HOMERTON COLLEGE

GOVERNING BODY'S REPORT, CONSOLIDATED ACCOUNTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2011

CONTENTS

REFERENCE AND ADMINISTRATIVE DETAILS

Name of College: Homerton College

Address: Hills Road
Cambridge
CB2 8PH

Charity Registration number: 1137497

Members of the Council (Charitable Trustees):

Dr Penny Barton
Mr Alexander Borek
Commodore Gale Bryan
Dr David Clifford
Miss Pippa Dinnage
Dr William Foster
Dr David Garrow
Professor John Gray
Dr Richard Hickman
Dr Melanie Keene
Dr Deborah Longbottom
Dr Kate Pretty
Mrs Anne Thwaites
Dr Peter Warner
Mr Steve Watts
Dr Richard Williams
Mrs Elaine Wilson

Senior officers

Head of House:	Dr K Pretty CBE MA PhD
Vice Principal:	Professor J Gray MA PhD FBA
Senior Tutor:	Dr P Warner PhD
Bursar:	Commodore G Bryan MA FCIS FIET
Admissions Tutor:	Mr S Watts MA
Graduate Tutor:	Dr P Barton MA PhD

Principal advisers

Auditors:
Mazars LLP
The Atrium
Park Street West
Luton
Bedfordshire
LU1 3BE

Investment Managers:
UBS AG
1 Curzon Street
London
W1J 5UB

Banker:
Lloyds TSB plc
Black Horse House
Castle Park
Cambridge
CB3 0AR

Property Advisers:
Januarys Property Consultants
York House, 7 Dukes Court
54-62 Newmarket Road
Cambridge
CB2 8DZ

OPERATING AND FINANCIAL REVIEW

FOR THE YEAR ENDED 31 JULY 2011

Introduction

The year ending 31 July 2011 was the first complete year in which Homerton College held a Royal Charter as a College of the University of Cambridge. It became a Registered Charity in accordance with the requirements of the Charities Act 2006 on 16 August 2010.

Scope of the financial statements

The operating and financial review and the audited financial statements for the year ended 31 July 2011 cover the combined operation of Homerton College and Colophon Limited. They reflect a satisfactory outcome for the year ended 31 July 2011.

Overview of the year

The College Income and Expenditure Account reflects a satisfactory outcome for the year ended 31 July 2011. The net surplus on continuing operations (after a contribution of £34,000 to the Colleges' Fund under University of Cambridge Statute G, II) was £1,758,855 *(£1,490,287)*.

Summary of income and expenditure for the financial year 2010-11:

Income	£
Academic fees and charges	3,354,103
Residence, catering and conferences	4,895,076
Endowment and investment income	1,026,688
Other income (including deferred capital grant)	968,784
Total	10,244,651

Expenditure	£
Education account	3,419,924
Residence, catering and conferences	3,802,799
Other expenditure	1,229,073
Total	8,451,796

Objects of the College

The objects of the College embodied 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, achievements and performance

Students

Student membership of the College was as follows:

Academic year ended 31 July	*2008/09 Final*	*2009/10 Final*	*2010/11 Actual Oct 2010*	**2011/12 Actual Oct 2011**
Undergraduates	*589*	*596*	*588*	588
Postgraduate Certificate in Education (PGCE) students	*338*	*325*	*320*	308
Higher Degree (full time equivalent (fte))	*96*	*115*	*142*	151
Total (fte) Students	*1,023*	*1,040*	*1,050*	1,047
M Ed (Part-time) numbers (not fte)	*107*	*142*	*119*	165

- *Undergraduates* – The College admitted undergraduates for 22 of the Cambridge Triposes. The average year group is estimated to be 182 *(180)*, excluding year abroad students, Year 4 and Junior Year Abroad (JYA) students.
- *Higher degree and PGCE students* – The College had 142 *(115)* fte students undertaking M Phil and PhD research postgraduate degree courses in the University during 2010-2011 and 119 *(142)* undertaking part-time M Ed courses. The College had 308 *(325)* members taking the PGCE.

