

Homerton College

Annual Report and Financial Statements

30 June 2018

Charity Registration Number 1137497

Reference and administrative information

Reports

Reference and administrative information	2
Trustees' report (incorporating the operating and financial review)	4
Corporate governance statement	14
Statement of internal control	15
Statement of Council's responsibilities	16
Independent auditor's report	17

Financial statements

Consolidated Statement of Comprehensive Income and Expenditure	20
Consolidated statement of changes in reserves	21
Balance sheets	22
Consolidated statement of cash flows	23
Principal accounting policies	24
Notes to the financial statements	30

Reference and administrative information

Registered address	Hills Road Cambridge CB2 8PH
Charity registration number	1137497
Members of Council (Trustees)	
Ex officio Members	
Principal	Prof Geoffrey Ward
Vice Principal	Dr William Foster
Senior Tutor	Dr Penelope Barton
Bursar	Ms Deborah Griffin
Elected Fellows	
(for 3 year terms to 30 September)	Dr Katherine Boyle (2017) Dr Daniel Trocmé-Latter (2017) Dr Karthik Depuru-Mohan (2017) Dr Melanie Keene (2018) Dr André Neves (2018) Mr Stephen Watts (2019) Dr Michelle Oyen (resigned April 2018) Dr Timos Kipouros (2019) Dr Simone Hochgreb (2020) Paul Warwick (2020) Dr Louise Joy (2020 – 2 nd term) Mr Matthew Moss (2021 – 2 nd term)
Student Members (not Trustees)	
JCR President	Ms Miranda Hewkin Smith
MCR President	Ms Ezra Aydin

Reference and administrative information

Senior Officers

Head of House	Prof Geoffrey Ward
Vice Principal	Dr William Foster
Senior Tutor	Dr Penelope Barton
Bursar	Ms Deborah Griffin
Admissions Tutor	Mr Stephen Watts
Graduate Tutor	Dr Melanie Keene

Secretary to the Governing Body
and Council

Dr Simon Wadsley

Auditor

Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Bankers

Lloyds Bank plc
Endeavour House
Chivers Way
Histon
Cambridge
CB24 9ZR

Solicitors

Taylor Vinters LLP
Merlin Place
Milton Road
Cambridge
CB4 0DP

Property advisers

Carter Jonas
1 Station Square
Cambridge
CB1 2GA

Investment managers

Rothschild Wealth Management (UK) Limited
New Court
St Swithin's Lane
London
EC4N 8AL

SCOPE OF THE FINANCIAL STATEMENTS

The trustees of Homerton College ('the College') present their report incorporating the operating and financial review, together with the audited financial statements for the year ended 30 June 2018. These cover the consolidated operations of Homerton College and its subsidiaries. The financial statements have been prepared in accordance with the accounting policies set out on pages 24 to 29 and comply with applicable laws, the requirements of the Recommended Cambridge College Accounts (RCCA), the Statement of Recommended Practice: Accounting for Further and Higher Education (2015), and FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

GOVERNANCE AND ORGANISATIONAL STRUCTURE

Homerton College is an Independent College of the University of Cambridge. The College is governed by its Royal Charter and its Statutes and Ordinances, which may be found on the College website.

The Fellows of the College comprise the Governing Body which has the "ultimate authority in the government of the College as a place of education, religion, learning and research", and its powers are set out in the Charter and Statutes. The College Council is established by the Governing Body to exercise on its behalf such powers as are set out in the Statutes and Ordinances, other than those reserved for exercise by the Governing Body itself.

The members of the Council are deemed to be the trustees of the College for the purpose of charity law, and its composition is set out on page 2. A number of committees have been established to advise the Council in carrying out its duties, and these are set out in the Corporate Governance Statement on pages 14 and 15.

A number of subsidiaries and other significant investments have been established to undertake trading operations for the benefit of the College (see also note 12):

- ◆ Colophon Limited undertakes commercial conferences and also operates the College bar.
- ◆ HBC 1 Limited and Colokate LLP were incorporated during 2013-14 in order to facilitate the development of the residential element of Homerton Business Centre which is adjacent to the main College site.

AIMS AND OBJECTIVES OF THE COLLEGE

The objects of the College, as set out in its Royal Charter, are:

- a. for the public benefit to advance education, religion, learning and research within the University of Cambridge;
- b. for the public benefit to provide for persons, who shall be members of the University, a College wherein they may work for degrees of the University of Cambridge.

PUBLIC BENEFIT

In setting the objectives and planning the activities of the College, the Council has given careful consideration to the Charity Commission's general guidance on public benefit.

Education

Student membership of the College was as follows:

Academic year ended 30 June	2016	2017	2018
Undergraduates	546	557	564
Postgraduate Certificate in Education (PGCE) students	207	187	181
Higher Degree students - Full time	149	150	158
- Part time	255	217	215
Total	1,157	1,111	1,118

Student support

The College commits to offering places to applicants from a broad range of backgrounds who may have received very variable preparation at school. An extended induction for incoming first years was introduced in 2017 and the number of students offered pre-sessionals in mathematics for non-maths courses increased.

Through a scheme operated in common with the University and other Cambridge colleges, the College provides bursary support to undergraduates and PGCE students of limited financial means. The Cambridge Bursary Scheme is approved by the Office of Fair Access (OFFA) and provides benefits at substantially higher level than the minimum OFFA requirement. During the year, 150 (2016-17: 144) Homerton students benefited from the scheme, to the value of £445,127 (2016-17: £400,349).

The College also operates its own Hardship Fund and awards a number of other grants (including research grants for postgraduate students), as well as prizes for academic achievement. The total cost of such financial support was £219,697 (2016-17: £211,761).

All undergraduate students have a Tutor for pastoral support - there is also a Graduate Tutor, PGCE Tutor and Part-time Graduate Tutor for graduate students. The College runs a Personal Development Programme open to all undergraduate and graduate students. Examples of recent sessions include:

- Presentation Skills II
- Team Work Training
- Exam and Revision Preparation workshop
- Interview Skills
- Referencing, Plagiarism and Dissertation Skills
- A Less Anxious Approach: Perfectionism, Procrastination and the Growth Mindset

PUBLIC BENEFIT (continued)

Education (continued)

Student support (continued)

All undergraduates have a Director of Studies who meet with and monitor student's Academic development. One-to-one support is available for any student who requires assistance with writing skills, maths support or time management and personal organisation. During the year subject dinners are held bringing together undergraduates, postgraduates, Fellows and staff, and in some cases, alumni to further discussion and discourse on their respective subjects.

The College also employs a Nurse and Counsellor to provide onsite care for students.

Outreach and access

The College is concerned to ensure that the benefits of the education provided by the College are, and are understood to be, open to talented applicants from every background. To raise educational aspiration and attract outstanding applicants who might not have otherwise considered applying to Cambridge and Homerton College, the College employs a full-time Schools Liaison Officer. In 2017/18, the Schools Liaison Officer was employed on a part time basis. The Schools Liaison Officer, in consultation with the Admissions Tutors, operates an extensive outreach programme of visits to schools, visits by schools to the College and open days. During the year, 1,272 (2016-17: 1,252) students from 233 (2016-17: 129) schools visited the College and a further 2,135 students from 120 (2016-17: 252) schools were visited by the Schools Liaison Officer. This includes 277 students from 170 schools who attended a Summer School or other residential event hosted by the College.

Extra-curricular activities

Homerton students are encouraged to participate in a wide range of activities both College-based and in the wider University. A total of 63 (2016-17: 64) representation awards of £200 recognised the contribution of our students across activities in sport, music, drama, charities and other student societies.

Rowing continues to be a sport where Homertonians achieve with three women in the Blues boat that won the University Boat Race and a participant in the men's lightweights that also won on the day.

Homerton 250

The College has been celebrating in 2018, 250 years since its first permanent home in 1768, in Homerton High Street in London. A series of events throughout the Academic Year which culminates in a Festival and concert in Michelmas term 2018 has been used to raise the profile of the College and highlight our history and the work we do in education and research. The opening event not only unveiled the Henry Moore sculpture but also celebrated two sculptures by Harry Gray commissioned as part of the Homerton Gardens development. There were dance and music performances from Homerton students.

