7.7	7.3

Included within the above spend are staff costs amounting to £2.2m (2020 £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 Trust. This activity is not reflected in the above table.

17 Interest and other finance costs

	Group 2021 £m	Group 2020 £m	University 2021 £m	University 2020 £m
Interest payable and other finance costs on bond liabilities (see Note 29)	**38.1**	119.9	**38.1**	119.9
Interest on pension liabilities (see Note 30)	**14.3**	21.3	**14.3**	21.1
Interest paid on other retirement benefit liabilities (see Note 31)	**0.5**	0.6	**0.5**	0.6
Finance charge / (credit) associated with the revaluation of forward exchange contracts	**2.7**	(1.0)	**2.7**	(1.0)
	55.6	140.8	**55.6**	140.6

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:

	Group 2021 £m	Group 2020 £m	University 2021 £m	University 2020 £m
Bond liabilities - unsecured 2012 (fixed interest)	**13.2**	13.2	**13.2**	13.2
Bond liabilities - unsecured 2018 (fixed interest)	**7.1**	7.1	**7.1**	7.1
Bond liabilities - unsecured 2018 (index-linked)	**17.8**	99.6	**17.8**	99.6
	38.1	119.9	**38.1**	119.9

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 £17.0m (2020: £98.8m). For further details on these bond liabilities see Note 29.

18 Taxation

	Group 2021 £m	Group 2020 £m	University 2021 £m	University 2020 £m
UK Corporation Tax	**-**	-	**-**	-
Foreign taxes	**2.1**	2.0	**1.4**	1.4
	2.1	2.0	**1.4**	1.4

The foreign taxes for the Group and University primarily relate to overseas activities associated with publishing and assessment activities. The Group operates in a variety of overseas jurisdictions with activities whose profits are subject to local taxes. The associated risks in operating internationally are managed within the University's tax departments. The Group has made payments on account totalling £7.3m (2020: £7.1m) in relation to an ongoing tax audit. These amounts are held as debtor balances, as it is expected that the audits will conclude in the Group's favour.

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 Development 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.

19 Segment information

The Group's reportable segments are:

Higher Education Institution (HEI)	Teaching and research undertaken by the Academic 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 entities 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. 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 CUEF to the financial year ended 31 July.

Year ended 31 July 2021	**HEI £m**	**Assessment £m**	**Press £m**	**CUEF £m**	**Trusts and other £m**	**Eliminations and adjustments £m**	**Group £m**
Total income							
External	**1,352.5**	**463.0**	**307.3**	**719.1**	**58.6**	**(723.6)**	**2,176.9**
Intersegment	**142.5**	**4.9**	**4.4**	**–**	**180.5**	**(332.3)**	**–**
Total	**1,495.0**	**467.9**	**311.7**	**719.1**	**239.1**	**(1,055.9)**	**2,176.9**
Surplus for the year	**676.6**	**95.8**	**14.1**	**719.1**	**131.3**	**(753.4)**	**883.5**
Included in surplus for the year:							
Investment income	**100.6**	**3.3**	**0.1**	**(4.9)**	**18.7**	**(115.6)**	**2.2**
Depreciation and amortisation	**87.3**	**35.9**	**16.9**	**–**	**1.2**	**(0.3)**	**141.0**
Interest payable	**53.0**	**0.2**	**2.4**	**–**	**–**	**–**	**55.6**
Gain / (loss) on disposal of fixed assets	**0.1**	**(1.2)**	**–**	**–**	**–**	**–**	**(1.1)**
Gain / (loss) on investments	**524.3**	**15.5**	**–**	**723.9**	**121.2**	**(603.3)**	**781.6**
Additions to intangible assets, fixed assets, heritage assets and investment property	**216.5**	**24.2**	**11.7**	**–**	**0.3**	**(1.3)**	**251.4**
Assets	**7,475.4**	**761.5**	**358.4**	**3,799.3**	**704.0**	**(3,880.7)**	**9,217.9**
Liabilities	**(2,765.6)**	**(169.1)**	**(259.7)**	**–**	**(98.8)**	**54.8**	**(3,238.4)**
Net assets	**4,709.8**	**592.4**	**98.7**	**3,799.3**	**605.2**	**(3,825.9)**	**5,979.5**

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

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.

Total income	2021 £m	2020 £m
Elimination of intersegment income	(332.3)	(494.4)
Exclude investment (gain) / loss element of CUEF total return	(723.9)	37.2
Exclude CUEF investment income attributable to external investors	0.3	(0.8)
Total eliminations and adjustments	(1,055.9)	(458.0)

Surplus for the year	2021 £m	2020 £m
Eliminate CUEF (surplus) / deficit recognised in other segments or attributable to external investors	(719.1)	28.2
Eliminate transfers from other segments to HEI based on surpluses	(28.1)	(235.7)
Elimination of intersegment funding commitments	(1.5)	2.2
Eliminate intersegment surplus on transfer of fixed assets	(1.4)	(1.0)
Eliminate other intersegment balances	(3.3)	(3.1)
Total eliminations and adjustments	(753.4)	(209.4)

Assets and liabilities	Assets 2021 £m	Liabilities 2021 £m	Net assets 2021 £m	Net assets 2020 £m
Eliminate CUEF assets recognised in other segments or attributable to external investors	(3,536.8)	(262.5)	(3,799.3)	(3,259.1)
Eliminate accrual for intersegment funding commitments	–	22.0	22.0	23.4
Eliminate intersegment surplus on transfers of fixed assets	(38.2)	–	(38.2)	(38.7)
Eliminate investments in subsidiaries	(6.4)	6.4	–	–
Eliminate intersegment balances	(299.3)	288.9	(10.4)	(7.9)
Total eliminations and adjustments	(3,880.7)	54.8	(3,825.9)	(3,282.3)

20 Intangible assets and goodwill

Group Cost	Software £m	Goodwill £m	Others £m	2021 Total £m	2020 Total £m
Opening balance	249.8	33.2	19.4	302.4	279.6
Additions	30.4	-	0.7	31.1	38.5
Disposals	(8.1)	(1.3)	-	(9.4)	(15.1)
Transfers to other balance sheet accounts	-	-	-	-	(0.3)
Currency adjustments	(0.5)	-	-	(0.5)	(0.3)
Closing balance	271.6	31.9	20.1	323.6	302.4
Accumulated amortisation					
Opening balance	172.0	19.0	11.3	202.3	192.5
Charge for the year	26.8	7.0	2.8	36.6	24.7
Elimination on disposals	(6.9)	(1.2)	-	(8.1)	(14.9)
Transfers to other balance sheet accounts	-	-	-	-	0.2
Currency adjustments	(0.2)	-	-	(0.2)	(0.2)
Closing balance	191.7	24.8	14.1	230.6	202.3
Net book value					
At 31 July	79.9	7.1	6.0	93.0	100.1
At 1 August	77.8	14.2	8.1	100.1	87.1

University Cost	Software £m	Goodwill £m	Others £m	2021 Total £m	2020 Total £m
Opening balance	238.6	8.0	23.2	269.8	259.5
Additions	28.7	-	0.7	29.4	25.3
Disposals	(7.5)	-	(1.2)	(8.7)	(14.6)
Transfers to other balance sheet accounts	-	-	-	-	(0.3)
Currency adjustments	-	-	-	-	(0.1)
Closing balance	259.8	8.0	22.7	290.5	269.8
Accumulated amortisation					
Opening balance	164.5	1.8	15.3	181.6	174.7
Charge for the year	24.6	0.7	2.7	28.0	21.4
Elimination on disposals	(6.3)	-	(1.2)	(7.5)	(14.4)
Currency adjustments	-	-	-	-	(0.1)
Closing balance	182.8	2.5	16.8	202.1	181.6
Net book value					
At 31 July	77.0	5.5	5.9	88.4	88.2
At 1 August	74.1	6.2	7.9	88.2	84.8

