



UNIVERSITY OF CAMBRIDGE

2019 FINANCIAL STATEMENTS

Knowledge Bites

29 January 12:30 PM, Cairo room, Greenwich House



David Hughes, Director of Finance

2019 FINANCIAL STATEMENTS



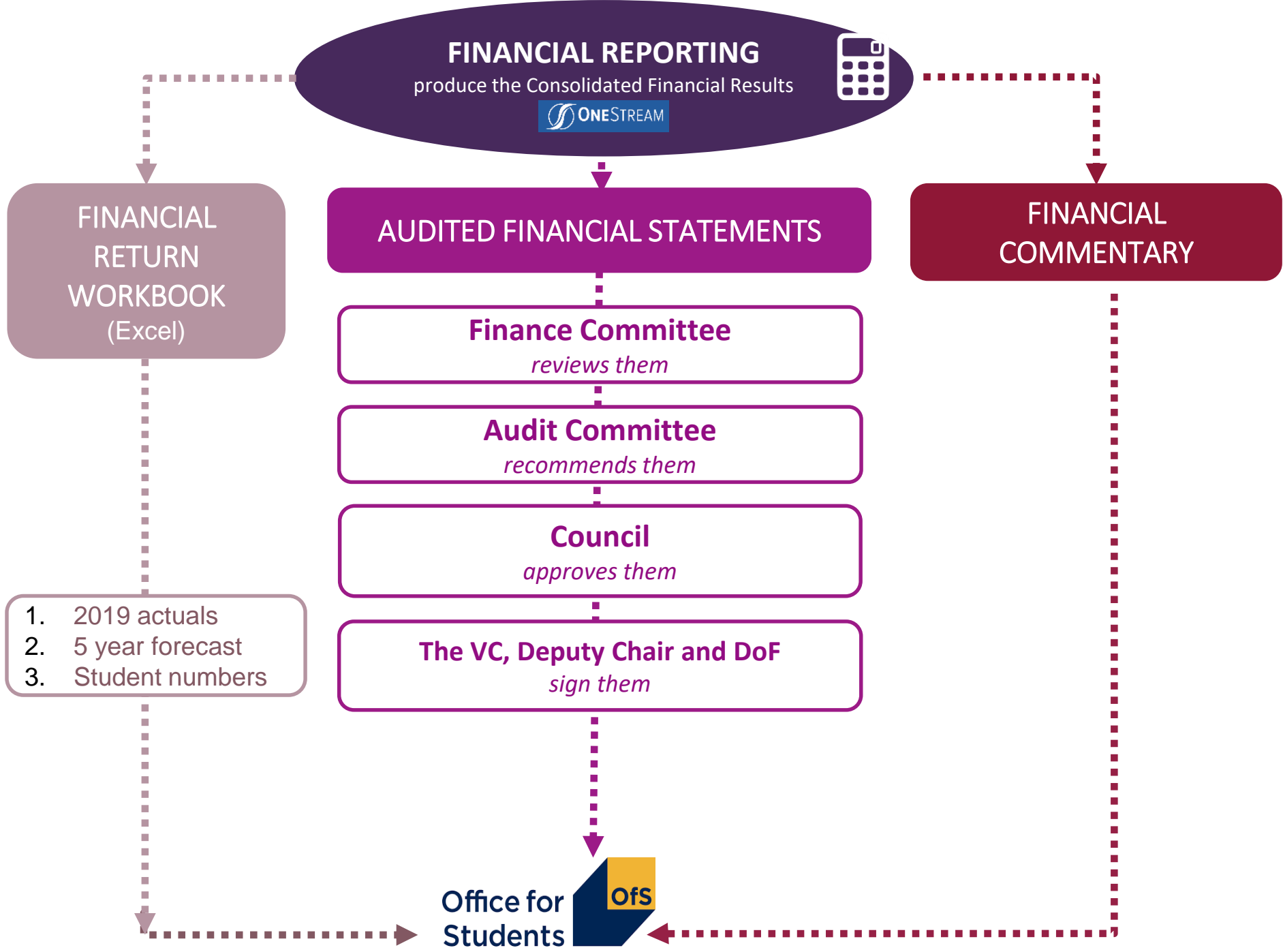
I. Introduction

II. Key areas

III. The core Financial Statements

IV. Q&A





FINANCIAL REPORTING

produce the Consolidated Financial Results



FINANCIAL RETURN WORKBOOK
(Excel)

AUDITED FINANCIAL STATEMENTS

FINANCIAL COMMENTARY

Finance Committee
reviews them

Audit Committee
recommends them

Council
approves them

The VC, Deputy Chair and DoF
sign them

Office for Students
ofs

- 1. 2019 actuals
- 2. 5 year forecast
- 3. Student numbers

TERMINOLOGY

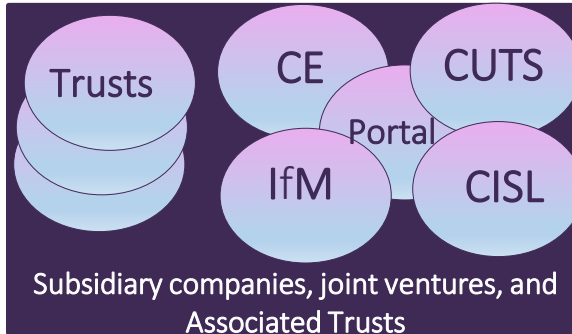
THE COLLEGIATE UNIVERSITY



31 independent affiliated Colleges

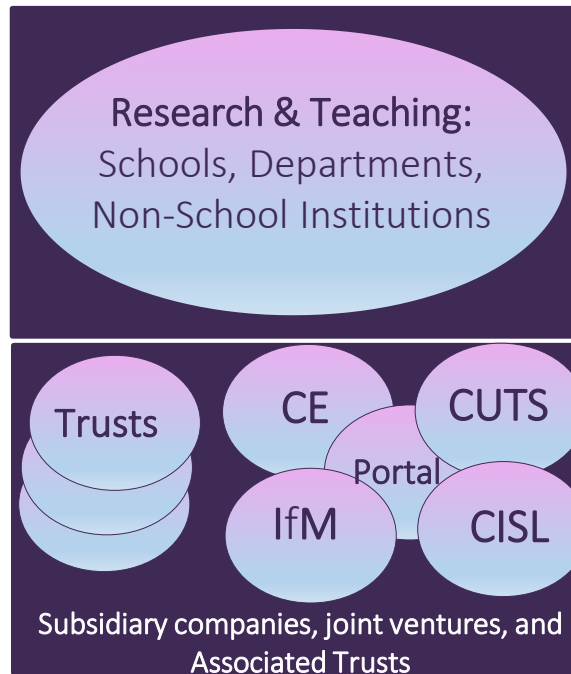
'LITTLE U'