PUBLIC BENEFIT (continued)

Education (continued)

Homerton 250 (continued)

Notable events during the year included:

- The unveiling of a sculpture by Henry Moore *Locking Piece* on renewable loan from the Henry Moore Foundation
- Three debates open to the public with visiting speakers centred on *What it is to be Human*, *Driving Change* and *The Future of Healthcare*.
- The Phillippa Pearce lecture delivered by celebrated illustrator and political cartoonist Chris Riddell
- The annual Kate Pretty Lecture delivered by Pascal Soriot, CEO of AstraZeneca
- Shakespeare in Performance with Simon Russell Beale: 250 years of drama at Homerton College
- A 250th Celebration May Ball with a record 1,200 attendees

Research

Fellows of the College are supported in their research activities with generous computer and research allowances towards their costs of their research. There were only 7 Junior Research Fellows completing the year as a number moved onto prestigious lectureships around the world. The College also supported its community of 20 Research Associates who provide a valuable resource for teaching and seminars. Masters and PhD students also receive research allowances for attendance at conferences or workshops and fieldwork expenses. A Graduate Research Day celebrating postgraduate research projects alternates location with our sister college, Harris Manchester, in Oxford providing the opportunity for students to present and discuss their work.

A large storage space and reading room for the College Archive was created in the newly refurbished Queen's Wing with temperature and humidity controls ensuring Homerton's history is preserved.

FINANCIAL REVIEW

Review of the results for the year

Overview

The College Income and Expenditure Account reflects a satisfactory outcome for the year ended 30 June 2018. There was a deficit before other gains and losses of £84k (2017: surplus before other gains and losses of £339k). This was after a contribution of £25k (2016-17: £37k) to the Colleges' Fund under University of Cambridge Statute G, II.

FINANCIAL REVIEW (continued)

Review of the results for the year (continued)

Education Account

The per capita rate applicable to the undergraduate college fee for Home and EU students was £4,625 (1st years) and £4,500. The graduate and PGCE fee was increased by 6.3% to £3,490 (2016-17: £3,283), this included a sum of £45,715 which was directly taken to the Vice Chancellors Graduate Fund. Total income from college fees, grants etc amounted to £4.51m (2016-17: £4.29m).

Education expenditure was £6.12m (2016-17: £5.84m) an increase of £0.28m leaving a deficit of £1.61m (2016-17: £1.55m).

Residence and catering accounts

The College is very mindful of student finances and strives to keep increases in accommodation rents and catering prices as low as possible whilst endeavoring to cover costs to a reasonable level and maintaining a high standard of (mostly en-suite) accommodation through regular refurbishment. This year room rents increased by 3% for undergraduates (2017: 2%) and 2% for graduates (2017: 1%) and food prices were frozen (January 2017: 2.5%). The Minimum Meal Charge (MMC) remained unchanged (2017: unchanged).

The residence account income was £2.9m (2016-17: £2.9m). Costs for the year were £2.65m (2016-17: £2.8m) resulting in a surplus of £255k (2016-17: £89k).

Term time students, staff and college function catering produced a turnover of £1.15m (2016-17: £984k). After allowing for pay expenditure of £780k (2016-17: £713k) and non-pay and overheads of £776k (2016-17: £725k), the account was in deficit by £408k (2016-17: deficit by £454k).

Conference business

Income from conferences forms a vital part of the College's funding and will continue to do so going forward. To this end, the College continues to invest in its conference business amidst increasing competition from other colleges and nearby rival facilities.

Conference income from the provision of catering and accommodation services to residential and day conferences (including Colophon Limited) was £1,499k (2016-17: £1,630k). Direct conference expenditure amounted to £656k (2016-17: £684k), giving a net contribution towards the overheads of the College of £843k (2016-17: £946k).

Increasing College events and hospitality restricts the ability to grow the conference business and a new strategy is being worked on to optimise revenues both now and in anticipation of new planned facilities.

FINANCIAL REVIEW (continued)

Review of the results for the year (continued)

Maintenance of buildings and capital expenditure

The College operates a rolling maintenance programme with the objective of preserving the quality of its building, residences, public spaces and infrastructure. The majority of major works took place during the summer of 2017 and included:

- ◆ The final year of the three year programme to improve Wifi reception across the College;
- ◆ Continued works to replace lighting with LED in South Court, West House and East House
- ◆ The completion of the refurbishment of Queen's Wing. This opened in August 2017 providing much-needed office accommodation, three highly specified supervision/meeting rooms, a large College Archive and research area and an enlarged gym and fitness studio;
- ◆ In June 2018, the extension and refurbishment of the Cavendish Bar was completed providing an extended bar –The Griffin– and offices on two floors above.
- ◆ Throughout the year the Project Team continued to work on the designs for a new Dining Hall, kitchens and Buttery with architects Feilden Fowles. Planning permission was submitted in December 2017.

Investment policy and performance

Investment portfolio

The College maintains a long-term approach to investment, retaining a diversified portfolio of high quality assets to protect the real value of the capital base and provide protection against inflation risk. The College's primary investment objectives are:

- ◆ to seek to maintain the value of the portfolio in real terms i.e. 1% above inflation; and
- ◆ to maintain a predicted annual standard deviation of returns (i.e. risk volatility) on the portfolio in the region of 8 to 12%.

The actual total return target is RPI +4% per annum, net of all investment fees and costs, over 5-7 years in order to sustain a spending rate of 3% over a trailing 3 year average. In summer of 2015 the management of the investments was transferred to Rothschild after a competitive tender and continues to be managed on a total return basis. UBS retained a small portfolio of private equity assets which have been invested in since 2008.

Overall, the College's Investment portfolio has increased in value from £74.0m to £75.0m at the year end (note 12a). The return since inception (October 2015) comfortably exceeds the total target return on annualised basis.

FINANCIAL REVIEW (continued)

Investment policy and performance (continued)

Homerton Business Centre

On 1 July 2014 the College signed a £20m revolving credit facility with its bankers, Lloyds plc, to fund the redevelopment of the Homerton Business Centre. In Spring 2016 the £18m commercial development was completed on time and on budget. The main tenant is Alpha Plus Group operating Abbey College, a sixth form school. Rent on the 25 year lease commenced in September 2016. The commercial buildings were valued as at 30 June 2018 at £34.5m (2017: £34m).

The construction of the residential units through Colokate LLP with Hill Residential Limited, a third party property developer completed in December 2016. Marketing of the private residential units began in February 2016 with 40% sold to Cambridge City Council in fulfilment of the affordable housing planning requirement. The Revolving Credit Facility was repaid in September 2017 from distributions from Colokate LLP. With the final two properties under offer as at December 2017, Hill Residential exited the partnership and were replaced by Colophon Ltd, a wholly owned subsidiary of Homerton College. At the 30 June 2018, all properties had been sold including four apartments and two Victorian houses to Homerton College to be used for Fellows/commercial housing and student housing respectively.

Investment Land

Bidwells performed a valuation of the investment land as at 30 June 2018. The land has been valued at £6.0m buildings and site (2017: £6.75m) (see note 12a).

Leases

The Northern Site is the subject of a 99 year lease from 9 January 2005 to the University of Cambridge for which a premium has been received and accounted for as deferred rental income. This is released in equal annual instalments over the lease term.

The Mary Allan Building is subject to a 60 year lease to the University of Cambridge of its offices and shared teaching and auditorium space from 2001.

The lease of the Science Education Centre and Dance Studio to the University of Cambridge are for 25 years from August 2001. The Dance Studio lease was terminated on 30 June 2018 in anticipation of the construction of the new Dining Hall.

College Land and Buildings

The College reviewed its accounting policies in the light of the new accounting standard FRS102 in the year ended 30 June 2016 and decided that the College's operational assets should no longer be revalued, and that any new operational assets should be added at cost. The College's land and buildings are therefore stated at their value at 31 July 2013, as updated by the Governing Body to 1 July 2014 to £79.7m.

FINANCIAL REVIEW (continued)

Investment policy and performance (continued)

College Land and Buildings (continued)

Transactions since 1 July 2014 have been reflected in the balance of £97.1m at 30 June 2018, which includes the development of Morley House, refurbishment of Queen's Wing, disposal of a house on Coleridge Road and the extension and refurbishment of The Griffin and offices.

Assets under construction at 30 June 2017 represented fees expended to date on the Dining Hall as planning permission is expected before 30 November 2018.

Staff costs and pensions

Total payroll costs, including employer's pension and national insurance contributions, were £6.4m (2016-17: £5.8m) (see note 10).