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

21 Tangible assets

Group Cost	Land £m	Non-Leasehold Buildings £m	Leasehold Buildings £m	Assets in construction £m	Equipment £m	2021 Total £m	2020 Total £m
Opening balance	**370.6**	**1,916.8**	**357.6**	**224.8**	**453.6**	**3,323.4**	3,191.5
Additions	-	**1.4**	**0.3**	**161.9**	**35.2**	**198.8**	162.5
Transfers	**2.1**	**34.0**	**4.4**	**(41.0)**	**0.5**	-	-
Transfers to investment properties	**(0.3)**	**(0.6)**	-	**(0.2)**	-	**(1.1)**	(13.7)
Transfers from other balance sheet accounts	-	-	-	-	-	-	0.3
Disposals	-	-	**(0.3)**	-	**(13.1)**	**(13.4)**	(16.0)
Currency adjustments	-	**(0.1)**	**(0.1)**	-	**(0.9)**	**(1.1)**	(1.2)
Closing balance	**372.4**	**1,951.5**	**361.9**	**345.5**	**475.3**	**3,506.6**	3,323.4
Accumulated depreciation							
Opening balance	-	**269.2**	**42.7**	-	**370.2**	**682.1**	590.1
Charge for the year	-	**55.4**	**9.5**	-	**39.5**	**104.4**	106.8
Transfers to investment properties	-	**(0.2)**	-	-	-	**(0.2)**	(0.6)
Transfers from other balance sheet accounts	-	-	-	-	-	-	(0.2)
Elimination on disposals	-	-	**(0.3)**	-	**(13.1)**	**(13.4)**	(13.4)
Currency adjustments	-	-	**(0.1)**	-	**(0.8)**	**(0.9)**	(0.6)
Closing balance	-	**324.4**	**51.8**	-	**395.8**	**772.0**	682.1
Net book value							
At 31 July	**372.4**	**1,627.1**	**310.1**	**345.5**	**79.5**	**2,734.6**	2,641.3
At 1 August	370.6	1,647.6	314.9	224.8	83.4	2,641.3	2,601.4

The net book value of leasehold land included in the above table is £30.8m (2020: £29.8m).

University Cost	Land £m	Non-Leasehold Buildings £m	Leasehold Buildings £m	Assets in construction £m	Equipment £m	2021 Total £m	2020 Total £m
Opening balance	**370.6**	**1,919.7**	**348.9**	**226.6**	**442.1**	**3,307.9**	3,176.8
Additions	-	**1.4**	-	**163.2**	**35.1**	**199.7**	161.4
Transfers	**2.1**	**34.0**	**4.4**	**(41.0)**	**0.5**	-	-
Transfers to investment properties	**(0.3)**	**(0.4)**	-	**(0.2)**	-	**(0.9)**	(13.7)
Transfers (to) / from other balance sheet accounts	-	-	-	-	-	-	0.3
Disposals	-	**0.7**	**(0.1)**	-	**(12.9)**	**(12.3)**	(16.3)
Currency adjustments	-	**(0.1)**	-	**0.7**	**(0.2)**	**0.4**	(0.6)
Closing balance	**372.4**	**1,955.3**	**353.2**	**349.3**	**464.6**	**3,494.8**	3,307.9
Accumulated depreciation							
Opening balance	-	**268.5**	**40.2**	-	**362.3**	**671.0**	581.0
Charge for the year	-	**55.5**	**9.0**	-	**37.8**	**102.3**	104.5
Transfers to investment properties	-	**(0.1)**	-	-	-	**(0.1)**	(0.6)
Transfers from other balance sheet accounts	-	-	-	-	-	-	-
Elimination on disposals	-	**0.7**	**(0.1)**	-	**(12.8)**	**(12.2)**	(13.9)
Currency adjustments	-	**0.6**	-	-	-	**0.6**	-
Closing balance	-	**325.2**	**49.1**	-	**387.3**	**761.6**	671.0
Net book value							
At 31 July	**372.4**	**1,630.1**	**304.1**	**349.3**	**77.3**	**2,733.2**	2,636.9
At 1 August	**370.6**	**1,651.2**	**308.7**	**226.6**	**79.8**	**2,636.9**	**2,595.8**

The net book value of leasehold land included in the above table is £30.8m (2020: £29.8m).

22 Heritage assets

	Group 2021 £m	Group 2020 £m	University 2021 £m	University 2020 £m
Opening balance	**73.6**	72.0	**73.6**	72.0
Additions in the year	**3.8**	1.6	**3.8**	1.6
Closing balance at 31 July	**77.4**	73.6	**77.4**	73.6

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:

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Acquisitions purchased with specific donations	**-**	-	-	1.1	1.3
Value of acquisitions by donation	**3.7**	1.6	1.4	2.2	0.4
Total acquired by, or funded by, donations	**3.7**	1.6	1.4	3.3	1.7
Acquisitions purchased with University funds	**0.1**	-	-	-	0.5
Total acquisitions capitalised	**3.8**	1.6	1.4	3.3	2.2

23 Non-current asset investments

a) Other investments

	Group 2021 £m	Group 2020 £m	University 2021 £m	University 2020 £m
Opening balance	**3,121.5**	3,220.1	**2,606.6**	2,635.8
Additions in the year	**75.4**	163.4	**71.4**	205.7
Disposals in the year	**(255.0)**	(230.9)	**(232.1)**	(211.2)
Share of operating surplus / (deficit) in joint ventures and associates	**1.4**	(0.8)	**-**	-
Gains / (losses) on investments	**775.2**	(30.3)	**618.8**	(24.0)
Loan to joint ventures	**0.1**	0.4	**0.1**	0.3
Currency adjustments	**(0.8)**	(0.4)	**-**	-
Closing balance at 31 July	**3,717.8**	3,121.5	**3,064.8**	2,606.6
Represented by:				
CUEF units	**3,536.8**	2,996.0	**2,909.8**	2,474.4
Securities	**19.6**	15.2	**12.2**	11.0
Spin-out and similar companies (see Note 37)	**151.6**	101.1	**94.4**	73.9
Investments in subsidiary undertakings	**-**	-	**45.8**	45.3
Investments in joint ventures	**8.8**	8.3	**0.9**	0.5
Investments in associates	**0.9**	0.8	**0.9**	0.8
Other	**0.1**	0.1	**0.8**	0.7
	3,717.8	3,121.5	**3,064.8**	2,606.6

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

23 Non-current asset investments (continued)

Gains / (losses) on other investments

Gains / (losses) on investments included the following:	**Group 2021 £m**	Group 2020 £m	**University 2021 £m**	University 2020 £m
Gains / (losses) on CUEF investments	**722.5**	(35.3)	**596.1**	(29.4)
Gains / (losses) on Securities	**2.2**	(0.8)	**1.7**	(0.5)
Gains on Spin-out and similar companies	**50.5**	5.8	**21.0**	5.9
Gains / (losses) on non-current investments	**775.2**	(30.3)	**618.8**	(2)4
Gains / (losses) on current asset investments (including cash & cash equivalents)	**0.6**	(0.8)	**0.7**	(0.7)
Gains / (losses) on other investments	**775.8**	(31.1)	**619.5**	(24.7)

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

	Group 31 July 2021		Group 31 July 2020	
	£m	**%**	£m	%
Public equity	**1,709.7**	**45.0%**	1,456.5	44.7%
Private equity	**741.8**	**19.5%**	528.7	16.2%
Absolute return	**501.7**	**13.2%**	289.4	8.9%
Credit	**114.1**	**3.0%**	146.1	4.5%
Real assets	**388.1**	**10.2%**	286.6	8.8%
Fixed interest / cash	**343.9**	**9.1%**	551.8	16.9%
Total value of fund	**3,799.3**	**100.0%**	3,259.1	100.0%

Public equity includes all equity stocks traded on a liquid market, together with related non-publicly traded index funds (which invest in investments with similar characteristics) and derivatives (such as futures).