Research & Teaching:
Schools, Departments,
Non-School Institutions

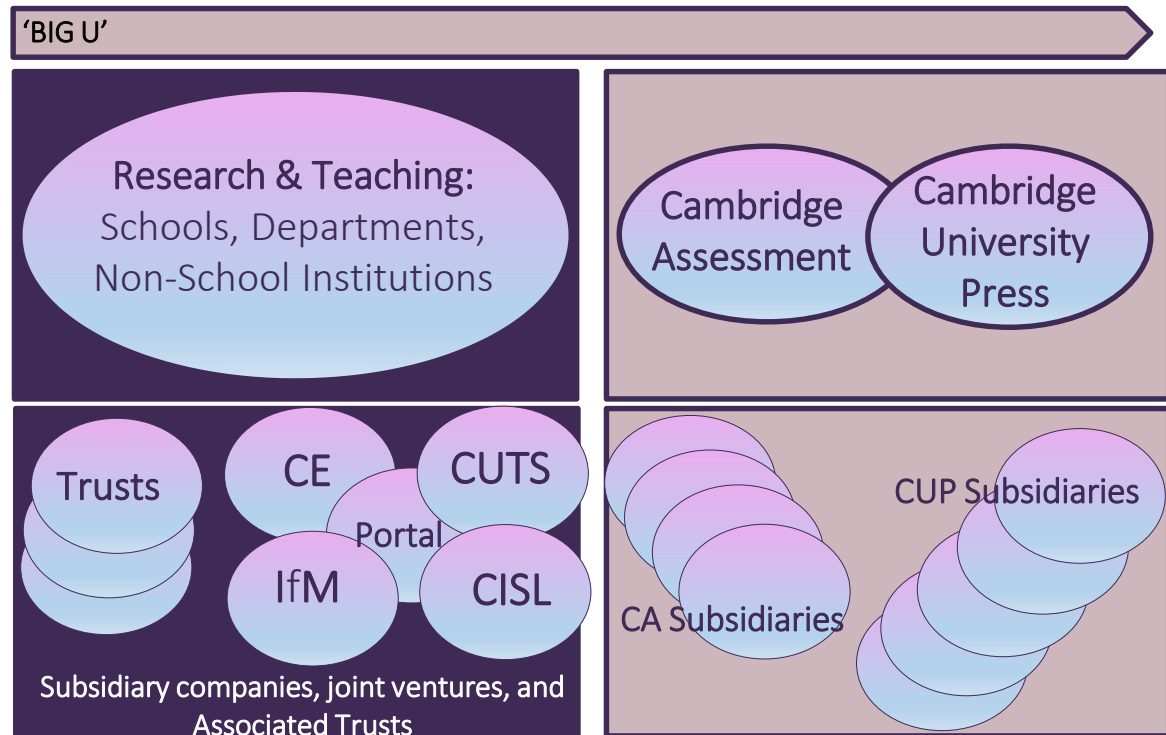


TERMINOLOGY

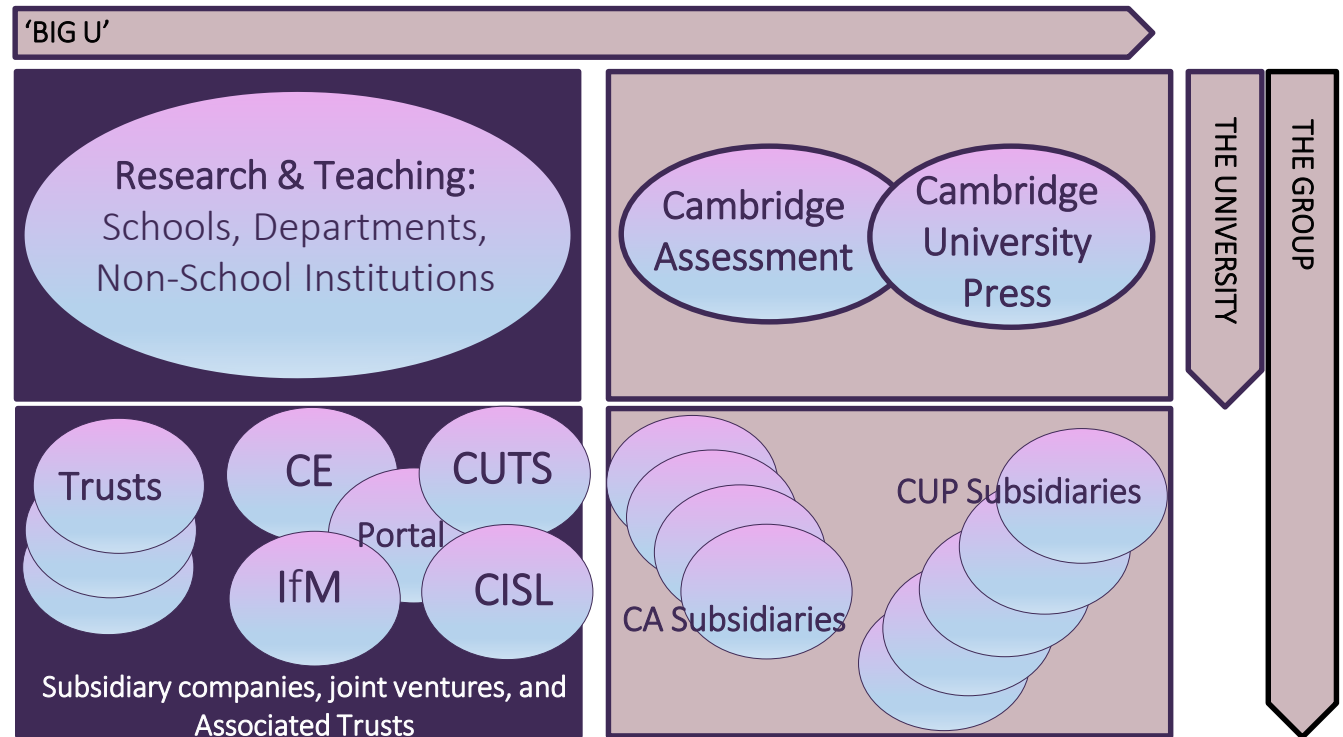
'LITTLE U'



TERMINOLOGY



TERMINOLOGY



FINANCIAL STATEMENTS

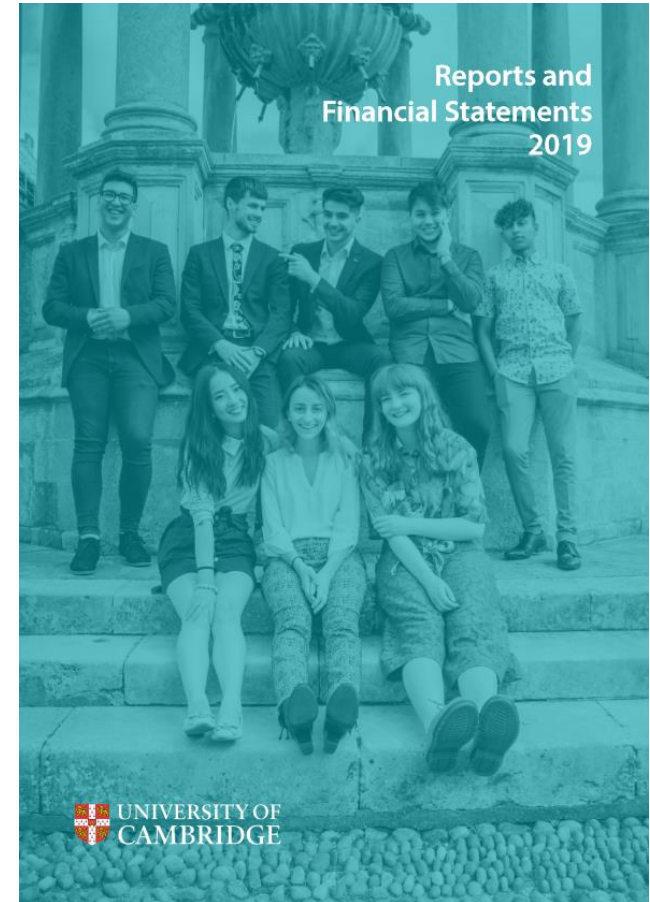
BASIS OF PREPARATION

FRS 102; F&HE SORP and existing OfS accounting directives - no major changes this year

FORMAT

Continue 2018's evolution to a more user friendly / understandable document:

- New overview section (Public Benefit statement)
- Enhanced financial review commentary
- Introduces 'Management Adjusted Surplus'; and
- Historical trend data



OVERVIEW SECTION

A brief overview

Introduction

This overview provides some highlights of University group activities during 2018-19.

Vice-Chancellor's foreword



"Universities are increasingly complex institutions operating in an increasingly complex and regulated environment. We must redouble our efforts in championing our universities, and telling the compelling stories that will persuade our governments and societies of their relevance and enduring value. We must acknowledge the rise of public discontent and look to reaffirm and demonstrate that society's aspirations are closely connected to our own. We must improve the ways we engage and communicate what we do, how we do it and why. We must widen access and participation further, welcoming talent wherever it is from and delivering an outstanding student experience. We must show how we contribute locally, regionally and nationally, where our world-leading research fuels discovery and economic growth, human health and social cohesion.

Collectively, we must prove why our institutions deserve to be cherished rather than chastised."

Professor Stephen Toope
Vice-Chancellor

Financial highlights for the year ended 31 July 2019

The University's audited financial statements for the year ended 31 July 2019 are included after this overview and will be published in the Cambridge University Reporter in December 2019. The following analyses, extracted from those financial statements and the accompanying financial review, summarise the University's sources of income and the factors affecting net assets.

Group Income £2,192m (2018: £1,965m)
- year ended 31 July 2019



Funding body grants	£181.9m
Academic fees and support grants	£320.2m
Research grants and contracts	£592.4m
Examination and assessment services	£478.5m
Publishing services	£334.0m
Other income	£133.4m
Endowment and investment income	£151.6m

Group net assets at 31 July 2019: £5,145m

The Group's net assets totalled £5,145m as at 31 July 2019 (2018: £5,238m). The decrease in net assets largely relates to increased pension liabilities resulting from significant actuarial losses on the Group's contributory pension schemes and changes in the USS deficit funding levels, partly offset by increases in the value of investments and expenditure on fixed assets.

Sir Greg Winter wins the 2018 Nobel Prize in Chemistry



Sir Greg Winter, alumnus and Master of Trinity College (2012-19), was jointly awarded the 2018 Nobel Prize in Chemistry. The award was made for his pioneering work in using phage display for the directed evolution of antibodies, with the aim of producing new pharmaceuticals. The first pharmaceutical based on this method, adalimumab, was approved in 2002 and is used for rheumatoid arthritis, psoriasis and inflammatory bowel diseases. Since then, phage display has produced antibodies that can neutralise toxins, counteract autoimmune diseases and cure metastatic cancer. Sir Greg is a genetic engineer and is best known for his research and inventions relating to humanised and human therapeutic antibodies. His research career has been based almost entirely in Cambridge at the Medical Research Council's Laboratory of Molecular Biology and the Centre for Protein Engineering, and during this time he also founded three biotech companies based on his inventions: Cambridge Antibody Technology (acquired by AstraZeneca), Domantis (acquired by GlaxoSmithKline) and Bicycle Therapeutics.

Wooden skyscrapers could provide a greener alternative to concrete



Recent innovations in engineered timber have laid the foundations for the world's first wooden skyscrapers to appear within a decade, a feat that is not only achievable, according to the Centre for Natural Material Innovation, but one they hope will beckon in an era of sustainable wooden cities. The team based at the Faculty of Architecture includes architects, biochemists, chemists, mathematicians and engineers, who specialise in plant-based material, including cross-laminated timber, arguably the first major structural innovation since the advent of reinforced concrete 150 years ago. Concrete is five times heavier than timber, which means more expense for foundations and transport. It is also resource-intensive, and contributes to tremendous carbon dioxide emissions. The team is researching using plant-based materials as a greener alternative, with buildings sown like seeds and cities harvested as crops, a way of simultaneously addressing climate change and global housing shortages.

'Mini-placentas' could provide a model for early pregnancy



Researchers have developed 'mini-placentas' – a cellular model of the early stages of the placenta – that could provide a window into early pregnancy and help transform our understanding of reproductive disorders. Many pregnancies fail because the embryo does not implant correctly into the lining of the uterus and fails to form a placental attachment to the mother, but we understand little about what normally happens and what can go wrong. In the past few years, a new field of research has blossomed that uses organoids – 'mini-organs' – to study human biology and disease. At Cambridge, one of the world leaders in organoid research, scientists are growing everything from 'mini-brains' to 'mini-livers' to 'mini-lungs'. A team at the Centre for Trophoblast Research has now grown organoids using cells taken from placental tissue. These organoids so closely model the early placenta that they are able to record a positive response on an over-the-counter pregnancy test.



Almost one in five police officers suffers with a form of PTSD

Close to one in five police officers and staff in the UK have symptoms consistent with either post-traumatic stress disorder or what's known as 'complex PTSD' – yet over two-thirds of those suffering are unaware. This is according to early findings from the largest force-wide survey yet undertaken, which focused on police wellbeing and screened for clinical symptoms of both disorders. The research has been conducted by a team of Cambridge sociologists, funded by the charity Police Care UK. The researchers say that overall PTSD rates in law enforcement are almost five times higher than general UK population levels, last estimated at 4.4% in 2014. Less than a third of those who showed signs of either disorder had been informed and understood this to be the case.



FINANCIAL REVIEW

Financial review

Scope of the financial statements

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

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

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 2018-19 academic year. References to the University reflect the teaching and research activities of the University (including 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.