The funded pension scheme operated for non-teaching staff is the Cambridgeshire County Council Local Government Pension Scheme (LGPS). The College also supports membership of the Universities Superannuation Scheme (USS), mainly for its Academic staff.

LGPS

The LGPS share of surplus, calculated to meet the requirements of FRS 102, attributable to existing and former staff was £1.45m (2016-17: £198k). The Employer's contribution rate remained 18.2% (April 2017 18.2%).

USS

Due to the nature of this scheme, the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis, and therefore accounts for the scheme as if it were a defined contribution scheme.

As reported in the annual report and accounts, continued adverse market conditions have had an impact on the scheme's funding position and the trustee estimates that the funding ratio as at 31 March 2015 had fallen to 86% (from 89% as at 31 March 2014) increasing the deficit to £8.3bn.

The recovery plan has led to an increase in Employer contributions from April 2016 to 18%.

The College has entered into a Recovery Plan with the Universities' Superannuation Scheme to fund the deficit within the Scheme. Consequently, the College has recognised a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the statement of comprehensive income and expenditure. At 30 June 2018, this liability was £0.34m (2017: £0.35m).

FINANCIAL REVIEW (continued)

Reserves policy

The College's investment portfolio, its conference business and rental income from the leases to the University have the function of sustaining the activities of the College. Expenditure is guided by an assessment of forecast performance and liabilities with the objective of identifying sustainable affordable expenditure and achieving inter-generational equity. This is discussed in more detail above in respect of the investment policy.

The total unrestricted funds of the group totalled £192.1m at 30 June 2018 (30 June 2017: £187.4m). Of this, the general reserve excluding the pension reserve amounted to £105.4m (30 June 2017: 101.3m).

PLANS FOR FUTURE PERIODS AND POST BALANCE SHEET EVENTS

Short-term future plans and activities

Estates

The Estates Committee continues to assess the needs of the College to improve facilities for students, staff and Fellows. During the summer of 2018, three projects were started with anticipation of completion before December 2018. These were:

- Construction of a Building Services building adjacent to the Gardens Building. On completion the existing maintenance building to the north of Paupers' Walk will be demolished.
- Refurbishment of two Victorian houses on Purbeck Road to create two flats for students with ten bedrooms in total.
- Infill in the Science Education Centre to create new entrance, plant room and facilities. On completion the Lecture theatre will be demolished to create space for the Dining Hall.

In addition, enhancement of utilities and replacement of rising main along Harrison Drive is taking place both in preparation for the new Dining Hall but also to improve drainage. Planning has been obtained for a North Wing providing an auditorium, music practice rooms and guest bedrooms to support the Conference business. This will require enabling works to re-position toilets and student launderette during the autumn.

College Council has approved the borrowing of a £10m revolving credit facility to fund the further estates works from March 2019. This is in anticipation of higher investment returns than the cost of borrowing.

PRINCIPAL RISKS AND UNCERTAINTIES

The College's Governing Body and the directors of the College's subsidiaries continued with their policy of formal risk assessment. All College Committee review and update the risk assessment appropriate to their purpose at least annually. These are consolidated and reviewed by the Audit committee, College Council and Governing Body.

The key risks to be managed are:

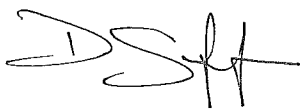
- ◆ Uncertainty over the outcome of Brexit could impact student numbers, as 15% of our undergraduates come from the EU and significantly more graduate receive funding from the EU. There is some evidence that EU students perform slightly better than Home students and are likely to study STEM subjects, and in consequence student performance as well as numbers could decline. This would affect the College's reputation, and lead potentially to difficulty in recruiting suitable Fellows. Many of our Fellows have an EU background, and Brexit could compound the difficulty in recruiting new Fellows.
- ◆ The College remains exposed financially to changes in Government policy regarding PGCE training, and University policy regarding higher degree studies in Education. This would have a knock-on impact on the number of M.Ed students.
- ◆ Industrial Action as a result of proposed changes to USS contributions and/or benefits would be potentially disruptive to students.
- ◆ Conference revenues and surpluses have declined in recent years and failure to improve could result in increased student residential and catering costs.

AUDITOR

In so far as the trustees are aware:

- ◆ there is no relevant audit information of which the College and group's auditor is unaware; and
- ◆ the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by order of the Governing Body on [30th Nov 18] and signed on its behalf by:



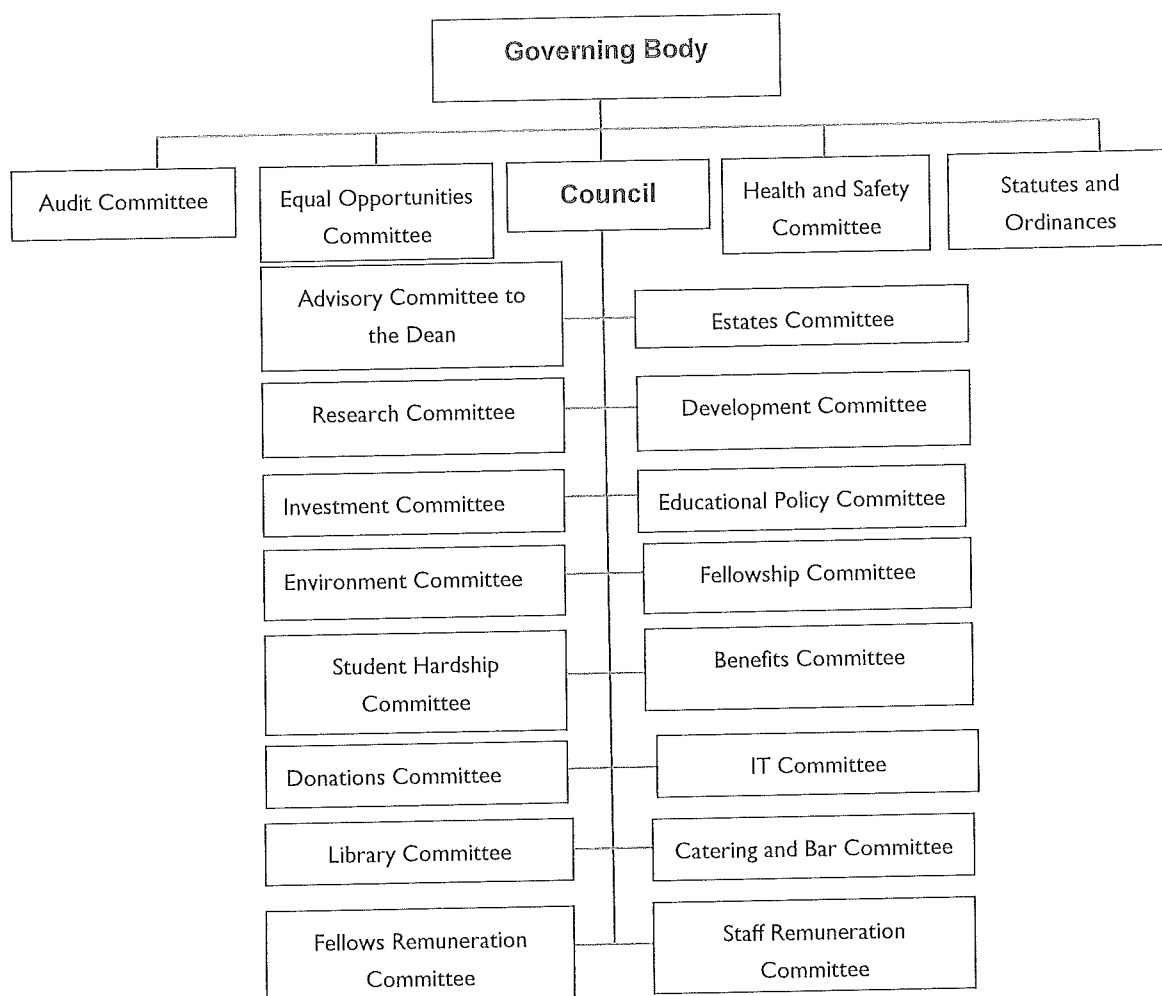
Bursar and Fellow

Governance

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 College for the management of its resources and for audit.

The College is a registered charity (registered number 1137497) and subject to regulation by the Charity Commission for England and Wales. The members of the Council are the charity trustees and are responsible for ensuring compliance with charity law.