Private equity 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. However inflation-linked government securities are 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:

23 Non-current asset investments (continued)

	Group 2021 £m	Group 2020 £m	University 2021 £m	University 2020 £m
Non current asset investments	**3,536.8**	2,996.0	**2,909.8**	2,474.4
Current asset investments (see Note 26) - balances held on behalf of:				
Subsidiary undertakings	**-**	-	**627.0**	521.6
Colleges	**252.1**	253.9	**252.1**	253.9
Other associated bodies	**10.4**	9.2	**10.4**	9.2
Total included in current asset investments	**262.5**	263.1	**889.5**	784.7
Total value of units	**3,799.3**	3,259.1	**3,799.3**	3,259.1

b) Investment property

	Group 2021 £m	Group 2020 £m	University 2021 £m	University 2020 £m
Opening balance	**574.8**	547.5	574.8	547.5
Additions in the year	**17.8**	13.9	17.8	13.9
Disposals in the year	**(9.4)**	(8.5)	(9.4)	(8.5)
Transfers from other balance sheet accounts	**0.9**	13.1	0.9	13.1
Net gains from fair value adjustments	**5.8**	8.8	5.8	8.8
Closing balance	**589.9**	574.8	589.9	574.8
Represented by:				
North West Cambridge development	**368.4**	369.4	368.4	369.4
Other investment property	**221.5**	205.4	221.5	205.4
	589.9	574.8	589.9	574.8

Phase 1 of the North West Cambridge (NWC) 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 2021 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) accordance with the terms of the RICS valuation - Global Standards (January 2020 edition) and the national standards and guidance and FRS 102. The valuation was undertaken on a fair value basis. The result is a revaluation loss in the carrying value of the investment of £7.2m (2020: gain of £6.2m). This is reflected as a valuation loss on investment and decreases the carrying value of the investment to £368.4m (2020: £369.4m) along with additions and disposals during the year.

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 a registered valuer within the University's own Estates Management team. The annual valuation of these properties has resulted in a gain on investment of £13.0m (2020: £2.6m).

24 Stock and work in progress

	Group 2021 £m	Group 2020 £m	University 2021 £m	University 2020 £m
Goods for resale	**20.2**	23.3	**17.5**	20.3
Pre-publication costs and other work in progress	**24.9**	25.4	**23.3**	23.4
Other stock	**1.6**	1.5	**1.5**	1.4
	46.7	50.2	**42.3**	45.1

There is no significant difference between the replacement cost of the inventory and its carrying amount. Inventories are stated after a provision for impairment of £9.5m (2020: £8.8m).

25 Trade and other receivables

	Group 2021 £m	Group 2020 £m	University 2021 £m	University 2020 £m
Amounts due within one year:				
Research grants recoverable	**118.0**	115.5	**118.0**	115.5
Amounts due from group undertakings	**-**	-	**12.7**	22.0
Trade debtors	**200.0**	163.9	**178.3**	144.2
Other debtors	**117.0**	113.4	**109.6**	107.4
	435.0	392.8	**418.6**	389.1

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 £103.0m (2020: £90.1m) and within the University amounting to £101.5m (2020: £90.3m). Debtors relating to publishing services are included within the Group amounting to £115.1m (2020: £115.5m) and within the University amounting to £98.5m (2020: £111.8m). Trade and other receivables are stated after a provision of £26.7m (2020: £20.1m).

26 Current asset investments

	Group 2021 £m	Group 2020 £m	University 2021 £m	University 2020 £m
CUEF units held on behalf of other entities (see Note 12)	**262.5**	263.1	**889.5**	784.7
Money market investments (see Note 42)	**138.0**	170.1	**138.0**	170.1
	400.5	433.2	**1,027.5**	954.8

27 Cash and cash equivalents

	Group 2021 £m	Group 2020 £m	University 2021 £m	University 2020 £m
Money market investments with maturity less than three months	**955.4**	767.0	**955.5**	767.0
Cash at bank and in hand and with investment managers	**167.6**	121.9	**101.4**	69.0
	1,123.0	888.9	**1,056.9**	836.0

The movement in net debt is disclosed in Note 42.

28 Creditors: amounts falling due within one year

	Group 2021 £m	Group 2020 £m	University 2021 £m	University 2020 £m
Bank overdraft (see Note 42)	**4.8**	2.2	**4.7**	2.2
Finance leases (see Note 42)	**0.1**	0.2	**0.1**	0.2
Research grants received in advance	**266.7**	254.0	**266.7**	254.0
Other creditors and deferred income	**450.0**	443.1	**332.4**	337.7
Amounts due to group undertakings	**-**	-	**25.4**	36.5
Derivative financial instruments liabilities	**0.2**	0.2	**0.2**	0.2
Investments and cash equivalents held on behalf of subsidiary undertakings	**-**	0.0	**687.2**	571.7
Investments and cash equivalents held on behalf of Colleges and other associated bodies	**266.2**	266.9	**266.2**	266.9
	988.0	966.6	**1,582.9**	1,469.4

Other creditors relating to examination and assessment services are included within the Group amounting to £108.8m (2020: £119.5m) and within the University amounting to £61.6m (2020: £76.4m). Other creditors relating to publishing services are included within the Group amounting to £111.5m (2020: £113.7m) and within the University amounting to £97.1m (2020: £110.5m). Deferred income of £142.4m (2020: £157.1m) is included above for the Group and £113.5m (2020: £128.6m) for the University as at 31 July 2021.

29 Creditors: amounts falling due after more than one year

	Group 2021 £m	Group 2020 £m	**University 2021 £m**	University 2020 £m
Bond liabilities - unsecured 2012 (fixed interest)	**343.0**	342.9	**343.0**	342.9
Bond liabilities - unsecured 2018 (fixed interest)	**297.8**	297.8	**297.8**	297.8
Bond liabilities - unsecured 2018 (index-linked)	**464.0**	447.0	**464.0**	447.0
Finance leases	**1.0**	1.1	**1.0**	1.1
Accruals and deferred income	**19.5**	20.5	**9.3**	10.4
	1,125.3	1,109.3	**1,115.1**	1,099.2

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 on 17 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 CPI 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 (which reflects the year on year movement in the UK Consumer Price Index subject to a cap of 3% and a floor of 0%). 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 2021 the Indexed bonds were revalued upwards to £464.0m based on an average price of three independent valuation, increasing the liability and resulting in a fair value adjustment charge through finance costs of £17.0m (2020: 98.8m). The valuation methodology of valuation of index-linked bond is discussed in Note 41.

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

The movement in net debt is disclosed in Note 42.