Student support

In order to assist undergraduates entitled to student support the College provides, through a scheme operated in common with the University, other Colleges and the Isaac Newton Trust, bursary support to those on limited financial means. The Cambridge Bursary Scheme (CBS) is approved by the Office of Fair Access and provides benefits at substantially higher level than the minimum OFFA requirement. Total support payable to Homerton students who benefited from the Cambridge Bursary Scheme and also from the College's direct support were as follows:

a) Cambridge Bursary Scheme (Newton Fund Contribution) of £616,567 and Homerton Contribution of £12,583 totalling £629,150. There were 186 undergraduates and 141 PGCE students who benefited from the scheme, averaging £1,924 contribution per student; and

b) College's Awards Grants and prizes of £46,794.

Broadening access

To raise education aspiration and attract outstanding applicants who might not have otherwise considered applying to Cambridge and Homerton College, the College shares a joint post of School Liaison Officer with another College. The School Liaison Officer, in consultation with the Admissions Tutor, operates an Outreach Programme of visits to schools, visits by schools to the College and open days.

Middle Common Room and Junior Common Room

The College has a vibrant and active Middle Common Room (MCR) and Junior Common Room (JCR).

Academic staff and research

During the year the College supported 6 Junior Research Fellowships (JRFs), 4 Senior Research Fellows (SRFs) and 7.5(fte) College Teaching Officer (CTOs), also an Undergraduate Admissions Tutor (0.5fte), a Graduate Tutor (0.75fte) and three Principal Officers. The College also appoints Directors of Studies, Tutors and Supervisors to deliver the academic programme.

Employees

The College employs 114 administrative and support personnel.

Payroll

Total payroll costs, including employer's pension and national insurance contributions were £3.94m *(£3.94m)*.

Fellows

There were 52 fellows.

Plans for the future

The College will support fully the scholarship, teaching and research objectives of a college of the University of Cambridge and maintain the high quality of its buildings and infrastructure. Its financial objective and plan is to provide the resources to sustain the College and its activities over the long term.

Financial review

Education Account – The per capita rate applicable to the undergraduate college fee for Home and EU students was increased by 3.1% to £3,861 *(£3,744)*. The graduate and PGCE fee was increased by 2.1% to £2,229 *(£2,184)*. The College Education Account performed satisfactorily during the year. Income from college fees amounted to £3,354,103 *(£3,238,900)*. Expenditure was £3,419,924 *(£3,280,717)*, £65,821 *(£41,817)* being charged to corporate funds.

Residence Account – The residence account income was £2,199,995 *(£2,103,931)*. Occupancy was maintained at 99%.

Catering Account – Term time students, staff and college function catering produced a turnover of £724,820 *(£686,826)*. After allowing for pay expenditure of £476,538 *(£462,459)* and non-pay and overheads of £416,680 *(£424,760)*, the account was in deficit by £168,398 *(deficit £200,393)*.

Conference income – Conference income from the provision of catering and accommodation services to residential and day conferences (including Colophon Ltd) was £1,892,260 *(£1,855,607)*. Direct expenditure amounted to £570,439 *(£583,090)*. Overheads were £709,765 *(£727,832)* based on an area and time basis, leaving a net contribution to reserves of £612,057 *(£544,685)*.

Telephone service – 'FlexiFone', Colophon Limited's telephone service, provides Voice over Internet Protocol (VOIP) telephone lines to residences for student and conference use. The net surplus on this operation for 2011 was £5,818 *(£3,180)*.

Maintenance of buildings – The College operates a rolling maintenance programme with the objective of preserving the quality of its building, residences, public spaces and infrastructure.

Having completed East House and West House carpet replacement, painting and decoration programme in 2009-10 costing £144,681, shower doors and kitchen units were replaced in West House in 2010-11 costing a further £138,515 as part of the planned maintenance programme.

Equipment Depreciation – The College changed its capitalisation threshold limit on furniture and equipment from £1,250 to £5,000 in 2009-10 in consultation with the Audit Committee. In 2010-11 the College took the opportunity to review the capital items (£5,000 and above) on the Asset Register and make an adjustment in the Income and Expenditure Account to reflect the charge for items under £5,000 value. The reclassification resulted in a one-off charge in the Income and Expenditure Account of £420k. As a result the annual depreciation charge in the year end account was reduced by £136k.