The Governing Body and Council are advised in carrying out their duties by a number of Committees as explained below:



On occasion working groups are set up to provide time limited direction such as the Music Strategy working group. The principal officers of the College are:

- ◆ The Principal
- ◆ The Vice-Principal
- ◆ The Bursar
- ◆ The Senior Tutor
- ◆ The Admissions Tutor
- ◆ The Post-Graduate Tutor

Governance (continued)

It is the duty of the Audit Committee to keep under review the effectiveness of the College's internal systems of financial and other controls; to advise the Governing Body on the appointment of external auditors; to consider reports submitted by the auditor; to monitor the implementation of recommendations made by the auditor; to make an annual report to the Council and Governing Body. Membership of the Audit Committee includes two independent chartered accountants and two fellows who are not members of the Council.

Declarations of Interests are completed by all Members of the Council and the senior administrative officers. Declarations of interest are made systematically at meetings.

The College's Members of the Council during the year ended 30 June 2018 are set out on page 2.

Statement of Internal Control

The Governing Body is responsible for maintaining a sound system of internal control that supports the achievement of policy, aims and objectives while safeguarding the public and other funds and assets for which the Governing Body is responsible, in accordance with the College's Statutes.

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.

The system of internal control is designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process was in place for the year ended 30 June 2018 and up to the date of approval of the financial statements.

The Governing Body is responsible for reviewing the effectiveness of the system of internal control. The following processes have been established:

- ◆ The Audit Committee reviews a risk assessment report which it submits to the Governing Body in the Easter Term;
- ◆ The Audit Committee presents an annual report, including the adequacy of the internal controls and the preparation of the financial statements in the Michaelmas Term.

The Governing Body's review of the effectiveness of the system of internal control is informed by the work of the various Committees, the Bursar, and College officers, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditor in their management letter and other reports.

Statement of Internal Control (continued)

The Council is responsible for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and presenting it to the Governing Body for approval.

The College's Statutes and the Statutes and Ordinances of the University of Cambridge require the Council to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the College and of the surplus or deficit of the Group for that year. In preparing these financial statements, the Council is required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the College will continue in operation.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the College and enable them to ensure that the financial statements comply with the Statutes of the University of Cambridge. They are also responsible for safeguarding the assets of the Group and the College and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Council is responsible for the maintenance and integrity of the corporate and financial information included on the College's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Opinion

We have audited the financial statements of Homerton College for the year ended 30 June 2018 which comprise the consolidated statement of comprehensive income and expenditure, the consolidated and College balance sheets, the consolidated statement of changes in reserves, the consolidated statement of cash flows, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

In our opinion the financial statements:

- ◆ give a true and fair view of the state of the group and the College's affairs as at 30 June 2018 and of the group's income and expenditure for the year then ended;
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- ◆ have been prepared in accordance with the Charities Act 2011, the College's Statutes and the Statutes and Ordinances of the University of Cambridge; and
- ◆ in all material respects income received from the University of Cambridge out of grants from the Higher Education Funding Council for the year ended 30 June 2017 has been applied to the purposes for which it was received.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The College Council are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinion on other matter prescribed by the Statutes of the University of Cambridge

In our opinion the contribution due from the College to the University has been correctly computed as advised in the provisional assessment by the University of Cambridge and in accordance with the provisions of Statute G, II, of the University of Cambridge.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- ◆ the information given in the trustees' report (incorporating the operating and financial review) and corporate governance statement is inconsistent in any material respect with the financial statements; or
- ◆ sufficient accounting records have not been kept; or
- ◆ the financial statements are not in agreement with the accounting records and returns; or
- ◆ we have not received all the information and explanations we require for our audit.

Responsibilities of College Council

As explained more fully in the College Council's responsibilities statement, the College Council are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the College Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of College Council (continued)

In preparing the financial statements, the College Council are responsible for assessing the group's and the parent charity'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 College Council either intend to liquidate the group or the parent charity or to cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Governing Body, in accordance with Section 144 of the Charities Act 2011 and with regulations made under Section 154 of that Act. Our audit work has been undertaken so that we might state to the Governing Body those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Governing Body, for our audit work, for this report, or for the opinions we have formed.

Buzzacott LLP 10 December 2018

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

Buzzacott LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Consolidated Statement of Comprehensive Income and Expenditure Year to 30 June 2018

	Note	2018 £'000	2017 £'000
Income			
Academic fees and charges	1	4,513	4,289
Residences, catering and conferences	2	5,627	5,617
Investment income	3	3,806	3,780
Other income	5	1,537	870
Total income before donations		15,483	14,556
Donations	4	162	189
Total income		15,645	14,745
Expenditure			
Education	6	(6,123)	(5,843)
Residences, catering and conferences	7	(5,699)	(5,857)
Investment management costs	3	(378)	(395)
Other expenditure	8	(3,504)	(2,274)
Contribution under Statute G, II		(25)	(37)
Total expenditure	9	(15,729)	(14,406)
(Deficit) surplus before other gains and losses		(84)	339
Loss on disposal of tangible fixed assets	11	(160)	(797)
Operating profit on joint venture	12b	1,045	11,242
Realised gains on investments	12a	1,132	1,943
Unrealised gains on investments	12a	456	5,368
Surplus for the year		2,389	18,095
Other comprehensive income			
Actuarial gain in respect of pension schemes	20	2,253	1,332
Changes in assumptions arising on teachers' pension obligations	18	54	(168)
Total comprehensive income for the year		4,696	19,259

All items dealt with in arriving at the surplus for the above two accounting years relate to continuing operations.

Consolidated statement of changes in reserves Year to 30 June 2018

	Income and expenditure reserve		Revaluation reserve		Total £'000
	Un-restricted £'000	Restricted £'000	Operational property £'000	Fixed asset investment £'000	
Balance at 1 July 2017	100,762	—	60,503	26,130	187,395
Surplus from income and expenditure statement	800	—	—	1,589	2,389
Other comprehensive income	2,307	—	—	—	2,307
Transfers between revaluation and income and expenditure reserve	2,619	—	(1,487)	(1,132)	—
Balance at 30 June 2018	106,488	—	59,016	26,587	192,091

	Income and expenditure reserve		Revaluation reserve		Total £'000
	Un-restricted £'000	Restricted £'000	Operational property £'000	Fixed asset investment £'000	
Balance at 1 July 2016	85,201	—	62,173	20,762	168,136
Surplus from income and expenditure statement	10,784	—	—	7,311	18,095
Other comprehensive income	1,164	—	—	—	1,164
Transfers between revaluation and income and expenditure reserve	3,613	—	(1,670)	(1,943)	—
Balance at 30 June 2017	100,762	—	60,503	26,130	187,395

The transfer between the operational property revaluation reserve and the income and expenditure reserve is made to compensate the income and expenditure reserve for the additional depreciation charged on the College's operational property as a result of its previous revaluations.

The transfer between the fixed asset investment revaluation reserve and the income and expenditure reserve represents the realised investment gains during the year on a historical cost basis.

The notes on pages 30 to 46 form part of these financial statements.

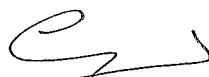
Balance sheets Year to 30 June 2018

	Notes	Consolidated		College	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Fixed assets					
Tangible assets	11	98,917	95,366	98,889	95,329
Investments	12a	116,145	114,733	115,645	114,773
Investment in joint venture	12b	—	22,213	—	—
		<u>215,062</u>	<u>232,312</u>	<u>214,534</u>	<u>210,102</u>
Current assets					
Stocks	13	30	30	15	19
Trade and other receivables	14	2,114	1,648	3,524	24,464
Cash at bank and in hand	15	9,544	3,738	8,435	3,083
		<u>11,688</u>	<u>5,416</u>	<u>11,974</u>	<u>27,566</u>
Current liabilities					
Creditors: amounts falling due within one year	16	(2,927)	(16,849)	(2,704)	(16,763)
Net current assets (liabilities)		<u>8,761</u>	<u>(11,433)</u>	<u>9,270</u>	<u>10,803</u>
Total assets less current liabilities		<u>223,823</u>	<u>220,879</u>	<u>223,804</u>	<u>220,905</u>
Creditors: amounts falling due after more than one year	17	(32,518)	(32,543)	(32,518)	(32,543)
Provisions for liabilities and charges	18	(322)	(396)	(322)	(396)
Pension scheme asset (liability)	20	1,108	(545)	1,108	(545)
Total net assets		<u>192,091</u>	<u>187,395</u>	<u>192,072</u>	<u>187,421</u>
The funds of the group/college:					
Unrestricted reserves					
General reserves excluding pension reserve		105,380	101,307	105,361	101,333
Pension reserve		1,108	(545)	1,108	(545)
Operational property revaluation reserve		59,016	60,503	59,016	60,503
Fixed asset investment revaluation reserve		26,587	26,130	26,587	26,130
Total funds		<u>192,091</u>	<u>187,395</u>	<u>192,072</u>	<u>187,421</u>

The financial statements were approved by the Governing Body on [30/11/18] and were signed on their behalf by:



Bursar



Principal

Consolidated statement of cash flows Year to 30 June 2018

	Notes	2018 £'000	2017 £'000
Net cash provided by operating activities	22	67	(54)
Cash flows from investing activities	23	20,177	7,005
Cash flows from financing activities	24	<u>(15,227)</u>	<u>(7,192)</u>
Increase in cash and cash equivalents in the year		5,017	(241)
Cash and cash equivalents at 1 July		7,649	7,890
Cash and cash equivalents at 30 June	25	<u>12,666</u>	<u>7,649</u>

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention, modified in respect of the treatment of investments and land and buildings which are included at valuation.