The financial position of the core teaching and research activities of the University (the Academic University) may be seen more

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

The Associated Trusts are separately constituted charities. They are deemed to be subsidiary undertakings of the University since the University appoints the majority of the trustees for each Trust. The purpose of these Trusts is to support the University by enabling persons from both within and outside the United Kingdom to benefit from education at the University through the provision of scholarships and grants.

Public benefit

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

The University reports annually on the ways in which it has delivered charitable purposes for the public benefit. Highlights of its activities over the past year are included in the final Overview for the year ended 31 July 2019.

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 the Annual Review, these Reports and Financial Statements and in the Annual Report of the Council, fully meet the public benefit requirements.

The mission of the University

The mission of the University is to contribute to society through the pursuit of education, learning and research at the highest international levels of excellence. The University makes a significant contribution, through these activities, to the advancement of education, research and dissemination of knowledge.

Research

The Group's 2018-19 research income increased to £592.4m from £524.9m in the previous year, with the single largest contribution being received through Research Councils' grants of £216.6m. Research income from sources other than UK Research Councils was £375.8m. Of this, £160.6m came from UK-based charities, £145.0m from overseas and EU sources and £70.2m from other UK sources. These figures recognise further tranches of a major research donation from the estate of Ray Dolby, in support of the new Cavendish III facilities, where construction is well underway.

The University receives recurrent funding from the UK government in the form of grants for teaching, research and other activities. With effect from 1 April 2018, this function has been undertaken by UK Research and Innovation (UKRI). In 2018-19, the University was also allocated £128.2m of Quality-Related (QR) funding, representing 7.2% of the overall grant award for England.



David and Claudia Harding

Cambridge's place among the world's leading universities through attracting, support and funding the most talented students from all parts of the UK and the world, whatever their background or means.

In aggregate over the period ended 31 July 2019, donations and endowment income totalled £11.4m (2017-18: £63.8m) of which approximately £1m (2017-18: £10m) was of a capital nature (ie. donations for fixed assets and heritage assets).

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. The run rate for philanthropic donations to the collegiate University has now reached an average of £271m p.a. and the £2bn *Dear World Years*

The £100m gift from the David and Claudia Harding Foundation will help to attract the most talented students from the UK and around the world

Cambridge campaign has now delivered £1.6bn in commitments. For the second consecutive year the collegiate University has surpassed £300m in new funds raised. Looking at international competitors' philanthropy programmes, the University remains positive about the further potential to grow donations, with enhanced alignment to academic priorities.

The Group receives and generates significant other income including: property rentals, contributions from

Risk area	Responses and actions
<p>Reputational and financial impact through failure to meet OFS and other stakeholder expectations for widening student access, student dissatisfaction in the quality of their educational experience; failure to recruit the very best undergraduate and postgraduate students; failure to ensure that educational facilities are of an acceptable standard for a world-class educational institution.</p>	<ul style="list-style-type: none"> Implementation of the actions committed to in the University's agreed Access and Participation Plan (2020-21 to 2024-25). Full engagement with Colleges which are responsible for undergraduate admissions. Fundamental experience review of widening participation expenditure and development of new initiatives. Delivery and further development of the Student Support Initiative. Student Recruitment Strategy. Review of curricula and methods of teaching and examination. Launch of the Education Strategy.
<p>Changes to government policy lead to further cuts in financial support and provision for education. Negative outcomes from the ongoing government review of post-18 education and funding in relation to student tuition fees. Negative impact or delays to funding through the formation of UK Research and Innovation, which has brought together the current Research Councils, and the increasing emphasis on national research institutes which might affect restructuring of Research Councils.</p>	<ul style="list-style-type: none"> 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 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.
<p>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.</p> <p>Areas of high risk are: EU Research Funding, Immigration Costs, Staff Counselling, EU Student Recruitment, Student Funding and Communications.</p>	<ul style="list-style-type: none"> The ongoing uncertainties and likely direct and indirect human and financial consequences of the UK's imminent exit from the EU are of significant concern. The University and the HE sector continue to engage with government on all Brexit issues. The University's strategic and operational level Brexit working groups continue to review and develop plans to ensure that the University maintains and enhances its position as the external environment changes. The University has agreed interim measures to support meeting immigration costs for existing EEA staff. Loss of European Research Council (ERC) funding is likely to impact on the University's ability to engage leading researchers. HM Treasury has committed to guarantee existing ERC funding commitments.
<p>Increasingly competitive landscape for all forms of research funding.</p>	<ul style="list-style-type: none"> The University continues to invest significant resources in preparation for the upcoming REF 21 funding round and continues to enhance the capabilities and capacity of its Research Office in support of the ongoing processes for grant application and management. The University has a growing focus on industrial research collaboration with international partners, focusing on finding solutions to the major global challenges.
<p>Significant downturn in financial markets leads to reduced financial strength.</p>	<ul style="list-style-type: none"> The University continues to focus on the optimal management of long term financial sustainability, including stress testing and enhanced contingency planning. The University is actively exploring opportunities to attract new revenue streams, modernise processes to seek cost efficiencies and ensure its capital programme is fully funded ahead of new commitments being made. Over time, more fundamental adjustments to the cost base could be made but would negatively impact on students and research. Likewise capital investment would have to be prioritised on refurbishment over investment. The University is investing further in its Development and Alumni Relations activities. A new campaign with a target to raise £2bn across collegiate Cambridge was launched in October 2015 and has already delivered £1.6bn. This will include areas of substantial new funding. The professionally managed CUIF 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.
<p>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.</p>	<p>Suboptimal management of long-term financial sustainability leads to erosion of financial health with enforced curtailment of investment in the University's primary objectives (both capital and operational requirements) in support of academic teaching and research priorities, leading to an indirect loss of social value.</p>



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INVESTMENT PROPERTIES

VALUATION

- RICS standard external valuation (Gerald Eve)
- NWCD up £44m (model update, Phase 2+land and senior living village)
- Revalued every year = volatile



21 Non-current asset investments (continued)

b) Investment properties

	Group	Group	University	University
	2019	2018	2019	2018
	£m	£m	£m	£m
Opening balance	501.4	407.1	501.4	407.1
Additions in the year	21.0	48.3	21.0	48.3
Disposals in the year	(28.0)	(1.4)	(28.0)	(1.4)
Transfers (to) / from other balance sheet accounts	-	78.5	-	78.5
Net gains / (losses) from fair value adjustments	53.1	(31.1)	53.1	(31.1)
Closing balance	547.5	501.4	547.5	501.4
Represented by:				
North West Cambridge development	362.3	327.2	362.3	327.2
Other investment property	185.2	174.2	185.2	174.2
	547.5	501.4	547.5	501.4

Phase 1 of the North West Cambridge development is complete and includes accommodation for University staff and students, infrastructure and community facilities. The development has been valued as at 31 July 2019 by an external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors. The valuation was prepared in accordance with the requirements of the RICS valuation - Global Standards (July 2017 edition) ("the Standards") published by the Royal Institution of Chartered Surveyors (RICS) and FRS 102. The valuation was undertaken on a fair value basis. The result is a revaluation gain in the carrying value of the investment of £44.5m. This is reflected as a valuation gain on investment and increases the carrying value of the investment from £317.8m to £362.3m. Other investment property is also revalued annually with properties valued in excess of £0.5m undertaken by an independent external valuer and the balance valued internally by the University's own Estates Management team. The annual valuation of these properties has resulted in a gain on investment of £8.6m.

The gain on investments of £235.1m (2018: £219.0) includes investment property gains of £53.1m (2018: £(31.1)m) as shown above, other non current asset investment gains of £181.4m (2018: £250.1m) as shown in Note 21a, primarily relating to the endowment fund and £0.6m (2018: Nil) recognised through current asset investments relating to a specialist fund held with Royal London.



PENSIONS

- USS 2017 modeller; Statutory funding objective: assets match technical provision; shortfall £7bn
- Multi-employer; account as DC; share of deficit recovery provision
- Charge of £230m through staff costs on I&E
- 2018 revaluation PBSE; shortfall halved and our charge reduced to £80m
- FRS102 valuation CPS & others generate net £(208)m actuarial loss at base of I&E
- Enhanced disclosures and sensitivities



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28 Pension liabilities	CPS	Press (UK schemes)	Defined benefit total	USS deficit recovery	Other	Total 2019	Total 2018
Group	£m	£m	£m	£m	£m	£m	£m
Opening balance	442.8	74.0	516.8	118.9	(0.6)	635.1	739.1
Movement in year:							
Current service cost	30.1	1.5	31.6	-	6.0	37.6	35.1
Past service cost	5.8	-	5.8	-	-	5.8	-
Contributions	(28.5)	(4.5)	(33.0)	-	(6.0)	(39.0)	(33.0)
Administration expenses	1.0	-	1.0	-	0.3	1.3	1.0
Interest on liability	12.1	1.9	14.0	2.7	-	16.7	18.2
Currency adjustments	-	-	-	-	-	-	0.1
Net change in underlying assumptions (see Note 13):							
- change in underlying assumptions	-	-	-	230.7	-	230.7	4.5
- USS deficit contributions payable	-	-	-	(5.6)	-	(5.6)	(8.0)
	-	-	-	225.1	-	225.1	(3.5)
Liability on acquisition	-	-	-	0.8	-	0.8	-
Actuarial (gain) / loss	169.7	35.5	205.2	-	0.1	205.3	(121.9)
Closing balance at 31 July	633.0	108.4	741.4	347.5	(0.2)	1,088.7	635.1

34 Pension schemes (continued)

The total Group pension cost for the year (see Note 13) was:

	Employer contributions 2019	Provisions (Note 28) 2019	Total 2019	Employer contributions 2018	Provisions (Note 28) 2018	Total 2018
	£m	£m	£m	£m	£m	£m
USS	91.0	225.1	316.1	97.3	(3.5)	93.8
CPS	25.3	8.4	33.7	29.2	6.1	35.3
PCPF	2.5	(0.8)	1.7	2.2	(0.8)	1.4
PSSPS	2.3	(2.2)	0.1	2.4	(2.2)	0.2
NHSPS	2.3	-	2.3	2.3	-	2.3
Other pension schemes	8.3	0.3	8.6	8.7	0.1	8.8
	131.7	230.8	362.5⁽²⁾	142.1	(0.3)	141.8