30 Pension liabilities

Group	CPS £m	Press (UK schemes) £m	Defined benefit total £m	USS deficit recovery £m	Other £m	Total 2021 £m	Total 2020 £m
Opening balance	**777.0**	**140.1**	**917.1**	**185.9**	**0.7**	**1,103.7**	1,088.7
Movement in year:							
Current service cost	**42.8**	**1.4**	**44.2**	**-**	**7.2**	**51.4**	46.6
Contributions	**(28.6)**	**(4.4)**	**(33.0)**	**-**	**(7.2)**	**(40.2)**	(40.0)
Administration expenses	**1.0**	**-**	**1.0**	**-**	**0.2**	**1.2**	1.3
Interest on liability	**11.0**	**1.9**	**12.9**	**1.4**	**-**	**14.3**	21.3
Net change in underlying assumptions (see Note 14):							
- change in underlying assumptions	**-**	**-**	**-**	**6.1**	**-**	**6.1**	(160.4)
- USS deficit contributions payable	**-**	**-**	**-**	**(8.5)**	**-**	**(8.5)**	(6.9)
	-	**-**	**-**	**(2.4)**	**-**	**(2.4)**	(167.3)
Actuarial (gain) / loss	**4.5**	**(30.9)**	**(26.4)**	**-**	**(2.5)**	**(28.9)**	153.1
Closing balance at 31 July	**807.7**	**108.1**	**915.8**	**184.9**	**(1.6)**	**1,099.1**	1,103.7

University	CPS £m	Press (UK schemes) £m	Defined benefit total £m	USS deficit recovery £m	Other £m	Total 2021 £m	Total 2020 £m
Opening balance	**777.0**	**140.1**	**917.1**	**179.2**	**(0.2)**	**1,096.1**	1,077.6
Movement in year:							
Current service cost	**42.8**	**1.4**	**44.2**	**-**	**7.0**	**51.2**	46.3
Contributions	**(28.6)**	**(4.4)**	**(33.0)**	**-**	**(7.0)**	**(40.0)**	(39.9)
Administration expenses	**1.0**	**-**	**1.0**	**-**	**0.2**	**1.2**	1.3
Interest on liability	**11.0**	**1.9**	**12.9**	**1.4**	**-**	**14.3**	21.1
Currency adjustments	**-**	**-**	**-**	**-**	**0.1**	**0.1**	-
Net change in underlying assumptions (see Note 14):							
- change in underlying assumptions	**-**	**-**	**-**	**6.3**	**-**	**6.3**	(156.5)
- USS deficit contributions payable	**-**	**-**	**-**	**(8.2)**	**-**	**(8.2)**	(6.7)
	-	**-**	**-**	**(1.9)**	**-**	**(1.9)**	(163.2)
Actuarial (gain) / loss	**4.5**	**(30.9)**	**(26.4)**	**-**	**(2.7)**	**(29.1)**	152.9
Closing balance at 31 July	**807.7**	**108.1**	**915.8**	**178.7**	**(2.6)**	**1,091.9**	1,096.1

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 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 deficit recovery provision, following the 2018 actuarial valuation of USS, has decreased from £185.9m to £184.9m. The movements described as a "net change in underlying assumptions" also include the impact of movements in discount rates. The resulting decrease in provision of £2.4m (2019-20: £167.3m) is included in staff costs (see Note 14).

Please refer to note 36 for actuarial assumptions and sensitivity analysis.

31 Other retirement benefits liabilities

	2021 £m	2020 £m
Group and University		
Opening balance	**27.8**	**24.7**
Movement attributable to the year:		
Current service cost less benefits paid	**0.3**	(0.3)
Contributions	**(1.1)**	(0.5)
Finance costs	**0.5**	0.6
Currency adjustments	**(0.4)**	(0.4)
Actuarial (gain) / loss	**(1.1)**	3.7
Closing balance at 31 July	**26.0**	27.8

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

32 Endowment reserves

Group	Permanent £m	Expendable £m	2021 Total £m	2020 Total £m
Balance at 1 August	**1,391.0**	**541.5**	**1,932.5**	1,971.3
New endowments received	**47.0**	**0.9**	**47.9**	35.9
Investment (expense) / income	**(1.8)**	**(0.4)**	**(2.2)**	6.1
Expenditure	**(40.2)**	**(20.6)**	**(60.8)**	(58.5)
Valuation gains / (losses) on investments	**335.6**	**125.2**	**460.8**	(22.3)
Balance at 31 July	**1,731.6**	**646.6**	**2,378.2**	1,932.5
Capital	**1,489.8**	**601.4**	**2,091.2**	1,704.8
Unspent income	**241.8**	**45.2**	**287.0**	227.7
Balance at 31 July	**1,731.6**	**646.6**	**2,378.2**	1,932.5
Representing:				
Trust and Special Funds:				
Professorships, Readerships, and Lectureships	**849.3**	**95.5**	**944.8**	773.7
Scholarships and bursaries	**270.3**	**20.1**	**290.4**	234.6
Other	**577.6**	**190.6**	**768.2**	616.3
Gates Cambridge Trust	**-**	**332.7**	**332.7**	276.2
Examination Board restricted funds	**-**	**7.7**	**7.7**	6.5
General endowments	**34.4**	**-**	**34.4**	25.2
Group total	**1,731.6**	**646.6**	**2,378.2**	1,932.5
University				
Balance at 1 August	**1,383.5**	**264.1**	**1,647.6**	1,673.9
New endowments received	**42.7**	**0.9**	**43.6**	35.5
Investment (expense) / income	**(2.4)**	**(0.1)**	**(2.5)**	4.6
Expenditure	**(39.5)**	**(11.0)**	**(50.5)**	(48.0)
Valuation gains / (losses) on investments	**334.0**	**58.6**	**392.6**	(18.4)
Balance at 31 July	**1,718.3**	**312.5**	**2,030.8**	1,647.6
Capital	**1,477.7**	**267.4**	**1,745.1**	1,420.3
Unspent income	**240.6**	**45.1**	**285.7**	227.3
Balance at 31 July	**1,718.3**	**312.5**	**2,030.8**	1,647.6

33 Restricted reserves

Group	Unspent capital grants £m	Unspent research grants £m	Specific donations £m	Other restricted reserves £m	2021 Total £m	2020 Total £m
Balance at 1 August	15.7	44.5	68.7	24.6	153.5	128.3
Donations and grants recognised in the year	90.7	26.8	47.5	-	165.0	160.0
Investment (expense) / income	(0.1)	-	(0.1)	(0.1)	(0.3)	0.2
Expenditure	0.8	(23.7)	(29.2)	1.3	(50.8)	(38.7)
Capital grants spent	(100.1)	-	-	-	(100.1)	(101.0)
Valuation gains / (losses) on investments	1.6	-	7.6	5.9	15.1	(0.3)
Transfers from unrestricted income	-	-	-	-	-	5.0
Balance at 31 July	8.6	47.6	94.5	31.7	182.4	153.5

University	Unspent capital grants £m	Unspent research grants £m	Specific donations £m	Other restricted reserves £m	2021 Total £m	2020 Total £m
Balance at 1 August	15.6	44.5	68.3	24.6	153.0	127.3
Donations and grants recognised in the year	90.7	26.8	36.9	-	154.4	149.1
Investment (expense) / income	(0.1)	-	-	-	(0.1)	0.2
Expenditure	0.5	(23.7)	(18.4)	1.3	(40.3)	(27.3)
Capital grants spent	(100.1)	-	-	-	(100.1)	(101.0)
Valuation gains / (losses) on investments	1.7	-	7.6	5.8	15.1	(0.3)
Transfers from unrestricted income	-	-	-	-	-	5.0
Balance at 31 July	8.3	47.6	94.4	31.7	182.0	153.0

34 Non-controlling interests

Non-controlling interests represent the interests of minority shareholders in the total comprehensive income and net assets of subsidiary 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 2021 £m	Group 2020 £m
Opening balance at 1 August	3.2	3.4
Total comprehensive income attributable to non-controlling interests	2.5	0.7
Acquisition of non-controlling interest	-	0.3
Dividends paid to non-controlling interests	(0.2)	(1.2)
Closing balance at 31 July	5.5	3.2

For the year ended 31 July 2021, the surplus for the year attributable to non-controlling interests was £2.5m (2020: £0.7m), the total comprehensive income attributable to non-controlling interests was £2.5m (2020: £0.7m) and the unrestricted reserves attributable to non-controlling interests was £5.5m (2020: £3.2m).