The financial statements have been prepared in accordance with the provisions of the Statutes of the College and of the University of Cambridge and applicable United Kingdom accounting standards. In addition, the financial statements comply with the Statement of Recommended Practice: Accounting for Further and Higher Education (the SORP).

The Statement of Comprehensive Income and Expenditure includes activity analysis in order to demonstrate that all fee income is spent for educational purposes. The analysis required by the SORP is set out in note 9.

The College constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in sterling and are rounded to the nearest thousand pounds.

Going concern

The Group has net current assets of £8,761,000 (2017: Net Current Liabilities £11,433,000). The Members of Council are of the opinion that the College is able to meet its liabilities as they fall due. Consequently, the financial statements have been prepared on the going concern basis.

Critical accounting estimates and areas of judgement

Preparation of the financial statements requires the Members of Council to make significant judgements and estimates.

The items in the financial statements where these judgements and estimates have been made include:

- ◆ valuation of investment land and buildings;
- ◆ estimating the useful economic life of tangible fixed assets; and
- ◆ pension scheme valuations, including deficit reduction payments due under the Universities Superannuation Scheme.

Basis of consolidation

The consolidated financial statements consolidate the College and its subsidiaries (see note 12a) for the year ended 30 June 2018. Intra-group balances are eliminated on consolidation.

Joint venture

The College's investment in Colokate LLP was accounted for as a joint venture under the equity method of accounting until January 2018 when Colokate LLP became a wholly owned subsidiary of the College.

Recognition of income

Academic fees

Academic fees are recognised in the year to which they relate and include all fees chargeable to students or their sponsors.

Grant income

Grants received from non-government sources (including research grants from non-government sources) are recognised within the Consolidated Statement of Comprehensive Income and Expenditure when the College is entitled to the income and performance related conditions have been met.

Income received in advance of performance related conditions is deferred on the balance sheet and released to the Consolidated Statement of Comprehensive Income and Expenditure in line with such conditions being met.

Donations and benefactions

Non exchange transactions without performance related conditions are donations and benefactions.

Donations and endowments with restrictions are classified as restricted reserves with additional disclosure provided within the notes to the accounts. Restricted donations are recognised when the donor has specified that the donation must be used for a particular objective. Donations with no restrictions are recorded within the consolidated statement of comprehensive income and expenditure when the College is entitled to the income.

Other income

Income is received from a range of activities including residences, catering, conferences and other services rendered.

Investment income

Investment income and change in value of investment assets is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms or other restrictions applied to the individual fund.

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates or, where there are forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of the comprehensive income and expenditure for the financial year.

Pension schemes

USS

The College participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). 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 hypothecated to individual institutions and a scheme-wide contribution rate is set. The College 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 and therefore, as required by Section 28 of FRS 102 "Employee Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

LGPS

The College also participates in the Cambridge County Council Pension Fund (CCCPF) which is a Local Government Pension Scheme (LGPS). The assets of the scheme are held and managed separately from those of the College. As the College is able to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis, in accordance with the requirements of Section 28 of FRS 102 "Employee Benefits", the pension scheme asset or liability is recognised in full on the balance sheet.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension and finance costs. Actuarial gains and losses are recognised in 'other comprehensive income' in the statement of comprehensive income and expenditure.

Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Tangible fixed assets

Land and buildings

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

New freehold buildings are depreciated on a straight line basis over their expected useful economic life of 50 years. Freehold buildings held at 1 July 2014 were previously held at a valuation. As permitted by FRS 102, with effect from 1 July 2014 the College elected to deem the valuation of these properties as cost. The value was been calculated by a previous valuation being updated to 1 July 2014 by the Governing Body. The remaining useful economic lives of these buildings from the date the values were deemed to be cost is 40 years. Consequently, these buildings are now depreciated over a 40 year period.

Freehold land is not depreciated as it is considered to have an indefinite useful life. A review for impairment is carried out if events or changes in circumstances indicate that the carrying value of the fixed asset may not be recoverable.

Buildings under construction are valued at cost, based on the value of architects' certificates and other direct costs incurred to 30 June. They are not depreciated until they are brought into use.

Furniture, fittings and equipment

Furniture, fittings and equipment costing more than £5,000 per individual item or if the aggregate value of related items exceed £100,000 are capitalised and depreciated over their expected useful life as follows:

Furniture and fittings	10% per annum
Computers and general equipment	20% per annum

Investments

Fixed asset investments are included in the balance sheet at fair value, except for investments in subsidiary undertakings which are stated in the College's balance sheet at historical cost less any provision for impairment.

Increases in value arising on the revaluation of fixed asset investments are taken to a fixed asset investment revaluation reserve via the statement of comprehensive income and expenditure. Surplus or losses on sale of investments are taken to the statement of comprehensive income and expenditure.

Investments (continued)

Investment in joint venture in 2017 comprises Homerton College's share of Colokate LLP's net assets. An amount representing the College's share of Colokate LLP's surplus for the period to 1 January 2018, when Colokate LLP became a wholly owned subsidiary of the College has been recognised in the statement of comprehensive income and expenditure.

Stocks

Stocks are valued at the lower of cost and net realisable value after any necessary provision for slow-moving and obsolete items.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the College anticipates it will pay to settle the debt.

Debentures and bank loans are a form of financial instrument and are included in the balance sheet at cost. A market rate of interest is charged on these liabilities, which is taken to the statement of comprehensive income and expenditure.

Deferred rental income is released to the statement of comprehensive income and expenditure evenly over the lease period. It is not discounted to the present value of the income because it is not a financial instrument as defined by sections 11 and 12 of FRS 102.

Contingent liabilities

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events, not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognized in the balance sheet but are disclosed in the notes.

Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Taxation

The College is a registered charity (number 1137497) and is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the College is exempt from taxation in respect of income or capital gains received within the categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of Value Added Tax.

Contribution under Statute G, II

The College is liable to be assessed for a Contribution under the provisions of Statute G, II of the University of Cambridge. This contribution is used to fund grants to Colleges from the Colleges' Fund. The College may from time to time be eligible for such grants. The liability for the period is as advised to the College by the University based on an assessable amount derived from the value of the College's assets as at the end of the previous financial year and an estimate of its conference income for the current year.

Reserves

Reserves are allocated between restricted and unrestricted reserves. Endowment reserves include balances which, in respect of endowment to the College, are held as permanent funds, which the College must hold in perpetuity.