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 2019

- a) Impact of a 0.5% p.a. decrease in discount rate
- b) Impact of a 0.5% p.a. increase in salary inflation over duration
- c) Impact of a 0.5% p.a. increase in salary inflation year 1 only
- d) Impact of a 0.5% increase in staff changes year 1 only
- e) Impact of a 0.5% increase in staff changes over duration
- f) Impact of a 1.0% increase in deficit contributions from April 2020
- g) 1 year increase in term

Approximate impact

- Liability increases by £15m
- Liability increases by £15m
- Liability increases by £2m
- Liability increases by £2m
- Liability increases by £15m
- Liability increases by £68m
- Liability increases by £28m

CPI-LINKED BOND

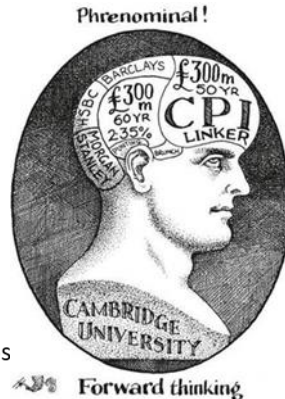
- Treated as complex financial instrument
- Revalued every year to market (Morgan Stanley)
- This year: increase in value of the liability and a £51m interest charge on the income statement

Fixed Rate:

£300m 2.350% 2078
60 year bullet, priced at G+77bps
Yield of 2.364%, proceeds of 99.552

CPI Linked:

£300m 0.25% 2068
CPI 0% - 3% structure
Amortising from year 10
50 year final maturity, priced at G+182bps
Yield of 0.288%, proceeds of 98.893



	Group 2019 £m	Group 2018 £m	University 2019 £m	University 2018 £m
27 Creditors: amounts falling due after more than one year				
Bond liabilities - unsecured 2012 (fixed interest)	342.8	342.6	342.8	342.6
Bond liabilities - unsecured 2018 (fixed interest)	297.8	297.8	297.8	297.8
Bond liabilities - unsecured 2018 (index-linked)	348.2	296.7	348.2	296.7
Finance leases	1.3	1.2	1.3	1.2
Accruals and deferred income	11.5	11.3	1.2	-
	1,001.6	949.6	991.3	938.3

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 Index-linked Bonds (the "Indexed Bonds") due June 2068. The Indexed Bonds were issued at 98.893% of their principal amount. Interest is payable annually in arrears on 27 June each year and commenced on 27 June 2019. The interest charged is calculated as the product of 0.25% p.a. and the Limited Index Ratio. The Indexed Bonds will be redeemed in accordance with the Amortisation Schedule multiplied by the Limited Index Ratio or may be redeemed earlier at the option of the University. The Indexed Bonds are accounted for as complex financial instruments and were initially recognised at fair value at the transaction date which was deemed to be the face value of the Bonds (net of discount) of £296.7m. Transaction costs were immediately expensed on initial recognition of the Bonds. Subsequently the Bonds are re-measured to their fair value at each consecutive reporting date with any increase or decrease in liability recognised through finance costs in the statement of comprehensive income. As at 31 July 2019 the Indexed Bonds were revalued upwards to £348.2m based on an independent valuation from Morgan Stanley, increasing the liability and resulting in a fair value adjustment charge through finance costs of £51.5m.

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

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

Bond liabilities - unsecured 2012 (fixed interest)	13.3	13.2	13.3	13.2
Bond liabilities - unsecured 2018 (fixed interest)	7.1	0.7	7.1	0.7
Bond liabilities - unsecured 2018 (index-linked)	52.3	0.9	52.3	0.9
	72.7	14.8	72.7	14.8

STAFF COSTS

- Staff costs analysis
- VC remuneration and pay ratios
- Salary bandings for higher paid staff (>£100k)
- Basic salary (OfS guidance)
- Fuller Remuneration Report

13 Staff costs

	Group 2019 £m	Group 2018 £m	University 2019 £m	University 2018 £m
Wages and salaries ⁽¹⁾	711.9	640.1	642.1	587.3
Social security costs ⁽¹⁾	60.6	67.7	58.7	63.0
Pension costs:				
Current service cost	131.6	145.3	128.5	139.6
Past service cost	5.8	–	5.8	–
Net change in underlying assumptions in calculating USS deficit recovery provision (see Note 28)	225.1	(3.5)	218.6	(2.5)
Total pension costs ⁽¹⁾ (see Note 34)	362.5	141.8	352.9	137.1
	1,135.0	849.6	1,053.7	787.4
The average number of staff employed in the year, expressed as full-time equivalents, was:	17,083	16,376		

VOLATILITY

- Investment Property
- Pensions
- CPI Bond
- etc.



2019 FINANCIAL STATEMENTS

- I. Introduction
- II. Key areas
- III. The core Financial Statements
- IV. Q&A



INCOME STATEMENT

- Includes capital grants and donations
 - Growth of loss-making activities requires increased cross subsidisation
 - High proportion competitively won
 - Consolidates CUP/CA (surplus used for capex)
 - Excludes CUEF distributions from capital
-
- Total Comprehensive Income includes significant, unrealised items that swing +/- from year to year over time (CUEF, pensions, inv. properties, CPI bond)



INCOME STATEMENT

- Includes capital grants and donations
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- Consolidates CUP/CA (surplus used for capex)
- Excludes CUEF distributions from capital
- Total Comprehensive Income includes significant, unrealised items that swing +/- from year to year over time (CUEF, pensions, inv. properties, CPI bond)

Statements of comprehensive income for the year ended 31 July 2019

	Group	Group	University	University	
	Year ended	Year ended	Year ended	Year ended	
Note	31 July 2019	31 July 2018	31 July 2019	31 July 2018	
	£m	£m	£m	£m	
Income					
Tuition fees and education contracts	5	320.2	295.1	306.1	283.0
Funding body grants	6	181.9	173.6	181.9	173.6
Research grants and contracts	7	592.4	524.9	582.9	515.5
Examination and assessment services	8	478.5	432.5	393.7	360.4
Publishing services		334.0	313.0	300.8	275.6
Donations and endowments	9	111.4	63.8	121.1	62.9
Other income	10	133.4	142.1	128.6	127.2
Investment income	11	40.2	19.8	22.6	16.3
Total income	12	2,192.0	1,964.8	2,037.7	1,814.5
Expenditure					
Staff costs					
- Excluding impact of USS deficit recovery	13	904.3	845.1	829.6	782.2
- USS deficit recovery	13	230.7	4.5	224.1	5.2
		1,135.0	849.6	1,053.7	787.4
Other operating expenses	14	969.6	933.5	876.6	845.1
Depreciation	14, 19	111.7	94.4	109.2	93.6
Interest and other finance costs	14, 15	91.2	33.6	91.1	33.5
Total expenditure		2,307.5	1,911.1	2,130.6	1,759.6
Surplus before other gains and losses and share of surplus / (deficit) in joint ventures and associates					
Share of operating surplus in joint ventures and associates	10	(115.5)	53.7	(92.9)	54.9
Gain on investments	21b	1.5	-	-	-
Surplus before tax		235.1	219.0	198.5	166.6
Taxation	16	121.1	272.7	105.6	221.5
		(3.8)	(3.1)	(1.5)	(2.2)
Surplus for the year	32	117.3	269.6	104.1	219.3
Other comprehensive income					
Actuarial gain / (loss)	28, 29	(208.2)	122.5	(207.9)	122.5
Gain / (loss) arising on foreign currency translation		1.9	(2.9)	0.9	(2.3)
Profit on acquisition of Foundation	35	-	1.6	-	-
Loss on deconsolidation of Trust	35	(1.9)	-	-	-
Total comprehensive income / (expense) for the year	32	(90.9)	390.8	(102.9)	339.5
Represented by:					
Endowment comprehensive income for the year	30	115.6	127.8	112.0	112.6
Restricted comprehensive income for the year	31	121.5	74.3	121.4	74.5
Unrestricted comprehensive income for the year	32	(328.0)	188.7	(336.3)	152.4
		(90.9)	390.8	(102.9)	339.5



INCOME STATEMENT

➤ Income up 12%

GROWING INCOME (COMPLEXITY & CROSS-SUBSIDISATION)

Year Ended 31 July	2014	2015	2016	2017	2018	2019
Total Income £m	1,504	1,722	1,799	1,870	1,965	2,192

£181.9m	Funding Body Grants
£320.2m	Academic Fees and Support Grants
£592.4m	Research Grants and Contracts
£478.5m	Examination and assessment Services
£334m	Publishing Services
£133.4m	Other Income
£151.6m	Endowment and Investment Income



Statements of comprehensive income for the year ended 31 July 2019

Note	Group	Group	University	University	
	Year ended 31 July 2019	Year ended 31 July 2018	Year ended 31 July 2019	Year ended 31 July 2018	
	£m	£m	£m	£m	
Income					
	5	320.2	295.1	306.1	283.0
	6	181.9	173.6	181.9	173.6
	7	592.4	524.9	582.9	515.5
	8	478.5	432.5	393.7	360.4
		334.0	313.0	300.8	275.6
	9	111.4	63.8	121.1	62.9
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	11	40.2	19.8	22.6	16.3
	12	2,192.0	1,964.8	2,037.7	1,814.5
Expenditure					
		904.3	845.1	829.6	782.2
	13	230.7	4.5	224.1	5.2
		1,135.0	849.6	1,053.7	787.4
	14	969.6	933.5	876.6	845.1
	14, 19	111.7	94.4	109.2	93.6
	14, 15	91.2	33.6	91.1	33.5
		2,307.5	1,911.1	2,130.6	1,759.6
Surplus before other gains and losses and share of surplus / (deficit) in joint ventures and associates					
		(115.5)	53.7	(92.9)	54.9
	10	1.5	-	-	-
	21b	235.1	219.0	198.5	166.6
		121.1	272.7	105.6	221.5
	16	(3.8)	(3.1)	(1.5)	(2.2)
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Other comprehensive income					
	28, 29	(208.2)	122.5	(207.9)	122.5
		1.9	(2.9)	0.9	(2.3)
	35	-	1.6	-	-
	35	(1.9)	-	-	-
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		(90.9)	390.8	(102.9)	339.5