Non-controlling interests has not been separately disclosed on the balance sheet given the amount is not material for the Group. Non-controlling interest are included within the unrestricted reserves.

35 Capital commitments

	Group 2021 £m	Group 2020 £m
Commitments for capital expenditure:		
Commitments contracted at 31 July	235.6	312.7
Authorised but not contracted at 31 July	66.5	109.4
Commitments for capital calls on investments	584.3	462.6

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. The assets of the scheme are held in a separate trustee-administered fund. 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 through the statement of comprehensive income.

The total cost charged to the statement of comprehensive income is £122.1m (2020: £(41.3)m).

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. A valuation as at 31 March 2020 is now complete at the year end however this is still going through members' consultation. Please refer note 43 for more information.

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.

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.

	2021 valuation	2020 valuation
The current life expectancies on retirement at age 65 are:		
Males currently aged 65 (years)	**24.6**	24.4
Females currently aged 65 (years)	**26.1**	25.9
Males currently aged 45 (years)	**26.6**	26.3
Females currently aged 45 (years)	**27.9**	27.7

A new deficit recovery plan was put in place as part of the 2018 valuation, which 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. The 2021 deficit recovery liability reflects this plans. The liability figures have been produced using the following assumptions:

The key assumptions used to determine the overall scheme deficit are:

	2021	2020
Discount rate	**0.89%**	0.74%
Pensionable pay growth	**1.0 - 5.0%**	0.5% - 3.0%

The pensionable pay growth range reflects higher and lower salaries in various entities and years included in the calculation of USS deficit provision

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 and 2020. The next triennial actuarial valuation is underway for 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 FRS102 based on the calculations undertaken for the triennial actuarial valuation as at 31 July 2018, allowing for the different assumptions required under FRS102 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).

	2021	2020
Discount rate	**1.55%**	1.40%
Rate of increase in salaries	**3.35%**	0.50% - 3.00%
Rate of increase in pensions in deferment	**3.35%**	3.00%
Rate of increase in pensions in payment:		
– to 31 December 2012	**3.35%**	3.00%
– from 1 January 2013 (RPI max 5.0% p.a)	**3.25%**	2.95%
Mortality - equivalent life expectancy for members reaching the age of 65:		
Males currently aged 65	**87**	85
Males currently aged 45	**88**	86
Females currently aged 65	**90**	89
Females currently aged 45	**91**	91

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	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Opening	**(1,466.5)**	(1,359.3)	**689.5**	726.3	**(777.0)**	(633.0)
Current service cost	**(42.8)**	(38.1)	**-**	-	**(42.8)**	(38.1)
Administrative expenses paid	**-**	-	**(1.0)**	(1.1)	**(1.0)**	(1.1)
Employer contributions	**-**	-	**28.6**	28.7	**28.6**	28.7
Contributions by members	**(0.3)**	(0.4)	**0.3**	0.4	**-**	-
Benefits paid	**25.7**	25.8	**(25.7)**	(25.8)	**-**	-
Interest income / (expense)	**(20.7)**	(28.6)	**9.7**	15.2	**(11.0)**	(13.4)
Remeasurement gains / (losses):						
Actuarial losses	**(118.1)**	(65.9)	**-**	-	**(118.1)**	(65.9)
Expected less actual plan expenses	**-**	-	**(0.3)**	(0.5)	**(0.3)**	(0.5)
Return on assets excluding interest	**-**	-	**113.9**	(53.7)	**113.9**	(53.7)
Closing defined benefit obligation	**(1,622.7)**	(1,466.5)	**815.0**	689.5	**(807.7)**	(777.0)

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

The total cost recognised in expenditure was:	**2021 £m**	2020 £m
Current service cost	**42.8**	38.1
Administrative expenses	**1.0**	1.1
Interest cost	**11.0**	13.4
	54.8	52.6
The fair values of the major categories of scheme assets expressed as a percentage of the total were:		
Equities and hedge funds	**66.7%**	62.4%
Bonds and cash	**24.5%**	27.8%
Property	**8.8%**	9.8%
	100.0%	100.0%
The return on the scheme's assets was (£m):		
Interest income	**9.7**	15.2
Return on assets excluding interest income	**113.9**	(53.7)
	123.6	(38.5)

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 2021 for the purposes of these financial statements. The principal assumptions used by the actuary for both schemes were:

	2021	2020
Discount rate	**1.55%**	1.40%
Rate of increase in salaries - schemes are now on frozen current salary basis	**0.00%**	0.00%
Rate of increase in pensions in deferment	**3.80%**	3.60%
Rate of increase in pensions in payment	**3.80%**	3.60%
Mortality - equivalent life expectancy for members at age 60:		
Males	**87-89**	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**	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Opening	**(377.5)**	(359.3)	**237.4**	250.9	**(140.1)**	(108.4)
Current service cost	**(1.4)**	(1.4)	**-**	-	**(1.4)**	(1.4)
Employer contributions	**-**	-	**4.4**	4.4	**4.4**	4.4
Contributions by members	**(0.1)**	(0.1)	**0.1**	0.1	**-**	-
Benefits paid	**12.7**	11.8	**(12.7)**	(11.8)	**-**	-
Interest income / (expense)	**(5.2)**	(7.4)	**3.3**	5.2	**(1.9)**	(2.2)
Remeasurement (losses) / gains:						
Actuarial losses / gains	**(7.6)**	(21.1)	**38.5**	(11.4)	**30.9**	(32.5)
Closing defined benefit obligation	**(379.1)**	(377.5)	**271.0**	237.4	**(108.1)**	(140.1)

The movement for the year in the net pension liability is reflected in Note 30. The above table excludes the pension schemes net pension assets relating to the Press's non-UK Defined Benefit Plans of £1.8m (2020: £0.4m net liability). The non-UK schemes are included in the other pensions disclosure in Note 30.

36 Pension schemes (continued)

The total cost recognised in expenditure was:	2020 £m	2019 £m
Current service cost	**1.4**	1.4
Interest cost	**1.9**	2.2
	3.3	3.6

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

	2020	2019
Equities	**50.2%**	37.5%
Property	**3.2%**	6.7%
Cash and annuities	**4.0%**	0.8%
Diversified growth fund	**20.4%**	35.9%
Diversified credit fund	**17.8%**	19.1%
Corporate Bonds	**4.4%**	0.0%
	100.0%	100.0%

The return on the scheme's assets was:

	2020	2019
Interest Income (£m)	**3.3**	5.2

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 amalgamated in the other pensions disclosure in Note 30. No further disclosures are provided as the balances are not material.