Restricted reserves include balances in respect of which the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

1 Academic fees and charges income

	2018 £'000	2017 £'000
College fees		
Fee income paid on behalf of Undergraduates at the Publically-funded Undergraduate rate Per capita fee: £4,625/£4,500 (2016-17: £4,500/£4,392)	2,060	2,003
Privately-funded Undergraduate fee income Per capita fee: £7,375/£6,990 (2016-17: £6,613/£6,990)	684	638
Fee income received at the Graduate fee rate (including PGCEs) Per capita fee: £3,490 (2016-17: £3,283)	1,466	1,361
Income from Cambridge Bursary Scheme	303	287
	4,513	4,289

2 Residences, catering and conferences income

	2018 £'000	2017 £'000
Accommodation		
College members	2,905	2,917
Conferences	441	515
Catering		
College members	1,148	984
Conferences	316	358
Colophon conferences		
Accommodation	262	370
Catering	293	387
International Programme/ Internal Conference	187	—
College bar	75	86
	5,627	5,617

3 Investments

	2018 £'000	2017 £'000
Analysis of income		
Land and buildings	2,076	2,149
Quoted securities	1,706	1,590
Cash deposits	24	41
	3,806	3,780

	2018 £'000	2017 £'000
Analysis of expenditure		
Fees	378	395
	378	395

4 Donations

	2018 £'000	2017 £'000
Unrestricted donations	162	189
	<u>162</u>	<u>189</u>

5 Other income

	2018 £'000	2017 £'000
Servicing and recharges to the University of Cambridge	540	601
Miscellaneous income	377	307
Other trading income (Colokate LLP)	634	—
Other finance income:		
Interest on pension scheme assets (note 20)	499	474
Other pension scheme finance costs (note 20)	(513)	(512)
	<u>1,537</u>	<u>870</u>

6 Education expenditure

	2018 £'000	2017 £'000
Teaching	2,640	2,586
Tutorial	1,082	1,044
Admissions	1,276	1,129
Research	258	303
Scholarships and bursaries awards	224	215
Other educational facilities	643	566
	<u>6,123</u>	<u>5,843</u>

7 Residences, catering and conferences expenditure

	2018 £'000	2017 £'000
Accommodation		
College members	2,650	2,828
Conferences	544	578
Catering		
College members	1,556	1,438
Conferences	151	183
Colophon conferences		
Accommodation	374	548
Catering	149	197
International Programme/ Internal Conference	187	—
College bar	88	85
	<u>5,699</u>	<u>5,857</u>

8 Other expenditure

	2018 £'000	2017 £'000
College administration		
Pay expenditure:		
Directorate	14	14
Administrative staff	1,063	781
	<u>1,077</u>	<u>795</u>
Non-pay expenditure:		
Building repairs and maintenance	109	128
Fuel and light	122	121
Rates	41	34
Depreciation: buildings	933	484
Depreciation: furniture and equipment	77	48
Debenture interest payable	1,127	1,127
Other trading costs (Colokate LLP)	691	—
Other expenses	95	367
Reclassification of costs to residence, catering and conferences	(768)	(830)
	<u>3,504</u>	<u>2,274</u>

A proportion of other expenses have been reallocated to residences for conference accommodation charges.

9 Analysis of expenditure by activity

	Staff costs (note 10) £'000	Other operating expenses £'000	Depreciation (note 11) £'000	Total £'000
2018				
Education (note 6)	3,251	2,430	442	6,123
Residences, catering and conferences (note 7)	2,034	2,554	1,111	5,699
Investment management costs	—	378	—	378
Other (note 8)	1,077	1,417	1,010	3,504
Contribution under statute G,11	—	25	—	25
	<u>6,362</u>	<u>6,804</u>	<u>2,563</u>	<u>15,729</u>
2017				
Education (note 6)	2,952	2,495	396	5,843
Residences, catering and conferences (note 7)	2,044	2,628	1,185	5,857
Investment management costs	—	395	—	395
Other (note 8)	795	947	532	2,274
Contribution under statute G,11	—	37	—	37
	<u>5,791</u>	<u>6,502</u>	<u>2,113</u>	<u>14,406</u>

9 Analysis of expenditure by activity (continued)

	2018 £'000	2017 £'000
Auditor's remuneration		
Other operating expenses include:		
Audit fees payable to the College's external auditor	25	24
Other fees payable to the College's external auditor	5	5
	30	29

10 Staff costs

	College Fellows & other academics £'000	Non- academics £'000	Total 2018 £'000	Total 2017 £'000
Emoluments	1,603	3,056	4,659	4,426
Social security costs	142	241	383	360
Other pension costs	236	1,084	1,320	1,005
2018 Total funds	1,981	4,381	6,362	5,791
2017 Total funds	1,832	3,959	5,791	

	2018 No.	2017 No.
Average staff numbers		
Academic (including library)	92	91
Non-academics	130	126
Total	222	217

Average staff numbers (full time equivalents):

Non-academics	113	110
Academics:		
Fellows – Full Time Stipendiary	21	22
Fellows – Part Time Stipendiary	23	26
Fellows – Non Stipendiary	20	16
Other academics (non-Fellows - (Library and DoS (N/F))	28	27
Total	205	201

The Governing Body comprises 57 fellows, of which 44 declared above are stipendiary.

No officer or employee of the College, including the Head of House, received emoluments of over £100,000 (2017: none).

10 Staff costs (continued)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the College. This includes aggregated emoluments paid to key management personnel. Aggregated emoluments consists of salary and taxable benefits but excludes any employer's pension contribution.

	2018 £'000	2017 £'000
Key management personnel	478	467
	<u>478</u>	<u>467</u>

11 Tangible fixed assets

Consolidated	College buildings and site £'000	Assets under construction £'000	Furniture, fittings and equipment £'000	Total £'000
Cost				
At beginning of year	97,491	1,667	2,834	101,992
Additions at cost	2,402	3,596	282	6,280
Transfer	4,509	(4,509)	—	—
Disposals	(179)	—	(207)	(386)
At end of year	<u>104,223</u>	<u>754</u>	<u>2,909</u>	<u>107,886</u>
Depreciation				
At beginning of year	4,912	—	1,714	6,626
Charge for the year	2,214	—	349	2,563
Disposal	(13)	—	(207)	(220)
At end of year	<u>7,113</u>	<u>—</u>	<u>1,856</u>	<u>8,969</u>
Net book value				
At 30 June	<u>97,110</u>	<u>754</u>	<u>1,053</u>	<u>98,917</u>
At 1 July	<u>92,579</u>	<u>1,667</u>	<u>1,120</u>	<u>95,366</u>

Acquisitions include the purchase of four apartments and two Victorian houses in Homerton Gardens for the College's operational purposes. Acquisitions under construction are primarily the remaining works on Queens Wing and costs of construction and fees on the new bar and offices in Cavendish Rooms. The remaining assets under construction represent fees expended mainly on the Dining Hall.

Disposals in both the consolidated and College fixed assets reconciliations include an amount of £64,000 for the Squash Court (demolished) and £115,000 for Hilary Shuard Building (demolished).

11 Tangible fixed assets (continued)

College	College buildings and site £'000	Assets under construction £'000	Furniture, fittings and equipment £'000	Total £'000
Cost				
At beginning of year	97,491	1,667	2,592	101,750
Additions at cost	2,402	3,596	282	6,280
Transfer	4,509	(4,509)	—	—
Disposal	(179)	—	(67)	(246)
At end of year	104,223	754	2,807	107,784
Depreciation				
At beginning of year	4,912	—	1,509	6,421
Charge for the year	2,214	—	340	2,554
Disposal	(13)	—	(67)	(80)
At end of year	7,113	—	1,782	8,895
Net book value				
At 30 June	97,110	754	1,025	98,889
At 1 July	92,579	1,667	1,083	95,329

Land and buildings

As permitted under FRS 102, the charity has elected to deem a valuation of land and buildings prior to the transition date as deemed cost. Land and buildings owned at 1 July 2014 are included in the financial statements at a valuation made at 31 July 2013, which has been updated by the Governing Body to arrive at a valuation as at 1 July 2014. With effect from 1 July 2014 the values assigned to these properties are now deemed their cost.

Land was valued at 1 July 2014 at £14,960,000 and buildings were valued at £64,778,000, giving an overall value of £79,738,000. The buildings are being depreciated from 1 July 2014 over 40 years. The original professional valuation was prepared adopting the following bases:

- ◆ College houses – generally used for student and staff accommodation, were valued at open market value for existing use.
- ◆ College site – due to the specialised nature of the College's activities, the principal method of valuation of land and buildings was open market capital value for existing use on a depreciated replacement cost basis.

Land and buildings purchased on or after 1 July 2014 are included in the financial statements at cost, less accumulated depreciation over 50 years. Other tangible fixed assets are stated at cost.

Included within College buildings and site is freehold land as at 30 June 2018 of £22,900,000 (2017: £22,505,000). The insured value of freehold buildings as at 30 June 2018 was £90,922,052 (2017: £87,509,193) including limited cover for irrecoverable VAT and the costs of related professional fees.