INCOME STATEMENT

➤ Income up 12% but expenditure growing faster

Statements of comprehensive income for the year ended 31 July 2019

	Group Year ended Note 31 July 2019	Group Year ended 31 July 2018	University Year ended 31 July 2019	University Year ended 31 July 2018
	£m	£m	£m	£m
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Tuition fees and education contracts	5 320.2	295.1	306.1	283.0
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INCOME STATEMENT

- Income up 12% but expenditure growing faster
- Deficit before other gains and losses of £(115)m

Statements of comprehensive income for the year ended 31 July 2019

Note	Group	Group	University	University	
	Year ended 31 July 2019	Year ended 31 July 2018	Year ended 31 July 2019	Year ended 31 July 2018	
	£m	£m	£m	£m	
Income					
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INCOME STATEMENT

- Income up 12% but expenditure growing faster
- Deficit before other gains and losses of £(115)m
- Main change is USS provision – highlighted

Statements of comprehensive income for the year ended 31 July 2019

	Group Year ended Note 31 July 2019	Group Year ended 31 July 2018	University Year ended 31 July 2019	University Year ended 31 July 2018
	£m	£m	£m	£m
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INCOME STATEMENT

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- Interest includes £21m bond interest and CPI revaluation

Statements of comprehensive income for the year ended 31 July 2019

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- Main change is USS provision – highlighted
- Interest includes £21m bond interest and CPI revaluation
- Gain on investment CUEF £160m and Inv. Prop £53m

Statements of comprehensive income for the year ended 31 July 2019

Note	Group	Group	University	University	
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- Interest includes £21m bond interest and CPI revaluation
- Gain on investment CUEF £160m and Inv. Prop £53m
- Actuarial loss on pensions CPS £(208)m

Statements of comprehensive income for the year ended 31 July 2019

Note	Group	Group	University	University	
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- Gain on investment CUEF £160m and Inv. Prop £53m
- Actuarial loss on pensions CPS £(208)m
- Comprehensive *Expense* of £(91)m marked change from recent years

Statements of comprehensive income for the year ended 31 July 2019

Note	Group	Group	University	University	
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		1,135.0	849.6	1,053.7	787.4
Other operating expenses	14	969.6	933.5	876.6	845.1
Depreciation	14, 19	111.7	94.4	109.2	93.6
Interest and other finance costs	14, 15	91.2	33.6	91.1	33.5
Total expenditure		2,307.5	1,911.1	2,130.6	1,759.6
Surplus before other gains and losses and share of surplus / (deficit) in joint ventures and associates					
Share of operating surplus in joint ventures and associates	10	(115.5)	53.7	(92.9)	54.9
Gain on investments	21b	1.5	-	-	-
Surplus before tax		235.1	219.0	198.5	166.6
Taxation	16	(121.1)	272.7	(105.6)	221.5
Surplus for the year	32	(3.8)	(3.1)	(1.5)	(2.2)
Other comprehensive income					
Actuarial gain / (loss)	28, 29	117.3	269.6	104.1	219.3
Gain / (loss) arising on foreign currency translation	28, 29	(208.2)	122.5	(207.9)	122.5
Profit on acquisition of Foundation	35	1.9	(2.9)	0.9	(2.3)
Loss on deconsolidation of Trust	35	-	1.6	-	-
Total comprehensive income / (expense) for the year	32	(1.9)	390.8	(102.9)	339.5
Represented by:					
Endowment comprehensive income for the year	30	115.6	127.8	112.0	112.6
Restricted comprehensive income for the year	31	121.5	74.3	121.4	74.5
Unrestricted comprehensive income for the year	32	(328.0)	188.7	(336.3)	152.4
		(90.9)	390.8	(102.9)	339.5



Appendix 1



- Unrealised G/L on investments, FV adj of CPI bond & actuarial G/L on pensions fluctuate year on year

41 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 2019. It should be read in conjunction with the consolidated financial statements and related notes.

	2019	2018	2017	2016	2015
(a) Summary consolidated statement of comprehensive income (£m)					
Total income	2,192.0	1,964.8	1,869.9	1,799.6	1,721.6
Total expenditure	2,307.5	1,911.1	1,806.5	1,733.8	1,682.7
Surplus before other gains and losses	(115.5)	53.7	63.4	65.8	38.9
Share of operating surplus in joint ventures	1.5	–	–	–	–
Gain on investments	235.1	219.0	407.1	221.8	329.2
Surplus before tax	121.1	272.7	470.5	287.6	368.1
Surplus for the year	117.3	269.6	466.4	284.6	355.9
Actuarial gain/(loss)	(208.2)	122.5	26.3	(182.2)	(13.2)
Other comprehensive income for the year	–	(1.3)	(0.4)	9.6	(3.6)
Total comprehensive income for the year	(90.9)	390.8	492.3	112.2	339.1
Represented by:					
Endowment comprehensive income for the year	115.6	127.8	208.7	105.2	151.7
Restricted comprehensive income for the year	121.5	74.3	49.5	65.8	86.4
Unrestricted comprehensive income for the year	(328.0)	188.7	234.1	(58.8)	101.0
	(90.9)	390.8	492.3	112.2	339.1
Adjusted consolidated statement of comprehensive income					
Surplus for the year	117.3	269.6	466.4	284.6	355.9
Less: Gain on investments	(235.1)	(219.0)	(407.1)	(221.8)	(329.2)
Less: CPI-Linked Bond fair value adjustment	51.5	–	–	–	–
Less: USS pension deficit recovery reflected in staff costs	230.7	4.5	(1.5)	17.6	62.3
Less: Hardening endowment	(41.3)	–	–	–	–
Less: Capital grants and donations	(107.0)	(75.6)	(80.5)	(105.4)	(92.6)
Adjusted surplus / (deficit) for the year	16.1	(20.5)	(22.7)	(25.0)	(3.6)
(b) Summary consolidated balance sheets (£m)					
Non-current assets	6,528.1	6,106.7	5,805.3	5,293.9	4,902.0
Current assets	1,770.4	1,833.8	1,055.6	990.8	982.7
Total assets	8,298.5	7,940.5	6,860.9	6,284.7	5,884.7
Current liabilities	(1,038.7)	(1,096.8)	(896.0)	(792.3)	(712.7)
Non-current liabilities	(2,115.0)	(1,606.3)	(1,117.8)	(1,137.6)	(929.4)
Net assets	5,144.8	5,237.4	4,847.1	4,354.8	4,242.6
Income and expenditure reserve - endowment	1,971.3	1,855.7	1,727.9	1,519.2	1,414.0
Income and expenditure reserve - restricted	128.3	97.9	85.5	79.2	81.9
Income and expenditure reserve - unrestricted	3,045.2	3,283.8	3,033.7	2,756.4	2,746.7
Total reserves	5,144.8	5,237.4	4,847.1	4,354.8	4,242.6
(c) Summary consolidated statement of cash flows (£m)					
Net cash inflow from operating activities	124.4	78.7	77.6	51.4	20.3
Net cash outflow from investing activities	(294.3)	(103.3)	(105.2)	(101.5)	(13.2)
Net cash inflow/(outflow) from financing activities	47.1	599.6	14.6	14.8	(4.8)
Increase/(reduction) in cash and cash equivalents in the year	(122.8)	574.0	(13.0)	(35.3)	2.3
Cash and cash equivalents at end of the year	732.5	855.3	281.3	294.3	329.6



Appendix 1

- Unrealised G/L on investments, FV adj of CPI bond & actuarial G/L on pensions fluctuate year on year
- University considers best measure of underlying recurrent operating performance to be the *adjusted operating surplus*
- Finely balanced, with deficits on core teaching and research offset by CUP/CA
- Operating cash flow also supported by CUEF distribution from long term capital growth

41 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 2019. It should be read in conjunction with the consolidated financial statements and related notes.

(a) Summary consolidated statement of comprehensive income (£m)	2019	2018	2017	2016	2015
Total income	2,192.0	1,964.8	1,869.9	1,799.6	1,721.6
Total expenditure	2,307.5	1,911.1	1,806.5	1,733.8	1,682.7
Surplus before other gains and losses	(115.5)	53.7	63.4	65.8	38.9
Share of operating surplus in joint ventures	1.5	–	–	–	–
Gain on investments	235.1	219.0	407.1	221.8	329.2
Surplus before tax	121.1	272.7	470.5	287.6	368.1
Surplus for the year	117.3	269.6	466.4	284.6	355.9
Actuarial gain/(loss)	(208.2)	122.5	26.3	(182.2)	(13.2)
Other comprehensive income for the year	–	(1.3)	(0.4)	9.6	(3.6)
Total comprehensive income for the year	(90.9)	390.8	492.3	112.2	339.1
Represented by:					
Endowment comprehensive income for the year	115.6	127.8	208.7	105.2	151.7
Restricted comprehensive income for the year	121.5	74.3	49.5	65.8	86.4
Unrestricted comprehensive income for the year	(328.0)	188.7	234.1	(58.8)	101.0
	(90.9)	390.8	492.3	112.2	339.1
Adjusted consolidated statement of comprehensive income					
Surplus for the year	117.3	269.6	466.4	284.6	355.9
Less: Gain on investments	(235.1)	(219.0)	(407.1)	(221.8)	(329.2)
Less: CPI-Linked Bond fair value adjustment	51.5	–	–	–	–
Less: USS pension deficit recovery reflected in staff costs	230.7	4.5	(1.5)	17.6	62.3
Less: Harding endowment	(41.3)	–	–	–	–
Less: Capital grants and donations	(107.0)	(75.6)	(80.5)	(105.4)	(92.6)
Adjusted surplus / (deficit) for the year	16.1	(20.5)	(22.7)	(25.0)	(3.6)
(b) Summary consolidated balance sheets (£m)	2019	2018	2017	2016	2015
Non-current assets	6,528.1	6,106.7	5,805.3	5,293.9	4,902.0
Current assets	1,770.4	1,833.8	1,055.6	990.8	982.7
Total assets	8,298.5	7,940.5	6,860.9	6,284.7	5,884.7
Current liabilities	(1,038.7)	(1,096.8)	(896.0)	(792.3)	(712.7)
Non-current liabilities	(2,115.0)	(1,606.3)	(1,117.8)	(1,137.6)	(929.4)
Net assets	5,144.8	5,237.4	4,847.1	4,354.8	4,242.6
Income and expenditure reserve - endowment	1,971.3	1,855.7	1,727.9	1,519.2	1,414.0
Income and expenditure reserve - restricted	128.3	97.9	85.5	79.2	81.9
Income and expenditure reserve - unrestricted	3,045.2	3,283.8	3,033.7	2,756.4	2,746.7
Total reserves	5,144.8	5,237.4	4,847.1	4,354.8	4,242.6
(c) Summary consolidated statement of cash flows (£m)	2019	2018	2017	2016	2015
Net cash inflow from operating activities	124.4	78.7	77.6	51.4	20.3
Net cash outflow from investing activities	(294.3)	(103.3)	(105.2)	(101.5)	(13.2)
Net cash inflow/(outflow) from financing activities	47.1	593.6	14.6	14.8	(4.8)
Increase/(reduction) in cash and cash equivalents in the year	(122.8)	574.0	(13.0)	(35.3)	2.3
Cash and cash equivalents at end of the year	732.5	855.3	281.3	294.3	329.6



Appendix 1

- Unrealised G/L on investments, FV adj of CPI bond & actuarial G/L on pension
- Univ of up performance oper
- Fine core by C
- Oper by CU term capital growth

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 2019. It should be read in conjunction with the consolidated financial statements and related notes.