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 2021	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 October 2021	Liability increases by £31m
g) I year increase in term	Liability increases by £31m

37 Principal subsidiary and associated undertakings and other significant investments

The following undertakings were subsidiary and associated undertakings during the year ended 31 July 2021. 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 Education in Singapore Limited	a	Research and development
Cambridge Enterprise Limited		Consultancy and commercial exploitation of intellectual property
IFM Engage Limited (formerly 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		Management and maintenance of the North West Cambridge estate
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	ai	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	aj	Other telecommunication services
Cambridge& Ltd		Promotion of eco-friendly ventures in Cambridge
University of Cambridge Research Services Europe Limited	ak	Research and development
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		

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
OET Global (Aus)	v	Examination services
OET USA LLC	w	Examination services
Cambridge University Press subsidiary undertakings	x	
Cambridge Daigaku Shuppan KK	y	Sales support office for the Japanese market
Cambridge Knowledge (China) Limited	z	Sales support office for the Chinese market
Cambridge University Press (Greece) MEPE	aa	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	ab	Educational book publisher & distributor for Nigeria
Cambridge University Press Operations Limited		Publishing services company
Cambridge University Press Satış ve Dağıtım Ticaret Limited Şirketi	ac	Non-trading
Cambridge University Press Turkey Satış Destek Limited Sirketi	ac	Sales support office for the Turkish market
Cambridge University Press South Africa Proprietary Limited	ad	Academic and educational book publisher & distributor for South Africa
Cambridge Learning Limited		Non-trading
Editorial Edicambridge Cia Ltda	ae	Sales support office for the Ecuadorian market
Digital Services Cambridge Limited		Software development, infrastructure and business services
ELT Trading SA de CV	af	Distribution company (Mexico and Latin America)
HOTmaths Pty Limited	ag	
United Publishers Services Limited	z	Non-trading
Oncoweb Limited		Non-trading intermediate holding company
Cambridge-Obeikan Company Limited	ah	Academic and educational book distributor

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) and Cambridge Boxhill Language Pty Limited are incorporated in Australia.
- n Cambridge Michigan Language Assessment 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 OET Global Aus is incorporated in Australia.
- w OET USA LLC is incorporated in the United States of America.
- x Cambridge University Press subsidiary undertakings formerly had an accounting reference date of 30 April for commercial reasons, with the exceptions of the companies incorporated in India (31 March) Australia (30 June) and Mexico, Ecuador, China, Greece and Saudi Arabia (31 December).
- y Cambridge Daigaku Shuppan KK is incorporated in Japan.
- z Cambridge Knowledge (China) Limited and United Publishers Services Limited are incorporated in Hong Kong.
- aa Cambridge University Press (Greece) MEPE is incorporated in Greece.
- ab Cambridge University Press Nigeria Limited is incorporated in Nigeria.
- ac Cambridge University Press Satış ve Dağıtım Ticaret Limited Şirketi and Cambridge University Press Turkey Satis Destek Limited Sirket are incorporated in Turkey.
- ad Cambridge University Press South Africa Proprietary Limited is a 75% subsidiary incorporated in South Africa.
- ae Editorial Edicambridge Cia Ltda is incorporated in Ecuador.
- af ELT Trading SA de CV is incorporated in Mexico.
- ag HOTmaths Pty Limited is a 65% subsidiary incorporated in Australia.
- ah Cambridge-Obeikan Company Limited is incorporated in Saudi Arabia.
- ai 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.
- aj 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.
- ak University of Cambridge Research Services Europe Limited is incorporated in Republic of Ireland.

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
Cambridge Flow Solutions	**22**	Commercial exploitation of intellectual property
DIOSynvax	**20**	Commercial exploitation of intellectual property
NoBACZ Healthcare	**22**	Commercial exploitation of intellectual property
Polypharmakos	**27**	Commercial exploitation of intellectual property

In addition, at the year end the University held an interest of 30.32% in Cambridge Innovation Capital Limited (formerly 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 Limited 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 2021 includes £8.0m in respect of continuing grants funded by Gatsby of which £0.2m was included in debtors and a further £6.0m of deferred income was included in creditors at the year end. Additionally the University has recognised sales to Gatsby of £16,000.

Cambridge University Students' Union

The President of the Students' Union was also a member of the University's Council for the 2020-21 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 2021, provided a grant of £484,000 and made other payments totalling £29,000 for services provided. The Union made payments to the University totalling £nil for services provided for and £1,000 was included in debtors at year end.

38 Related party transactions (continued)

University of Cambridge Graduate Union

The President of the Graduate Union was also a member of the University’s Council for the 2020-21 financial year. The Union made payments to the University totalling £1,000 for services provided in the year ended 31 July 2021.

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 2021. In 2020-21 the University received payments from the OIS amounting to £1,861,000 relating to contributions to the Vice-Chancellor’s Fund and the Cambridge Admissions Office and £3,279,000 for other services, of which £11,000 was included in debtors at the year end. In addition, services were provided to the University by the OIS during the 2020-21 financial year amounting to £172,000.

Corpus Conferences Ltd

A member of the University's Council was also a Director of Corpus Conferences Ltd during 2020-21 which provides event catering services on behalf of Corpus Christi College. The University made payments to the company for conference-related services amounting to £1,000 during the 2020-21 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 2020-21. The University received research funding of £10,000 during the financial year. In addition, the University provided services to CUHP amounting to £5,000 during the year and £6,000 was included in creditors at 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 2020-21. The University received research funding from the UoS of £360,000 during the financial year of which £46,000 was included in debtors. In addition, the University provided services to the UoS amounting to £11,000 during the year.

Foreign and Commonwealth Office

A member of the University's Council was a Non-Executive Director of the Foreign and Commonwealth Office (FCO) during 2020-21.During the year the University received research funding from FCO amounting to £47,000. Additionally, during the year the University provided other services to FCO amounting to £7,000.

National Institute of Economic and Social Research

A member of the University's Council was a Trustee of the National Institute of Economic and Social Research (NIESR) during 2020-21. The University received research funding from NEISR of £95,000 during the year of which £23,000 was included in debtors and a further £12,000 of deferred income was included in creditors at year end.

Network Rail Limited

A member of the University's Council was a Non-Executive Director of Network Rail during 2020-21. During the year the University received research funding from Network Rail of £6,000 and £6,000 was included in debtors at year end. Additionally the University provided other services to Network Rail amounting to £16,000 of which £5,000 was included in debtors at year end.

Oxford University Press

A member of the University Council during 2020-21 has a close relative who is a Director at Oxford University Press (OUP). During the year the University made payments to OUP of £306,000 for goods and services of which £70,000 was included in creditors at year end. Additionally the University provided services to OUP amounting to £4,000.

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 £80.4m (2020: £77.5m) 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 £17.8m (2020: £26.1m); 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 £5.1m (2020: £5.6m), and the Colleges provided accommodation, catering and other services to the University for which the University paid a total of £4.1m (2020: £9.0m). During the year the Colleges made donations to the University totalling £5.1m (2020: £4.9m).

Current asset investments include £252.8m (2020: £253.9m) held on behalf of 13 (2020: 13) Colleges in the form of CUEF units and deposits (see Note 26), £7.3m (2020: £6.5m) held on behalf of the Isaac Newton Trust in CUEF units and £5.5m (2020: £2.7m) held on behalf of other associated bodies in CUEF units, deposits and cash and cash equivalents.

Colleges Fund	**2021 £m**	2020 £m
Balance at 1 August	**–**	–
Contributions received from Colleges	**5.1**	4.9
Interest earned	**–**	–
Payments to Colleges	**(5.1)**	(4.9)
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 23), 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:

	2021 £m	2020 £m
Investment cash balances	**65.6**	261.9
Trade debtors: invoices receivable	**200.0**	163.9
Research grants recoverable	**118.0**	115.5
Other debtors	**117.0**	113.4
Money market investments	**1,093.4**	937.1
Cash at bank	**167.6**	121.9
Total financial assets exposed to credit risk	**1,761.6**	1,713.7

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.