Endowment and investment performance

The College portfolio has shown an increase in market value of £4,093,721 *(£3,351,679)*, together with cash injection and movements providing a balance of £47,868,048 *(£41,734,260)*. UBS Wealth Management is the appointed fund manager. The College uses total return and risk assessment to guide its investment policy.

Reserves policy

The College portfolio and its conference business 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.

Land and property - estate strategy

The formal transfer of title in the property to the Principal, Fellows and Scholars of Homerton College in the University of Cambridge was completed.

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 a deferred credit. The deferred credit is released in equal annual instalments over the lease term.

Land and property - estate strategy (continued)

Leases (continued)

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

The lease of the Biology Building and Dance Studio to the University of Cambridge will continue for up to 25 years from August 2001.

Valuation

Messrs Bidwells, Chartered Surveyors conducted a valuation at 31 July 2007 of College land and properties. Land with planning consent, which had been part of this valuation was separately valued on assignment as investment land on 31 July 2009 at £10,700,000. Bidwells conducted a desk top valuation on 31 July 2011 and revalued the investment land at £11,000,000; College houses and College buildings for domus use were revalued (desktop) at £66,522,902 *(wdv £61,400,114)*, an increase in value of £5,122,788.

College Building Fund

The Governing Body, cognizant that historic provision for building depreciation understates the real cost of refurbishment, had designated a part of the General Reserve as a Building Refurbishment Fund. The designated fund comprises the initial difference between real (insurance) costs and the depreciated replacement cost value of the buildings. A formulaic adjustment was proposed to adjust a charge each year to realign the value of the designated fund. However, the HE SORP does not allow designation of funds in the statutory accounts and hence the fund balance has been transferred into accumulated General Reserves in the Balance Sheet.

Pensions

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

LGPS

The LGPS share of deficit, calculated to meet the requirements of FRS17, attributable to existing and former staff was £3,007,000 *(£3,972,000)*. The Council completed its interim review of the LGPS scheme and concluded that the College's Past Service Deficit should be settled by capital transfer during the financial year 2011-12 and that the implementation of the Hutton Report by the Government should reduce the financial risk associated with the future service cost of staff

The Employer's contribution rate was 17.6% as of 30 April 2011 *(18.9%)*.

USS

USS revised some terms of its existing final salary scheme and introduced a Career Re-valued Benefit Scheme with effect from 1 October 2011. The Employer's contribution remains at 16%.

Cash flow

Net cash inflow from operating activities was £2,285,364 *(£2,027,966)*. Of £2,800,000 cash approved for investment £2,000,000 was transferred to the UBS investment account, the remainder being re-assigned to land purchase in financial year 2011-2012.

Creditors payment policy

The College seeks to meet government guidelines on settlement with creditors with payment of creditors meeting a twenty-day cycle. The College Creditors payment policy is 20 days (unchanged from previous years).

Risk assessment

The College's Governing Body and the Directors of Colophon Limited continued with their policy of formal risk assessment. A review and reassessment of the risk was conducted during the year. The key risks to be managed are the potential changes in undergraduate, graduate and PGCE student fee income.

Post balance sheet events

Post 31 July 2011 there was a fall in the world stock markets which would have resulted in a reduced Balance Sheet at 31 July 2011 if current values were used to retrospectively value the position at the year end. However under UK GAAP such post balance sheet events are non-adjusting for the types of investment which are held by the College.

On 14 October 2011 the College purchased, as an investment, the freehold on an adjoining 3.13 acres site for £6.5m. The site is class B1 Business use comprising offices, light industries and storage use.

Approved by the Governing Body and signed on their behalf by:

R G Bryan
Bursar and Fellow

Date: 5 December 2011

HOMERTON COLLEGE

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 JULY 2011

Governance

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

2. 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 College is governed by its Statutes and Ordinances.

3. Article 10 of the Charities Act 2006 (Changes in Exempt Charities) Order 2010 authorises its annual accounts to be presented in the form of Recommended Cambridge College Accounts prescribed under Statute G, III of the University of Cambridge.