(a) Summary consolidated statement of comprehensive income (£m)	2019	2018	2017	2016	2015
Total income	2,192.0	1,964.8	1,869.9	1,799.6	1,721.6
Total expenditure	2,307.5	1,911.1	1,806.5	1,733.8	1,682.7
Surplus before other gains and losses	(115.5)	53.7	63.4	65.8	38.9
Share of operating surplus in joint ventures	1.5	–	–	–	–
Gain on investments	235.1	219.0	407.1	221.8	329.2
Surplus before tax	121.1	272.7	470.5	287.6	368.1
Surplus for the year	117.3	269.6	466.4	284.6	355.9
Actuarial gain/(loss)	(208.2)	122.5	26.3	(182.2)	(13.2)
Other comprehensive income for the year	–	(1.3)	(9.4)	9.8	(3.6)
Total comprehensive income for the year	(90.9)	390.8	492.3	112.2	339.1

(a) Summary consolidated statement of comprehensive income (£m)

	2019	2018	2017	2016	2015
Total comprehensive income for the year	(90.9)	390.8	492.3	112.2	339.1

Adjusted consolidated statement of comprehensive income

Surplus for the year	117.3	269.6	466.4	284.6	355.9
Less: Gain on Investments	(235.1)	(219.0)	(407.1)	(221.8)	(329.2)
Less: CPI-Linked Bond fair value adjustment	51.5	–	–	–	–
Less: USS pension deficit recovery reflected in staff costs	230.7	4.5	(1.5)	17.6	62.3
Less: Harding endowment	(41.3)	–	–	–	–
Less: Capital grants and donations	(107.0)	(75.6)	(80.5)	(105.4)	(92.6)
Adjusted surplus / (deficit) for the year	16.1	(20.5)	(22.7)	(25.0)	(3.6)

Total reserves	5,144.8	5,237.4	4,847.1	4,354.8	4,242.6
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(c) Summary consolidated statement of cash flows (£m)

	2019	2018	2017	2016	2015
Net cash inflow from operating activities	124.4	78.7	77.6	51.4	20.3
Net cash outflow from investing activities	(294.3)	(103.3)	(105.2)	(101.5)	(13.2)
Net cash inflow/(outflow) from financing activities	47.1	599.6	14.6	14.8	(4.8)
Increase/(reduction) in cash and cash equivalents in the year	(122.8)	574.0	(13.0)	(35.3)	2.3
Cash and cash equivalents at end of the year	732.5	855.3	281.3	294.3	329.6



BALANCE SHEET

Balance sheets as at 31 July 2019

➤ I&E deficit leads to reduction in Net Assets

£m, as of 31 July	2014	2015	2016	2017	2018	2019
Fixed Assets	1,276	1,414	2,389	2,632	2,693	2,760
Investments	2,503	2,779	2,904	3,173	3,413	3,767
Current Assets	813	890	991	1,055	1,834	1,770
Total Assets	4,592	5,083	6,284	6,860	7,940	8,297
Other Liabilities	(656)	(741)	(831)	(932)	(1,131)	(1,075)
Pension Liability	(417)	(439)	(756)	(739)	(635)	(1,088)
Bond	(342)	(342)	(342)	(342)	(937)	(989)
Net Assets	3,177	3,561	4,355	4,847	5,237	5,145

Non-current assets

Note	Group 31 July 2019 £m	Group 31 July 2018 £m	University 31 July 2019 £m	University 31 July 2018 £m	
Intangible assets and goodwill	18	87.1	63.5	84.8	62.6
Fixed assets	19	2,601.4	2,559.3	2,595.8	2,554.6
Heritage assets	20	72.0	70.6	72.0	70.6
Investment - other investments	21a	3,210.2	2,904.9	2,634.4	2,345.8
Investments - investment property	21b	547.5	501.4	547.5	501.4
Investments in joint ventures	21a	9.4	6.5	0.5	-
Investments in associates	21a	0.5	0.5	0.9	0.9
		6,528.1	6,106.7	5,935.9	5,535.9

Current assets

Stocks and work in progress	22	52.7	47.4	49.9	40.8
Trade and other receivables	23	463.2	418.2	469.7	424.2
Investments	24	522.0	498.9	1,100.0	1,063.3
Cash and cash equivalents	25	732.5	869.3	667.4	815.5
		1,770.4	1,833.8	2,287.0	2,343.8

Creditors: amounts falling due within one year

	26	(1,038.7)	(1,096.8)	(1,594.7)	(1,651.3)
Net current assets		731.7	737.0	692.3	692.5

Total assets less current liabilities

		7,259.8	6,843.7	6,628.2	6,228.4
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Creditors: amounts falling due after more than one year

	27	(1,001.6)	(949.6)	(991.3)	(938.3)
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Pension liabilities

	28	(1,088.7)	(635.1)	(1,077.6)	(631.0)
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Other retirement benefits liabilities

	29	(24.7)	(21.6)	(24.7)	(21.6)
Total net assets		5,144.8	5,237.4	4,534.6	4,637.5

Restricted reserves

Income and expenditure reserve - endowment	30	1,971.3	1,855.7	1,673.9	1,561.9
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Income and expenditure reserve - restricted	31	128.3	97.9	127.3	97.0
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Unrestricted reserves

Income and expenditure reserve - unrestricted	32	3,045.2	3,283.8	2,733.4	2,978.6
Total reserves		5,144.8	5,237.4	4,534.6	4,637.5



BALANCE SHEET

Balance sheets as at 31 July 2019

- I&E deficit leads to reduction in Net Assets
- Increase in Investments

	Group	Group	University	University	
Note	31 July 2019	31 July 2018	31 July 2019	31 July 2018	
	£m	£m	£m	£m	
Non-current assets					
Intangible assets and goodwill	18	87.1	63.5	84.8	62.6
Fixed assets	19	2,601.4	2,559.3	2,595.8	2,554.6
Maritime assets	20	72.0	70.6	72.0	70.6
Investment - other investments	21a	3,210.2	2,904.9	2,634.4	2,345.8
Investments - investment property	21b	547.5	501.4	547.5	501.4
Investments in joint ventures	21a	9.4	6.5	0.5	-
Investments in associates	21a	0.5	0.5	0.9	0.9
		6,528.1	6,106.7	5,935.9	5,535.9
Current assets					
Stocks and work in progress	22	52.7	47.4	49.9	40.8
Trade and other receivables	23	463.2	418.2	469.7	424.2
Investments	24	522.0	498.9	1,100.0	1,063.3
Cash and cash equivalents	25	732.5	869.3	667.4	815.5
		1,770.4	1,833.8	2,287.0	2,343.8
Creditors: amounts falling due within one year	26	(1,038.7)	(1,096.8)	(1,594.7)	(1,651.3)
Net current assets		731.7	737.0	692.3	692.5
Total assets less current liabilities		7,259.8	6,843.7	6,628.2	6,228.4
Creditors: amounts falling due after more than one year	27	(1,001.6)	(949.6)	(991.3)	(938.3)
Pension liabilities	28	(1,088.7)	(635.1)	(1,077.6)	(631.0)
Other retirement benefits liabilities	29	(24.7)	(21.6)	(24.7)	(21.6)
Total net assets		5,144.8	5,237.4	4,534.6	4,637.5
Restricted reserves					
Income and expenditure reserve - endowment	30	1,971.3	1,855.7	1,673.9	1,561.9
Income and expenditure reserve - restricted	31	128.3	97.9	127.3	97.0
Unrestricted reserves					
Income and expenditure reserve - unrestricted	32	3,045.2	3,283.8	2,733.4	2,978.6
Total reserves		5,144.8	5,237.4	4,534.6	4,637.5

BALANCE SHEET

Balance sheets as at 31 July 2019

- I&E deficit leads to reduction in Net Assets
- Increase in Investments
- Growth in Fixed Assets

	Group	Group	University	University	
	31 July	31 July	31 July	31 July	
Note	£m	£m	£m	£m	
Non-current assets					
Intangible assets and goodwill	18	87.1	63.5	84.8	62.6
Fixed assets	19	2,601.4	2,559.3	2,595.8	2,554.6
Heritage assets	20	72.0	70.6	72.0	70.6
Investment - other investments	21a	3,210.2	2,904.9	2,634.4	2,345.8
Investments - investment property	21b	547.5	501.4	547.5	501.4
Investments in joint ventures	21a	9.4	6.5	0.5	-
Investments in associates	21a	0.5	0.5	0.9	0.9
		6,528.1	6,106.7	5,935.9	5,535.9
Current assets					
Stocks and work in progress	22	52.7	47.4	49.9	40.8
Trade and other receivables	23	463.2	418.2	469.7	424.2
Investments	24	522.0	498.9	1,100.0	1,063.3
Cash and cash equivalents	25	732.5	869.3	667.4	815.5
		1,770.4	1,833.8	2,287.0	2,343.8
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Net current assets		731.7	737.0	692.3	692.5
Total assets less current liabilities		7,259.8	6,843.7	6,628.2	6,228.4
Creditors: amounts falling due after more than one year	27	(1,001.6)	(949.6)	(991.3)	(938.3)
Pension liabilities	28	(1,088.7)	(635.1)	(1,077.6)	(631.0)
Other retirement benefits liabilities	29	(24.7)	(21.6)	(24.7)	(21.6)
Total net assets		5,144.8	5,237.4	4,534.6	4,637.5
Restricted reserves					
Income and expenditure reserve - endowment	30	1,971.3	1,855.7	1,673.9	1,561.9
Income and expenditure reserve - restricted	31	128.3	97.9	127.3	97.0
Unrestricted reserves					
Income and expenditure reserve - unrestricted	32	3,045.2	3,283.8	2,733.4	2,978.6
Total reserves		5,144.8	5,237.4	4,534.6	4,637.5