	2021 £m	2020 £m
Trade and research debtors: outstanding invoices and uninvoiced research grants	**344.7**	299.5
Less: Provision for impairment of receivables	**(26.7)**	(20.1)
	318.0	279.4

Trade debtors that are less than three months past their due date are not considered impaired unless they are included in the specific provision. At 31 July 2021, trade and research grant debtors with a carrying value of £71.5m (2020: £63.7m) were past their due date but not impaired.

	2021 £m	2020 £m
Balances against which a provision has been made	**26.7**	20.1
Uninvoiced research grants recoverable	**71.8**	77.8
Balances not past their due date	**174.6**	137.9
Up to 3 months past due	**44.0**	30.9
3 to 6 months past due	**19.7**	25.2
Over 6 months past due	**7.9**	7.6
	344.7	299.5

Movement on provision for impairment of receivables

	Trade Debtors		Research Debtors		Total	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Opening balance	**8.9**	3.1	**11.2**	10.8	**20.1**	13.9
Provided in year	**2.0**	7.2	**12.1**	10.7	**14.1**	17.9
Balances written off	**(0.7)**	(1.4)	**(6.8)**	(10.3)	**(7.5)**	(11.7)
Closing balance at 31 July	**10.2**	8.9	**16.5**	11.2	**26.7**	20.1

Research debtors included provision for credit note (for disallowed costs, overspend and old awards) of £7.1m (2019-20: 4.6m).

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)		**2021 £m**	2020 £m
AAF/S2		**300.5**	299.8
	Highest / Very High	**-**	-
F1+ / AA-	Highest / Very High	**203.0**	130.8
F1 / A+	Highest / High	**444.2**	452.0
F1 / A	Highest / High	**159.9**	33.1
F1 / A-	Highest / High	**48.5**	50.3
F2 / A	Good / High	**98.0**	80.0
F2 / BBB+	Good / Good	**0.6**	0.1
F3 / BBB	Fair / Good	**0.1**	4.0
	Lower ratings	**6.2**	8.9
		1,261.0	1,059.0

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.

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 2021:					
Bond liabilities	**6.6**	**14.4**	**83.8**	**2,345.0**	**2,449.8**
Derivative financial instruments liability positions	**0.1**	**0.1**	**–**	**–**	**0.2**
Investments held on behalf of others	**3.7**	**262.5**	**–**	**–**	**266.2**
Bank overdraft	**4.7**	**0.1**	**–**	**–**	**4.8**
Finance leases	**–**	**0.2**	**0.2**	**0.8**	**1.2**
Other creditors excluding deferred income	**197.8**	**110.0**	**13.8**	**(0.8)**	**320.8**
Totals at 31 July 2021	**212.9**	**387.3**	**97.8**	**2,345.0**	**3,043.0**
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

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

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

	2021	2020
Pounds Sterling	**56.9%**	55.6%
US Dollar	**37.3%**	37.6%
Euro	**2.2%**	1.4%
Japanese Yen	**1.2%**	3.1%
Other currency	**2.4%**	2.3%
	100.0%	100.0%

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 2021:

	US Dollar $m	**Euro €m**	**US Dollar £m**	**Euro £m**	**Other £m**	**Total £m**
CUEF investment assets excluding currency contracts	**2,878.6**	**263.8**	**2,070.4**	**225.0**	**202.1**	**2,497.5**
CUEF forward currency contracts	**(910.0)**	**(164.6)**	**(654.5)**	**(140.4)**	**(66.9)**	**(861.8)**
Net exposure of CUEF	**1,968.6**	**99.2**	**1,415.9**	**84.6**	**135.2**	**1,635.7**
Exposures outside CUEF:						
Debtors	**64.2**	**33.2**	**46.2**	**28.3**	**29.7**	**104.2**
Cash balances	**30.4**	**9.8**	**21.9**	**8.4**	**44.8**	**75.1**
Creditors including bank and other loans	**(25.9)**	**(9.4)**	**(18.6)**	**(8.0)**	**(25.0)**	**(51.6)**
Forward currency contracts	**(22.7)**	**(9.4)**	**(16.3)**	**(8.0)**	**–**	**(24.3)**
Net exposure	**2,014.6**	**123.4**	**1,449.1**	**105.3**	**184.7**	**1,739.1**

The impact on total recognised gains for the year 2020-21 of additional 10% variations in the principal exchange rates would have been:

	2021 £m
10% US Dollar appreciation	**144.9**
10% Euro appreciation	**10.5**

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:

	2020 £m
10% US Dollar appreciation	125.2
10% Euro appreciation	6.4

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.

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 investments in various fixed income instruments through its investment fund managers. The CUEF held a fixed interest investment in US Treasury notes amounting to £58.7m at 31 July 2021.

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 2021 the University did not directly hold any 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 23.

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 £640.8m (2020: £640.7m, see Note 29) whereas the fair value of the fixed interest bond liabilities at 31 July 2021 was £1,022.9m (2020: £1,103.6m) based on the independent valuations.

The CPI index-linked bond liabilities are measured at fair value at the balance sheet date based on independent valuations. The University sought three estimates from independent institutions to value these Bonds. As the bond operates in a highly illiquid market, valuation of these bonds relies on an estimation of the offer price. Index-linked bond is valued with reference to the market yield on an equivalent duration gilt, adjusting for various spread factors associated with the unique Cambridge bond. Given the lack of direct market data and high degree of estimation, the offer price has shown a large range due to the subjective areas of the spread. The estimate sought from three different institutions has indicated a sensitivity of approximately 15% of the value (with a range of £69.6m) between the highest and lowest valuation. An average price has been used for valuation purposes.

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.

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 2021:		**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
CUEF:	Quoted investments	**455.2**	**–**	**–**	**455.2**
	Unquoted investments	**1,356.7**	**884.8**	**1,041.2**	**3,282.7**
	Derivative financial instruments	**–**	**125.7**	**–**	**125.7**
	Cash in hand and at investment managers	**65.6**	**–**	**–**	**65.6**
Total CUEF net assets		**1,877.5**	**1,010.5**	**1,041.2**	**3,929.2**
	Derivate financial liabilities	**–**	**(129.9)**	**–**	**(129.9)**
Net CUEF assets / liabilities		**1,877.5**	**880.6**	**1,041.2**	**3,799.3**
Other quoted investments		**41.2**	**–**	**–**	**41.2**
Other unquoted investments		**1.2**	**13.2**	**125.4**	**139.8**
Investment properties		**–**	**589.9**	**–**	**589.9**
Money market investments		**138.0**	**–**	**–**	**138.0**
Total investment assets at fair value at 31 July 2021		**2,057.9**	**1,483.7**	**1,166.6**	**4,708.2**

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

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

	2021 £m	2020 £m
Fair value at 1 August	**1,043.4**	71.2
Purchases less sales proceeds	**45.1**	42.0
Total gains / (losses)	**228.9**	(3.9)
Transfers (out) / in of Level 3	**(150.8)**	934.1
Fair value at 31 July	**1,166.6**	1,043.4

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.