12a Investments

Consolidated	Investment land £'000	Homerton Business Centre £'000	Quoted securities £'000	Other invest-ments £'000	Total 2018 £'000	Total 2017 £'000
At beginning of year	6,750	34,000	73,973	10	114,733	109,341
Additions	—	464	15,966	—	16,430	15,235
Colokate LLP assets recognised on consolidation	540	—	—	—	540	—
Disposals	—	—	(16,357)	—	(16,357)	(18,011)
(Losses) gains	(750)	76	2,262	—	1,588	7,311
Change in cash balances and deposits held at fund managers	—	—	(789)	—	(789)	857
At end of year	6,540	34,540	75,055	10	116,145	114,733
Represented by:						
Investment land					6,540	6,750
Homerton Business Centre					34,540	34,000
Quoted securities – equities					66,555	68,154
Fixed interest securities					5,378	1,908
Cash held for reinvestment					3,122	3,911
Other investments					10	10
					116,145	114,733

College	Investment land £'000	Homerton Business Centre £'000	Quoted securities £'000	Other invest-ments £'000	Total 2018 £'000	Total 2017 £'000
At beginning of year	6,750	34,000	73,973	50	114,773	109,381
Additions	—	464	15,966	—	16,430	15,235
Disposals	—	—	(16,357)	—	(16,357)	(18,011)
Gains (loss)	(750)	76	2,262	—	1,588	7,311
Change in cash balances and deposits held at fund managers	—	—	(789)	—	(789)	857
At end of year	6,000	34,540	75,055	50	115,645	114,773
Represented by:						
Investment land					6,000	6,750
Homerton Business Centre					34,540	34,000
Quoted securities – equities					66,555	68,154
Fixed interest securities					5,378	1,908
Cash held for reinvestment					3,122	3,911
Other investments					50	50
					115,645	114,773

Other investments comprise:

College	Investments in subsidiary undertakings £'000	Other investments £'000	Total £'000
At beginning and end of year	40	10	50

12a Investments (continued)

Investments in subsidiary undertakings comprise:

Name	Country of incorporation	Shares held Class	%	Activity
Colophon Limited	England and Wales	Ordinary	100	Commercial conferencing and other trading
HBC 1 Limited	England and Wales	Ordinary	100	Holding company

The College's quoted securities period end market valuations are provided by the College's investment managers, Rothschild Wealth Management and UBS AG.

The investment land was revalued by Bidwell at £6,000,000 on 30 June 2018 (2017: £6,750,000). The valuation is undertaken on the basis of open market value taking account of the College's estates strategy for the future use of this land.

The increase in the value of Homerton Business Centre at £34,540,000 (2017: £34,000,000) reflects the revaluation by Bidwell at 30 June 2018. This has been valued based on the rental yield to be achieved under the Scheme.

12b Investments in joint venture

Colokate LLP is a limited liability partnership and hence has no share capital. Until 31 December 2017, the members of the LLP comprised HBC1 Limited and Hill Residential Limited. Each member appointed two appointed representatives to the Management Board. Certain key decisions required the consent of both partners, so the LLP was accounted for as a joint venture.

The College's share of Colokate LLP included in these financial statements relating to the period to 31 December 2017 is as follows:

	2018 £'000	2017 £'000
Turnover	3,332	29,063
Costs / Administrative expenses	(1,708)	(17,821)
Restatement on conversion to subsidiary	(579)	—
	<u>1,045</u>	<u>11,242</u>

From 1 January 2018, the members of the LLP comprise HBC1 Limited and Colophon Limited. Both members are wholly owned subsidiaries of the College, so the LLP has been accounted for as a subsidiary under the College's control from that date.

The income and expenditure for Colokate LLP for the period from 1 January 2018 to 30 June 2018 included in the consolidated financial statements is as follows:

	2018 £'000
Turnover	634
Costs / Administrative expenses	(691)
	<u>(57)</u>

13 Stocks

	Consolidated		College	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Goods for resale	30	30	15	19
	30	30	15	19

14 Trade and other receivables

	Consolidated		College	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade debtors	458	560	352	443
Amounts due from subsidiary undertakings	—	—	2,128	22,936
Prepayments and accrued income	1,056	1,088	1,044	1,085
Other debtors	600	—	—	—
	2,114	1,648	3,524	24,464

15 Cash

	Consolidated		College	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash at bank	9,542	3,736	8,434	3,082
Cash in hand	2	2	1	1
	9,544	3,738	8,435	3,083

16 Creditors: amounts falling due within one year

	Consolidated		College	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade creditors	617	1,079	575	1,076
Lloyds Bank Loan	—	14,100	—	14,100
Amounts due to subsidiary undertakings	—	—	6	1
Amounts due to joint venture	65	102	65	102
Other taxation and social security	321	94	321	94
Contribution to Colleges' Fund (Statute G,II)	25	37	25	37
Other creditors and accruals	1,728	1,116	1,596	1,098
Deferred rental income (note 17)	32	32	32	32
Other deferred income	139	289	84	223
	2,927	16,849	2,704	16,763

17 Creditors: amounts falling due after one year (continued)

Consolidated and College	2018 £'000	2017 £'000
Debentures	29,841	29,835
Deferred rental income	2,677	2,708
	32,518	32,543

During 2013-14 the College participated in a bond issue jointly with a number of other Cambridge colleges which raised £10m (before deduction of fees) of long term unsecured funding. In August 2015 the College participated in its own bond issue which raised £20m of long-term unsecured funding. The debentures are wholly repayable at the end of their respective terms and are structured as follows:

Debentures	Term	Interest rate (fixed)	Amount £'000
Tranche 1a	30 years	4.40%	3,211
Tranche 1b	40 years	4.40%	2,569
Tranche 2	30 years	4.45%	4,220
Private Placement – Hermit/JP Morgan	25 Years	3.38%	20,000
Fees deducted			(159)
			29,841

On 1 July 2014 the College signed a £20m revolving credit facility with its bankers, Lloyds plc, to fund the Homerton Business Centre development. All had been drawn down at 30 June 2016. During 2017-2018 £14.1m was paid down (2016-17: £5.9m). The loan was repaid in full on 23 September 2017.

	2018 £'000	2017 £'000
Bank loan repayable Within 1 year	—	14,100

Deferred rental income represents the deferral of monies received from the University of Cambridge Education Faculty for the grant of a 99 year lease in 2005 over their new building that has been constructed on the College site. The receipt is being released to the statement of comprehensive income and expenditure in equal annual instalments over the lease term.

18 Provisions for liabilities and charges

Consolidated and College	2018 £'000	2017 £'000
At beginning of year	396	295
Benefits paid	(49)	(50)
Charge to income and expenditure account	29	(17)
Changes in actuarial assumptions	(54)	168
At end of year	322	396

The provision relates to the College's liability to enhance the pensions of teaching staff who have retired early.

19 Contingent liabilities

There are no contingent liabilities as at 30 June 2018 (2017 – nil).

20 College pension schemes

	2018 £'000	2017 £'000
Consolidated and College		
Surplus/(deficit) under Cambridgeshire County Pension Fund (note 21)	1,447	(198)
Liability for deficit reduction payment under Universities Superannuation Scheme	(339)	(347)
Surplus/(deficit) at end of year	1,108	(545)
	2018 £'000	2017 £'000
Consolidated and College		
Deficit at beginning of year	(198)	(1,145)
Current service cost	(1,114)	(813)
Interest on assets	499	474
Contributions by employer	520	466
Other finance cost	(513)	(512)
Actuarial gain	2,253	1,332
Surplus/(deficit) at end of year	1,447	(198)

The College participates in two pension schemes, the Universities Superannuation Scheme (USS) and Cambridgeshire County Council Pension Fund (CCCPF). The CCCPF is part of the Local Government Pension Scheme (LGPS). Both schemes are defined benefit schemes that are externally funded and contracted out of the State Second Pension. The assets of the schemes are held in separate trustee-administered funds. The College is unable to identify its share of the underlying assets and liabilities in respect of the USS scheme on a consistent and reasonable basis and therefore, as required by FRS 102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

CCCPF has been able to apportion a percentage of its funds, assets and liabilities relating to the College and therefore the scheme has been treated as a defined benefit scheme in the financial statements. The disclosure requirements of FRS 102 in relation to these schemes are shown below.

The College is required to contribute a specified percentage of payroll costs to the pension schemes to fund the benefits payable to the company's employees. In 2018, the percentage was USS: 18% (2017: 18%) and CCCPF: 18.2% (April 2017: 18.2%).