BALANCE SHEET

Balance sheets as at 31 July 2019

- I&E deficit leads to reduction in Net Assets
- Increase in Investments
- Growth in Fixed Assets
- >£1bn liabilities on Pensions

	Group	Group	University	University	
Note	31 July 2019	31 July 2018	31 July 2019	31 July 2018	
	£m	£m	£m	£m	
Non-current assets					
Intangible assets and goodwill	18	87.1	63.5	84.8	62.6
Fixed assets	19	2,601.4	2,559.3	2,595.8	2,554.6
Heritage assets	20	72.0	70.6	72.0	70.6
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Investments - investment property	21b	547.5	501.4	547.5	501.4
Investments in joint ventures	21a	9.4	6.5	0.5	-
Investments in associates	21a	0.5	0.5	0.9	0.9
		6,528.1	6,106.7	5,935.9	5,535.9
Current assets					
Stocks and work in progress	22	52.7	47.4	49.9	40.8
Trade and other receivables	23	463.2	418.2	469.7	424.2
Investments	24	522.0	498.9	1,100.0	1,063.3
Cash and cash equivalents	25	732.5	869.3	667.4	815.5
		1,770.4	1,833.8	2,287.0	2,343.8
Creditors: amounts falling due within one year	26	(1,038.7)	(1,096.8)	(1,594.7)	(1,651.3)
Net current assets		731.7	737.0	692.3	692.5
Total assets less current liabilities		7,259.8	6,843.7	6,628.2	6,228.4
Creditors: amounts falling due after more than one year	27	(1,001.6)	(949.6)	(991.3)	(938.3)
Pension liabilities	28	(1,088.7)	(635.1)	(1,077.6)	(631.0)
Other retirement benefits liabilities	29	(24.7)	(21.6)	(24.7)	(21.6)
Total net assets		5,144.8	5,237.4	4,534.6	4,637.5
Restricted reserves					
Income and expenditure reserve - endowment	30	1,971.3	1,855.7	1,673.9	1,561.9
Income and expenditure reserve - restricted	31	128.3	97.9	127.3	97.0
Unrestricted reserves					
Income and expenditure reserve - unrestricted	32	3,045.2	3,283.8	2,733.4	2,978.6
Total reserves		5,144.8	5,237.4	4,534.6	4,637.5

BALANCE SHEET

Balance sheets as at 31 July 2019

- I&E deficit leads to reduction in Net Assets
- Increase in Investments
- Growth in Fixed Assets
- >£1bn liabilities on Pensions
- >£1bn liabilities on External Borrowings

	Group	Group	University	University	
Note	31 July 2019	31 July 2018	31 July 2019	31 July 2018	
	£m	£m	£m	£m	
Non-current assets					
Intangible assets and goodwill	18	87.1	63.5	84.8	62.6
Fixed assets	19	2,601.4	2,559.3	2,595.8	2,554.6
Heritage assets	20	72.0	70.6	72.0	70.6
Investment - other investments	21a	3,210.2	2,904.9	2,634.4	2,345.8
Investments - investment property	21b	547.5	501.4	547.5	501.4
Investments in joint ventures	21a	9.4	6.5	0.5	-
Investments in associates	21a	0.5	0.5	0.9	0.9
		6,528.1	6,106.7	5,935.9	5,535.9
Current assets					
Stocks and work in progress	22	52.7	47.4	49.9	40.8
Trade and other receivables	23	463.2	418.2	469.7	424.2
Investments	24	522.0	498.9	1,100.0	1,063.3
Cash and cash equivalents	25	732.5	869.3	667.4	815.5
		1,770.4	1,833.8	2,287.0	2,343.8
Creditors: amounts falling due within one year	26	(1,038.7)	(1,096.8)	(1,594.7)	(1,651.3)
Net current assets		731.7	737.0	692.3	692.5
Total assets less current liabilities		7,259.8	6,843.7	6,628.2	6,228.4
Creditors: amounts falling due after more than one year	27	(1,001.6)	(949.6)	(991.3)	(938.3)
Pension liabilities	28	(1,088.7)	(635.1)	(1,077.6)	(631.0)
Other retirement benefits liabilities	29	(24.7)	(21.6)	(24.7)	(21.6)
Total net assets		5,144.8	5,237.4	4,534.6	4,637.5
Restricted reserves					
Income and expenditure reserve - endowment	30	1,971.3	1,855.7	1,673.9	1,561.9
Income and expenditure reserve - restricted	31	128.3	97.9	127.3	97.0
Unrestricted reserves					
Income and expenditure reserve - unrestricted	32	3,045.2	3,283.8	2,733.4	2,978.6
Total reserves		5,144.8	5,237.4	4,534.6	4,637.5

CASH FLOW

- Modest surplus from Group operating activities (consolidates CUP/CA)
- Significant net outflow from Capital activities
- Continued draw on University unrestricted resources



CASH FLOW

	Note	Group Year ended 31 July 2019 £m	Group Year ended 31 July 2018 £m
Cash flow from operating activities			
Surplus for the year		117.3	269.6
Adjustments for non-cash items:			
Depreciation	14, 19	111.7	94.4
Amortisation of intangible assets	18	17.0	33.3
Gain on investments		(235.1)	(217.1)
Decrease / (increase) in stocks and work in progress	22	(5.3)	2.2
Increase in trade and other receivables		(45.0)	(38.1)
Increase in creditors		56.7	23.4
Revision of deficit recovery cost recognised in the year	13, 28	230.7	4.5
Other pension costs less contributions payable	28	17.6	13.3
Other retirement benefit costs less contributions payable	29	(0.3)	(0.2)
Receipt of donated assets	20	(1.4)	(3.3)
Currency adjustments		(1.9)	2.9
Adjustments for investing or financing activities:			
Investment income	11	(40.2)	(19.8)
Interest payable	15	73.9	14.8
New endowments	9	(66.8)	(21.6)
Capital grants and donations		(107.0)	(75.6)
Share of joint venture and associates net surplus	10	(1.5)	(1.9)
Loss / (gain) on the sale of fixed assets	10	0.2	(3.9)
Other		3.8	1.8
Net cash inflow from operating activities		124.4	78.7
Cash flows from investing activities			
Capital grants and donations		107.0	75.6
Proceeds from sales of fixed assets		0.0	8.8
Proceeds of sales: North West Cambridge		26.8	–
Proceeds from sales of other non-current asset investments		140.9	185.5
Net acquisitions of other current asset investments		(113.1)	(12.0)
Investment income	11	40.2	19.8
Payments made to acquire intangible assets	18	(40.3)	(20.6)
Payments made to acquire fixed assets		(166.9)	(230.6)
Payments made to acquire heritage assets	20	–	–
Payments made to acquire other non-current asset investments		(269.4)	(81.2)
Dividend payment to non-controlling interest	32	(1.7)	(0.5)
Payments made re North West Cambridge development costs		(17.8)	(48.1)
Net cash outflow from investing activities		(294.3)	(103.3)
Cash flows from financing activities			
New endowments	9	66.8	21.6
Bond proceeds		–	593.6
Interest paid		(21.0)	(13.8)
Capital element of finance lease proceeds / (repayments)	26, 27	1.3	(1.3)
Repayments of loans	26, 27	–	(1.5)
Net cash inflow from financing activities		47.1	598.6
Increase/ (reduction) in cash and cash equivalents in the year		(122.8)	574.0
Cash and cash equivalents at beginning of the year		855.3	281.3
Cash and cash equivalents at end of the year		732.5	855.3
Represented by:			
Cash and cash equivalent assets	25	732.5	869.3
Bank overdrafts	26	–	(14.0)
		732.5	855.3



CASH FLOW

➤ 2018 dominated by Bond proceeds

Note	Group Year ended 31 July 2019 £m	Group Year ended 31 July 2018 £m
Cash flow from operating activities		
Surplus for the year		
	117.3	269.6
Adjustments for non-cash items:		
Depreciation	14, 19	111.7
Amortisation of intangible assets	18	17.0
Gain on investments		(235.1)
Decrease / (increase) in stocks and work in progress	22	(5.3)
Increase in trade and other receivables		(45.0)
Increase in creditors		56.7
Revision of deficit recovery cost recognised in the year	13, 28	230.7
Other pension costs less contributions payable	28	17.6
Other retirement benefit costs less contributions payable	29	(0.3)
Receipt of donated assets	20	(1.4)
Currency adjustments		(1.9)
Adjustments for investing or financing activities:		
Investment income	11	(40.2)
Interest payable	15	73.9
New endowments	9	(66.8)
Capital grants and donations		(107.0)
Share of joint ventures and associates net surplus	10	(1.5)
Loss / (gain) on the sale of fixed assets	10	0.2
Other		3.8
	3.8	1.8
Net cash inflow from operating activities		
	124.4	78.7
Cash flows from investing activities		
Capital grants and donations		107.0
Proceeds from sales of fixed assets		0.0
Proceeds of sales: North West Cambridge		26.8
Proceeds from sales of other non-current asset investments		140.9
Net acquisitions of other current asset investments		(113.1)
Investment income	11	40.2
Payments made to acquire intangible assets	18	(40.3)
Payments made to acquire fixed assets		(166.9)
Payments made to acquire heritage assets	20	-
Payments made to acquire other non-current asset investments		(269.4)
Dividend payment to non-controlling interest	32	(1.7)
Payments made re North West Cambridge development costs		(17.8)
	(17.8)	(48.1)
Net cash outflow from investing activities		
	(294.3)	(103.3)
Cash flows from financing activities		
New endowments	9	66.8
Bond proceeds		-
Interest paid		(21.0)
Capital element of finance lease proceeds / (repayments)	26, 27	1.3
Repayments of loans	26, 27	-
	1.3	(1.5)
Net cash inflow from financing activities		
	47.1	598.6
Increase/ (reduction) in cash and cash equivalents in the year		
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	732.5	855.3