42 Reconciliation of Net Debt

An analysis of the movement in net debt for the year ended 31 July 2021 is provided below:

	At 1 August 2020 £m	**Cash changes £m**	**Non-cash changes £m**	**At 31 July 2021 £m**
Cash and cash equivalents (see Note 27)	888.9	**233.5**	**0.6**	**1,123.0**
Money market investments (see Note 26)	170.1	**(32.1)**	**-**	**138.0**
Debt due within one year (see Note 28):				
- Bank overdraft	(2.2)	**(2.6)**	**-**	**(4.8)**
- Finance leases	(0.2)	**0.2**	**(0.1)**	**(0.1)**
Debt due after more than one year (see Note 29):				
- Finance leases	(1.1)	**-**	**0.1**	**(1.0)**
- Bond liabilities (unsecured 2012 fixed interest)	(342.9)	**-**	**(0.1)**	**(343.0)**
- Bond liabilities (unsecured 2018 fixed interest)	(297.8)	**-**	**-**	**(297.8)**
- Bond liabilities (unsecured 2018 index-linked)	(447.0)	**-**	**(17.0)**	**(464.0)**
Net (debt) / Cash	(32.2)	**199.0**	**(16.5)**	**150.3**

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 a point 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 cumulative effects of the fair value adjustment of £167.3m and including the yearly accretion in the value of CPI-linked Bond of £15.6m) of £302.0m is more representative of the underlying cash position of the Group.

43 Post balance sheet events (non adjusting)

The Universities Superannuation Scheme 2020 valuation has now been signed and filed with The Pensions Regulator with an effective date of 1 October 2021. The 2020 Valuation came into effect with a dual rate schedule of contributions ('Leg 1' and 'Leg 2')

- Leg 1 would see a small increase in contribution rates, a longer deficit recovery period and certain changes to benefits as recommended by the Joint Negotiating Committee.
- Leg 2 (which reflects a lower level of employer covenant support) would see more significant increases in contribution rates and a shorter deficit recovery period, and would apply by default if Leg 1 has not been executed by 28 February 2022.

Under both scenarios, the future service cost of funding the current benefits is higher than under the 2018 valuation and the deficit recovery contributions (DRCs) differ in size and duration.

In the Leg 1, current DRCs cease from 1 October 2021 and new DRCs, under the 2020 valuation, commence from 1 April 2022 and transition to a rate of 6.3% of salaries, payable until 31 March 2038.

If Leg 2 were to apply, DRCs commence from 1 October 2022 and transition to a rate of 3% with increases thereafter every 6 months until they reach a rate of 20% at 1 October 2025, remaining at this level until 31 July 2032.

If the 2020 valuation had been completed on or before 31 July 2021, the impact of the 2020 valuation and the resulting amended DRC plans would have been reflected in the accounts for the year ended 31 July 2021. This would have resulted in the reported deficit recovery provision for the University Group being approximately £532m under Leg 1 (an increase of £347m), or approximately £851m under Leg 2 (an increase of £666m) with a corresponding impact of reducing the reported surplus and net assets for the year. All movements to the deficit recovery provision (except interest costs) are taken through staff costs in statement of comprehensive income which is detailed in Note 14.

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 2021. It should be read in conjunction with the consolidated financial statements and related notes.

(a) Summary consolidated statement of comprehensive income (£m)	2021	2020	2019	2018	2017
Total income	**2,176.9**	2,074.9	2,192.0	1,964.8	1,869.9
Total expenditure	**2,073.2**	1,969.8	2,307.5	1,911.1	1,806.5
Surplus / (deficit) before other gains and losses	**103.7**	**105.1**	**(115.5)**	**53.7**	**63.4**
Share of operating surplus in joint ventures	**1.4**	(0.8)	1.5	–	–
Gain on disposal of fixed assets *	**(1.1)**	4.7	–	–	–
Gain / (loss) on investments	**781.6**	(22.3)	235.1	219.0	407.1
Surplus for the year before taxation	**885.6**	**86.7**	**121.1**	**272.7**	**470.5**
Surplus for the year	**883.5**	**84.7**	**117.3**	**269.6**	**466.4**
Actuarial gain / (loss)	**30.0**	(156.8)	(208.2)	122.5	26.3
Other comprehensive income / (expense) for the year	**(2.8)**	(2.8)	–	(1.3)	(0.4)
Total comprehensive income / (expense) for the year	**910.7**	**(74.9)**	**(90.9)**	**390.8**	**492.3**
Represented by:					
Endowment comprehensive income / (expense) for the year	**445.7**	(38.8)	115.6	127.8	208.7
Restricted comprehensive income for the year	**129.0**	126.2	121.5	74.3	49.5
Unrestricted comprehensive income / (expense) for the year	**336.0**	(162.3)	(328.0)	188.7	234.1
	910.7	**(74.9)**	**(90.9)**	**390.8**	**492.3**

Adjusted consolidated statement of comprehensive income					
Surplus for the year	**883.5**	**84.7**	**117.3**	**269.6**	**466.4**
Less: (Gain) / loss on investments	**(781.6)**	22.3	(235.1)	(219.0)	(407.1)
Less: CPI-linked bond fair value adjustment	**17.0**	98.8	51.5	–	–
Less: USS pension deficit recovery reflected in staff costs	**6.1**	(160.4)	230.7	4.5	(1.5)
Less: Harding endowment	**(4.0)**	(15.0)	(41.3)	–	–
Less: Capital grants and donations	**(109.8)**	(120.0)	(107.0)	(75.6)	(80.5)
Adjusted operating surplus / (deficit) for the year	**11.2**	**(89.6)**	**16.1**	**(20.5)**	**(22.7)**

(b) Summary consolidated statement of financial position (£m)	2021	2020	2019	2018	2017
Non-current assets	**7,212.7**	6,511.3	6,528.1	6,106.7	5,805.3
Current assets	**2,005.2**	1,765.1	1,770.4	1,833.8	1,055.6
Total assets	**9,217.9**	**8,276.4**	**8,298.5**	**7,940.5**	**6,860.9**
Current liabilities	**(988.0)**	(966.6)	(1,038.7)	(1,096.8)	(896.0)
Non-current liabilities	**(2,250.4)**	(2,240.8)	(2,115.0)	(1,606.3)	(1,117.8)
Net assets	**5,979.5**	**5,069.0**	**5,144.8**	**5,237.4**	**4,847.1**
Income and expenditure reserve - endowment	**2,378.2**	1,932.5	1,971.3	1,855.7	1,727.9
Income and expenditure reserve - restricted	**182.4**	153.5	128.3	97.9	85.5
Income and expenditure reserve - unrestricted	**3,418.9**	2,983.0	3,045.2	3,283.8	3,033.7
Total reserves	**5,979.5**	**5,069.0**	**5,144.8**	**5,237.4**	**4,847.1**

Net debt	**150.3**	(32.2)	(84.7)	(21.3)	(23.1)
Less: CPI-linked bond fair value adjustment (cumulative adjustment)	**167.3**	150.3	51.5	-	-
Add: accretion of CPI-linked bond (cumulative adjustment)	**(15.6)**	(9.0)	(7.3)	(1.3)	-
Adjusted net cash / (debt)**	**302.0**	**109.1**	**(40.5)**	**(22.6)**	**(23.1)**

(c) Summary consolidated statement of cash flows (£m)	2021	2020	2019	2018	2017
Net cash inflow from operating activities after taxation	**119.2**	123.5	124.4	78.7	77.6
Net cash inflow / (outflow) from investing activities	**85.9**	18.2	(292.6)	(103.3)	(105.2)
Net cash inflow from financing activities	**26.4**	12.5	45.4	598.6	14.6
Increase / (reduction) in cash and cash equivalents in the year	**231.5**	**154.2**	**(122.8)**	**574.0**	**(13.0)**
Cash and cash equivalents at end of the year	**1,118.2**	**886.7**	**732.5**	**855.3**	**281.3**

** 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*
*** Adjusted net debt numbers have been amended for prior years to exclude cumulative fair value adjustment and include accretion of CPI linked bond liability.*

A student walking out of the Senate House after graduation.

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Lloyd Mann – p9, p11, p31
Nathan Pitt – p10
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