4. The Council is advised in carrying out its duties by a number of Committees. These are:
   - The Investment Committee
   - The IT Committee
   - The Appointments Committee
   - The Benefits Committee
   - The Audit Committee

5. The principal officers of the College are:
   - The Principal
   - The Vice-Principal
   - The Bursar
   - The Senior Tutor
   - The Admissions Tutor
   - The Post Graduate Tutor
   - The Secretary to the Governing Body and Council

6. 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 auditors; to monitor the implementation of recommendations made by the auditors; to make an annual report to the Governing Body. Membership of the Audit Committee includes two independent chartered accountants and two fellows who are not members of the Council.

7. There are Registers of Interests of Members of Council and of the senior administrative officers. Declarations of interest are made systematically at meetings.

8. The College's Members of the Council during the year ended 31 July 2011 are set out on page 1.

9. The College's subsidiary company, Colophon Limited, engages in commercial and income generation activities for the College. Its main activity is the provision of conferences.

10. The Homerton Union of Students (HUS) is an excepted charity under the Charities (Exception from Registration) Regulation 2010. It operates a Middle Common Room (MCR) and Junior Common Room (JCR). Its accounts which are not consolidated with the College's accounts.

Statement of Internal Control

1. The Council 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 Council is responsible, in accordance with the College's Statutes.

2. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it therefore provides reasonable but not absolute assurance of effectiveness.

3. The systems of internal control is designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process was in place for the year ended 31 July 2011 and up to the date of approval of the financial statements.

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

    a. The Audit Committee reviews a risk assessment report which it submits to the Governing Body in the Easter Term;

    b. The Audit Committee presents an Annual Report, including the adequacy of the Internal Controls and the preparation of the Financial Accounts in the Michaelmas Term.

5. The Audit Committee'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 auditors in their management letter and other reports.

STATEMENT OF RESPONSIBILITIES OF THE COLLEGE COUNCIL

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 Governing Body to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the College and of the surplus or deficit of the College for that period. 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 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.

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

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INDEPENDENT AUDITORS' REPORT
TO THE GOVERNING BODY OF HOMERTON COLLEGE

We have audited the financial statements of Homerton College for the year ended 31 July 2011 which comprise the Consolidated Income and Expenditure Account, the Consolidated and College Balance Sheets, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Cash Flow Statement and related notes. The financial reporting frame work that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the College Council and auditors

As explained more fully in the College Council's Responsibilities Statement set out on page 9, the College Council is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditors under section 43 of the Charities Act 1993 (as modified by Charities Act 2006) and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report, including our opinion, has been prepared for and only for the College's Governing Body, as a body, in accordance with College's Statutes and the Statutes of the University of Cambridge. Our audit work has been undertaken so that we might state to the College's Governing Body those matters we are required to state to them in an auditors' 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 College's Governing Body as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the College's affairs as at 31 July 2011 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; and

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INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY OF HOMERTON COLLEGE (continued)

- have been prepared in accordance with the requirements of the Charities Act 1993 (as modified by Charities Act 2006), the College's Statutes and the Statutes of the University of Cambridge.

Opinion on other matter prescribed by the Statutes of Cambridge University

In our opinion in all material respects, the contribution return due from the College to the University has been completed in accordance with the provision 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 1993 (as modified by Charities Act 2006) requires us to report to you if, in our opinion:

- the information given in 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.

Mazars LLP

Mazars LLP
Chartered Accountants and Statutory Auditor
The Atrium
Park Street West
Luton
Bedfordshire
LU1 3BE

Date: 7 December 2011

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CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 JULY 2011

	Note	2011 £	2010 £
Income			
Academic fees and charges	2	3,354,103	3,238,900
Residences, catering and conferences	3	4,895,076	4,729,969
Investment income	4	1,026,688	805,337
Release of deferred capital grant	19	79,282	79,284
Other income	5	889,502	813,665
Total income		10,244,651	9,667,155
Expenditure			
Education	6	(3,419,924)	(3,280,717)
Residences, catering and conferences	7	(3,802,799)	(3,535,203)
Other expenditure	8	(1,229,073)	(1,360,948)
Total expenditure		(8,451,796)	(8,176,868)
Surplus on continuing operations before Contribution under Statute G, II		1,792,855	1,490,287
Contribution under Statute G, II	1	(34,000)	-
Surplus on continuing operations after Contribution under Statute G, II	20	1,758,855	1,490,287

All items dealt with in arriving at the surplus for 2011 and 2010 relate to continuing operations.