CASH FLOW

- 2018 dominated by Bond proceeds
- 2019 £(122)m outflow includes temporary investment of bond proceeds

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	117.3	269.6
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Cash and cash equivalents at beginning of the year	855.3	281.3
Cash and cash equivalents at end of the year	732.5	855.3
Represented by:		
Cash and cash equivalent assets	25	732.5
Bank overdrafts	26	-
		(14.0)
	732.5	855.3

CASH FLOW

- 2018 dominated by Bond proceeds
- 2019 £(122)m outflow includes temporary investment of bond proceeds
- Best measure of operating cash flow is £124m

Note	Group Year ended 31 July 2019 £m	Group Year ended 31 July 2018 £m
Cash flow from operating activities		
Surplus for the year		
	117.3	269.6
Adjustments for non-cash items:		
Depreciation	14, 19	111.7
Amortisation of intangible assets	18	17.0
Gain on investments		(235.1)
Decrease / (increase) in stocks and work in progress	22	(5.3)
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Capital grants and donations		(107.0)
Share of joint venture and associates net surplus	10	(1.5)
Loss / (gain) on the sale of fixed assets	10	0.2
Other		3.8
		1.8
Net cash inflow from operating activities	124.4	78.7
Cash flows from investing activities		
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Bank overdrafts	26	-
		869.3
		(14.0)
		732.5
		855.3



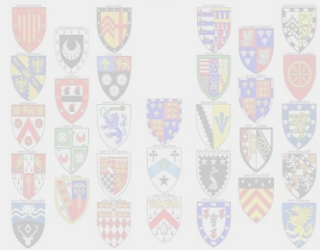
CASH FLOW

- 2018 dominated by Bond proceeds
- 2019 £(122)m outflow includes temporary investment of bond proceeds
- Best measure of operating cash flow is £124m
- Consolidates Press and Assessment

Note	Group Year ended 31 July 2019 £m	Group Year ended 31 July 2018 £m
Cash flow from operating activities		
Surplus for the year		
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Adjustments for non-cash items:		
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	732.5	855.3



ACADEMIC UNIVERSITY

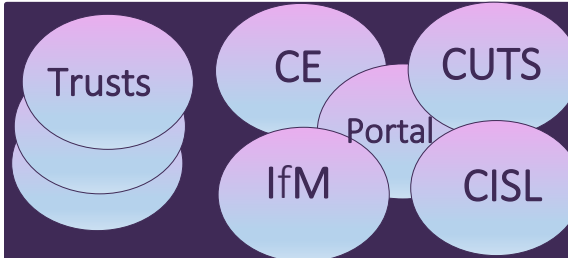


31 independent affiliated Colleges

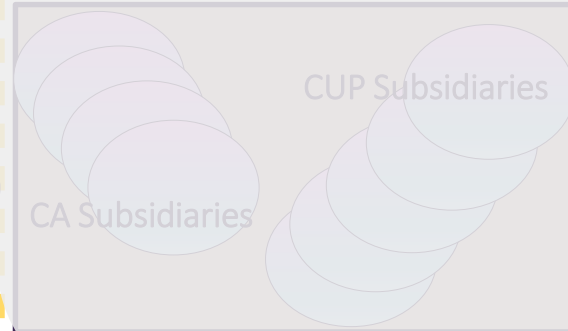
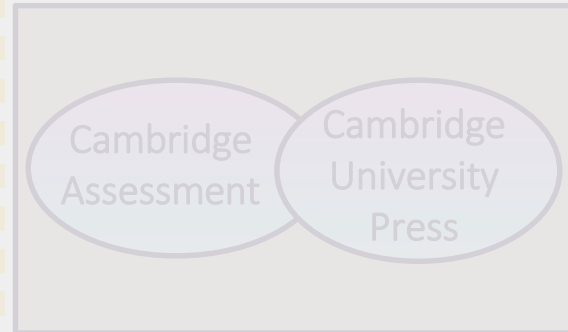
'LITTLE U'

'BIG U'

Research & Teaching:
Schools, Departments,
Non-School Institutions



Subsidiary companies, joint ventures, and
Associated Trusts

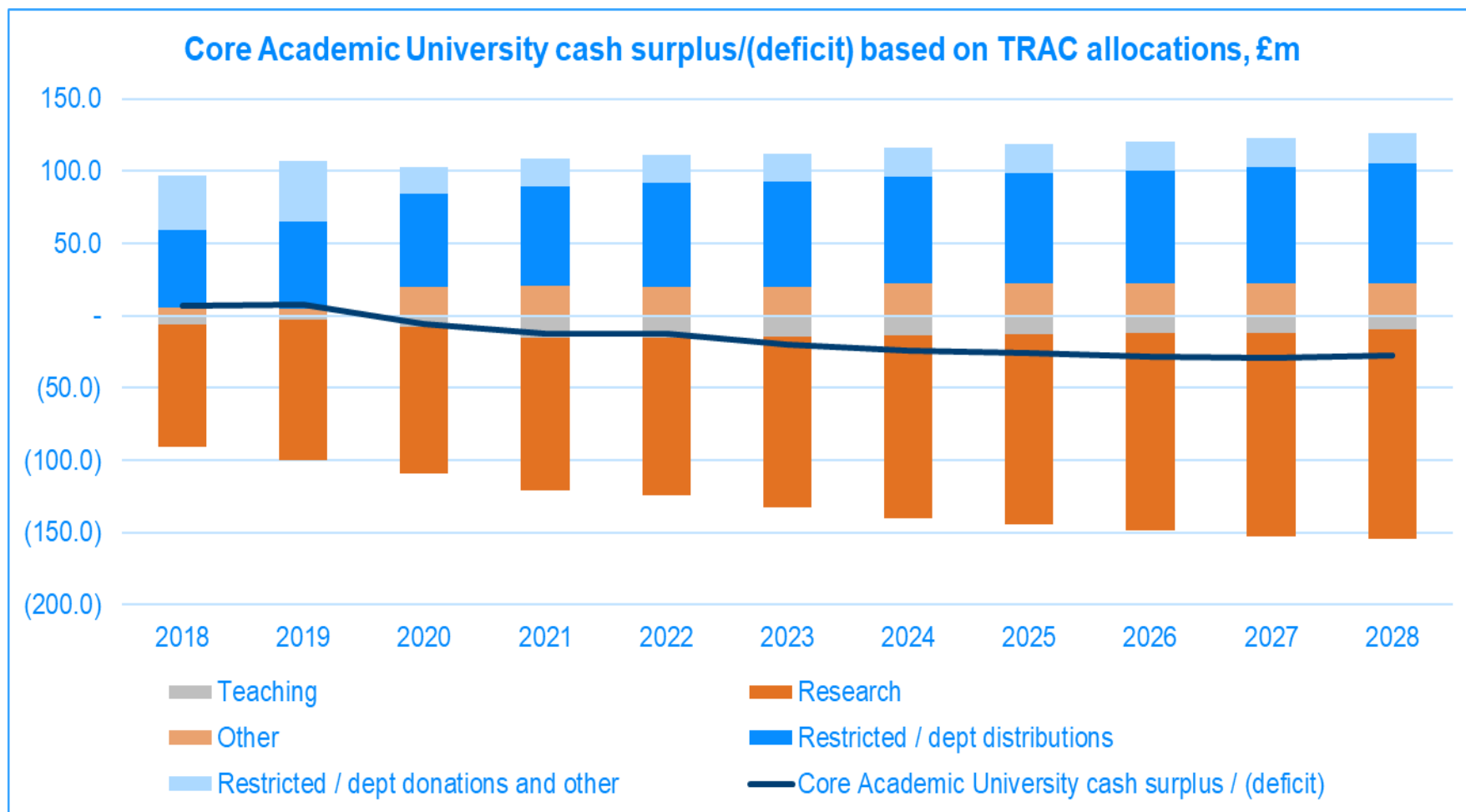


THE UNIVERSITY

THE GROUP



TEN YEAR CORE CASH FLOW



IMPROVING OUR POSITION

Short-term responses:

- Deliver committed 2019/20 Budget savings
- Capital programme prioritisation / pause
- Balance timing of commitments / mitigation of risk (Brexit, Pensions, Post 18 review, CUEF)

Mid-term options increasing income / improving efficiencies:

- Strategic review of Size & Shape – Student #, Mix, PGT, Exec Ed, etc.
- Educational space
- Operational improvements:

*our*cambridge

- Information & incentives (RAM review)
- Research recoveries
- Substitutional philanthropy
- Financial systems / information / planning
- Review of Procurement
- End to end process efficiencies

- Workforce flexibility

Big U support over long-term:

- Additional funds from surpluses rebuilt by Assessment & Press
- Increased / aligned philanthropy
- Sales of illiquid assets (subject to strategic assessment)
- Revenue generation from Bond funded projects in non-operational estate



SUMMARY – IT'S COMPLICATED!

University financials are complex: a financial balancing act to maintain

Core activities are loss making, so we cross-subsidise (CUEF)

We have also been committing to high levels of capex on projects after grants and donations.
Central, liquid funds could become exhausted

A diversified revenues & strong Balance Sheet will allow us to manage risk / uncertainty better than most

To be sustainable, must match costs and revenues over time, generating surplus for maintenance, renewal, replacement and capital investment

Capex financed from donations, grants, CUP/CA & unrestricted reserves

We are targeting a number of short and long term actions to improve the position

We must invest in people & estate to attract students, faculty and funding

We maximise impact not revenue / profit

With unconstrained growth in non-fully-funded research, and declining operating margins / cost growth ahead of revenues, Little U is now budgeting a net operating cash flow deficit (post drawdown).

External finance helps us address housing issues; Policy to invest in revenue generating projects, adding value (not compete for resource with core academic activities / infrastructure)



2019 FINANCIAL STATEMENTS

- I. Introduction
- II. Key areas
- III. The core Financial Statements
- IV. Q&A





UNIVERSITY OF CAMBRIDGE

2019 FINANCIAL STATEMENTS

Knowledge Bites

29 January 12:30 PM, Cairo room, Greenwich House



David Hughes, Director of Finance