The total pension cost for the College and its subsidiaries for the year to 30 June 2018 was:

	2018 £'000	2017 £'000
Contribution USS	206	191
Current service cost of CCCPF (LGPS)	1,114	813
Total pension cost	1,320	1,004

20 College pension schemes (continued)

The latest valuations of the schemes assets and liabilities for which results are available:

	USS	CCCPF (LGPS)
Date of valuation	31 March 2017	31 March 2016
Market valuation of assets	£60,000m	£2,277m
Past service liabilities	£77,500m	£2,902m
Deficit of assets	£(17,500)m	£(625)m

USS

The appointment of directors to the board of the trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The latest triennial actuarial valuation of the scheme was at 31 March 2017 ("the valuation date"). The triennial valuation was carried out using the projected unit method and is currently being audited by the scheme auditor.

The 2014 valuation was the third valuation for 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 £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Under FRS 102, a liability has been recognised to reflect the cost of the Recovery Plan of the Scheme to the College. At 30 June 2018 this stood at £339,000 (2017: £347,000).

FRS 102 liability numbers have been produced for the using the following assumptions:

	2018	2017
Discount rate	2.64%	2.7%
Pensionable salary growth	N/A	N/A
Price inflation (CPI)	2.02%	1.8%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

20 College pension schemes (continued)

USS (continued)

	2018	2017
Mortality base table	<u>Pre-retirement:</u> 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.	98% of SAPS S1NA "light" YOB unadjusted for males.
	<u>Post retirement:</u> 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.	99% of SAPS S1NA "light" YOB with a -1 year adjustment for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.	CMI_2014 with a long term rate of 1.5% p.a.

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.25% pa long term rate were also adopted for the 2014 FRS17 figures, from the March 2015 figures the long term rate has been increased to 1.5% and the CMI 2014 projections adopted, and the tables have been weighted by 98% for males and 99% for females. The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 (years)	24.5	24.3
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	27.8	28.8

	2018	2017
Existing benefits		
Scheme assets	£63.6bn	£60.0bn
FRS 102 liabilities	£72.0bn	£72.6bn
FRS 102 deficit	£8.4bn	£12.6bn
FRS 102 funding level	88%	83%

Cambridgeshire County Council Pension Fund (CCCPF (LGPS))

The CCCPF is a defined benefit scheme based on final pensionable salary.

Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

The main assumptions used for the purposes of FRS 102 are as follows:

	2018	2017
Discount rate	2.8%	2.7%
Rate of increase of salaries	2.6%	2.8%
Rate of increase of pension in payment	2.3%	2.5%

20 College pension schemes (continued)

Cambridgeshire County Council pension Fund (CCCPF (LGPS)) (continued)

Assets are valued at fair value, principally market value for investments, and comprise:

	2018 £'000	2017 £'000
Equities	15,957	14,362
Bonds	2,424	2,210
Property	1,212	1,289
Other	606	552
	<u>20,199</u>	<u>18,413</u>

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations in years on retirement age 65 are:

	30 June 2018	30 June 2017
Current pensioners		
Males	22.4	22.4
Females	24.4	24.4
Future pensioners		
Male	24.0	24.0
Females	26.3	26.3

	30 July 2018 £'000	30 July 2017 £'000	30 July 2016 £'000	30 July 2015 £'000	30 July 2014 £'000	30 July 2013 £'000
Present value of funded obligations	(18,752)	(18,611)	(17,408)	(15,816)	(14,284)	(11,753)
Fair value of plan assets	20,199	18,413	16,263	15,037	13,890	12,658
	<u>1,447</u>	<u>(198)</u>	<u>(1,145)</u>	<u>(779)</u>	<u>(394)</u>	<u>905</u>
Present value of unfunded obligations	—	—	—	—	—	—
Net assets (liabilities) recorded in the balance sheet (note 20)	<u>1,447</u>	<u>(198)</u>	<u>(1,145)</u>	<u>(779)</u>	<u>(394)</u>	<u>905</u>
Experience gain on assets	<u>1,092</u>	<u>1,137</u>	<u>204</u>	<u>177</u>	<u>534</u>	<u>1,114</u>
Experience (gain) loss on liabilities	<u>(1,161)</u>	<u>(190)</u>	<u>(570)</u>	<u>(560)</u>	<u>(1,901)</u>	<u>658</u>

Amounts charged to income and expenditure account	2018 £'000	2017 £'000
Current service cost	1,114	813
Interest on obligation	513	512
Interest on assets	(499)	(474)
	<u>1,128</u>	<u>851</u>

20 College pension schemes (continued)

Analysis of amounts recognised in other comprehensive income	2018 £'000	2017 £'000
Return on assets excluding amounts included in net interest	1,092	1,522
Changes in financial assumption	1,161	(1,570)
Other experience	—	1,380
Total actuarial loss recognised	2,253	1,332

Changes in the present value of the defined benefit obligation:	2018 £'000	2017 £'000
Opening defined benefit obligation	18,611	17,408
Current service cost	1,114	813
Interest cost	513	512
Contributions by members	180	167
Changes in financial assumption	(1,161)	1,570
Other experience gains	—	(1,380)
Benefits paid	(505)	(479)
Closing defined benefit obligation	18,752	18,611

Changes in the fair value of plan assets:	2018 £'000	2017 £'000
Opening fair value of plan assets	18,413	16,263
Net interest	499	474
Contributions by members and other bodies	180	167
Contributions by employer	520	466
Return on assets excluding amounts include in net interest	1,092	1,522
Benefits paid	(505)	(479)
Closing fair value of plan assets	20,199	18,413

The College expects to contribute £532,000 to its defined benefit pension scheme in the year ending 30 June 2019 (2018: £520,000).

The management bases required by FRS 102 are likely to give rise to significant fluctuations in the reported amounts of the defined benefit pension scheme assets and liabilities from year to year, and do not necessarily give rise to a change in the contributions payable into the scheme, which are recommended by independent actuaries based on the expected long term rate of return on the scheme assets.

21 Related party transactions

Owing to the nature of the College's operations and the composition of its Governing Body it is inevitable that transactions will take place with organisations in which a member of the Governing Body may have an interest. All transactions involving organisations in which a member of the Governing Body may have an interest are conducted at arm's length and in accordance with the College's normal procedures. Other than salaries payable to Fellows determined on an arm's length basis, there are no other related party transactions.

22 Reconciliation of consolidated operating surplus to net cash inflow (outflow) from operating activities

	2018 £'000	2017 £'000
(Deficit) surplus on continuing operations	(84)	339
Depreciation of tangible fixed assets (note 11)	2,563	2,113
Interest payable	1,127	1,127
Investment income	(3,806)	(3,780)
Pension costs less contributions payable	600	358
Increase in stocks	—	(1)
Increase in debtors	(466)	(844)
Increase in creditors due within one year	153	550
(Decrease) increase in provisions	(20)	84
Net cash inflow (outflow) from operating activities	<u>67</u>	<u>(54)</u>

23 Cash flows from investing activities

	2018 £'000	2017 £'000
Investment income received	3,782	3,739
Bank interest received	24	41
Purchase of tangible fixed assets	(6,280)	(3,408)
Proceeds from the sale of fixed assets	6	1,421
Purchase of investments	(16,430)	(15,235)
Investment in joint venture	—	(2,564)
Proceeds from joint venture	22,718	5,000
Proceeds of disposal of investments	16,357	18,011
Total cash flows from investing activities	<u>20,177</u>	<u>7,005</u>

24 Cash flows from financing activities

	2018 £'000	2017 £'000
Interest paid	(1,127)	(1,127)
(Payment) receipt from loan borrowing	(14,100)	(6,065)
Total cash flows from financing activities	<u>(15,227)</u>	<u>(7,192)</u>

25 Analysis of changes in cash and cash equivalents

Consolidated	At 1 July 2017 £'000	Cash flows £'000	At 30 June 2018 £'000
Cash at bank and in hand	3,738	5,806	9,544
Cash held with fund managers (note 12a)	3,911	(789)	3,122
	<u>7,649</u>	<u>5,017</u>	<u>12,666</u>

26 Capital commitments

	Tangible Fixed Assets 2018 £'000	Homerton Business Centre 2018 £'000	Tangible Fixed Assets 2017 £'000	Homerton Business Centre 2017 £'000
Authorised and contracted for	3,124	—	633	—
Authorised but not yet contracted for	<u>22,033</u>	<u>—</u>	<u>2,322</u>	<u>—</u>