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

FOR THE YEAR ENDED 31 JULY 2011

	Note	2011 £	2010 £
Surplus on continuing operations		1,758,855	1,490,287
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	20	722,439	758,624
Realisation of gains on disposal of fixed asset investments	20	468,975	392,686
Historical cost surplus for the year		2,950,269	2,641,597

CONSOLIDATED BALANCE SHEET

AS AT 31 JULY 2011

	Note	2011 £	2010 as restated £
Fixed assets			
Tangible assets	11	66,623,608	63,053,749
Investment land	11	11,000,000	11,000,000
Investments	13	47,868,048	41,734,260
		125,491,656	115,788,009
Current assets			
Stock		49,117	39,513
Debtors	14	1,122,881	979,144
Cash at bank and in hand	15	4,053,482	2,746,585
		5,225,480	3,765,242
Creditors: amounts falling due within one year	16	(869,246)	(849,746)
Net current assets		4,356,234	2,915,496
Total assets less current liabilities		129,847,890	118,703,505
Creditors: amounts falling due after more than one year	17	(2,896,174)	(2,927,855)
Provisions for liabilities and charges	18	(490,908)	(349,717)
Net assets excluding pension liability		126,460,808	115,425,933
Pension liability	22	(3,007,000)	(3,972,000)
Net assets including pension liability		123,453,808	111,453,933

CONSOLIDATED BALANCE SHEET (continued)

AS AT 31 JULY 2011

	Note	Restricted Funds £	Unrestricted Funds £	Total 2011 £	Total 2010 As restated £
Deferred capital grants	19	2,742,616	-	2,742,616	2,821,898
Reserves					
General reserves excluding pension reserve	20	-	63,194,861	63,194,861	60,165,619
Pension reserve		-	(3,007,000)	(3,007,000)	(3,972,000)
Operational property revaluation reserve	20	-	54,870,897	54,870,897	50,470,548
Fixed asset investment reserve	20	-	5,652,434	5,652,434	1,967,868
Total funds		2,742,616	120,711,192	123,453,808	111,453,933

The financial statements were approved by the Governing Body on 5 December 2011
and were signed on their behalf by:

R G Bryan
Bursar

Katharine B. Pretty

K Pretty
Principal

HOMERTON COLLEGE

COLLEGE BALANCE SHEET

AS AT 31 JULY 2011

	Note	2011 £	2010 as restated £
Fixed assets			
Tangible assets	11	66,580,373	62,982,172
Investment land	11	11,000,000	11,000,000
Investments in subordinated company	12	40,000	40,000
Investments	13	47,868,048	41,734,260
		125,488,421	115,756,432
Current assets			
Stock		26,719	16,956
Debtors	14	1,507,175	1,481,460
Cash at bank and in hand	15	3,580,375	2,147,622
		5,114,269	3,646,038
Creditors: amounts falling due within one year	16	(717,612)	(672,517)
Net current assets		4,396,657	2,973,521
Total assets less current liabilities		129,885,078	118,729,953
Creditors: amounts falling due after more than one year	17	(2,896,174)	(2,927,855)
Provisions for liabilities and charges	18	(490,908)	(349,717)
Net assets excluding pension liability		126,497,996	115,452,381
Pension liability	22	(3,007,000)	(3,972,000)
Net assets including pension liability		123,490,996	111,480,381

COLLEGE BALANCE SHEET (continued)

AS AT 31 JULY 2011

	Note	Restricted Funds	Unrestricted Funds	Total 2011	Total 2010 As restated
		£	£	£	£
Deferred capital grants	19	2,742,616	-	2,742,616	2,821,898
Reserves					
General reserves excluding pension reserve	20	-	63,232,049	63,232,049	60,192,067
Pension reserve		-	(3,007,000)	(3,007,000)	(3,972,000)
Operational property revaluation reserve	20	-	54,870,897	54,870,897	50,470,548
Fixed asset investment reserve	20	-	5,652,434	5,652,434	1,967,868
Total funds		2,742,616	120,748,380	123,490,996	111,480,381

The financial statements were approved by the Governing Body on 5 Decemb 2011
and were signed on their behalf by

Katharine B. Pretty

R G Bryan
Bursar

K Pretty
Principal

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 JULY 2011

	Note	Restricted funds £	Unrestricted funds £	Total 2011 £	Total 2010 £
Surplus on income and expenditure account		-	1,758,855	1,758,855	1,490,287
Unrealised surplus/(deficit) on revaluation of fixed assets	11	-	5,122,788	5,122,788	(1,389,056)
Increase in market value of investments					
Fixed asset investments	20	-	4,093,721	4,093,721	3,351,679
Investment land	20	-	-	-	300,000
Profit on sale of investments	20	-	59,820	59,820	484,265
Deferred capital grant released to income and expenditure account	19	(79,282)	-	(79,282)	(79,284)
Actuarial gain/(loss) in respect of pension schemes	22	-	1,077,000	1,077,000	(252,000)
Changes in assumptions arising on teachers' pension obligation	18	-	(33,027)	(33,027)	62,565
Gain on change in basis of LGPS pension benefits arising from move to Consumer Price Index from RPI		-	-	-	794,000
Total recognised gains/(losses) relating to the year		(79,282)	12,079,157	11,999,875	4,762,456
Reconciliation					
Opening reserves and endowments		2,821,898	108,632,035	111,453,933	106,691,477
Total recognised gains/(losses) for the year		(79,282)	12,079,157	11,999,875	4,762,456
Closing reserves and endowments		2,742,616	120,711,192	123,453,808	111,453,933

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2011

	Note	2011 £	2010 £
Net cash inflow from operating activities	24	2,285,364	2,027,966
Return on investments and servicing of finance	25	1,026,688	805,337
Capital expenditure and financial investment	25	467,761	(10,797,976)
Cash inflow before management of liquid resources		3,779,813	(7,964,673)
Management of liquid resources	25	(2,472,916)	657,893
Increase/(decrease) in cash in the year		1,306,897	(7,306,780)

Reconciliation of net cash flow to movement in net liquid funds		2011 £	2010 £
Increase/(decrease) in cash in the year		1,306,897	(7,306,780)
Increase/(decrease) in cash outflow/(inflow) from liquid resources		2,472,916	(657,893)
Change in net funds		3,779,813	(7,964,673)
Net funds at beginning of year		3,551,523	11,516,196
Net funds at end of year	26	7,331,336	3,551,523

1 Accounting policies

a) Basis of preparation

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 Accounting Standards.

In addition, the financial statements comply with the Statement of Recommended Practice for accounting in Further and Higher Education (the SORP). The College has adopted the new RCCA guidelines in the current year which are now fully aligned with the SORP . This has affected the classification of reserves and comparative figures have been restated accordingly as explained in note 21. The prior year adjustments had had no effect on results for the year ended 31 July 2010.

The Income and Expenditure Account includes activity analysis in order to demonstrate that the College is satisfying its obligations to the University of Cambridge with regard to the use of public funds. The analysis required by the SORP is set out in note 9.

b) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment assets and certain land and buildings.

c) Basis of consolidation

The consolidated financial statements consolidate the College and its subsidiary, Colophon Limited, for the year ended 31 July 2011.

The accounts of the Students' Union are not consolidated as this is a separate body in which the College has no financial interest and over whose policy decisions it has no control.

d) Recognition of income

Academic fees

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

Restricted grant income

Grants received for restricted purposes are recognised as income to the extent that relevant expenditure has been incurred.

Donations and benefactions

Charitable donations are recognised on receipt or where there is certainty of future receipt and the value can be measured reliably. The accounting treatment of a donation depends on the nature and extent of restrictions specified by the donor. Donations with no substantial restrictions are recognised as income in the Income and Expenditure Account. Donations which are to be retained for the future benefit of the College, and other donations with substantially restricted purposes other than for the acquisition or construction of tangible fixed assets, are recognised in the Statement of Total Recognised Gains and Losses as new endowments.

Capital grants and donations

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

1 Accounting policies (continued)

d) Recognition of income (continued)

Other income

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

Endowment and investment income

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

e) Pension schemes

USS

The institution 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 institution 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 FRS 17 "Retirement 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 has adopted the full requirements of FRS17 "Retirement Benefits". The pension scheme service cost for the Local Government Pension Scheme (LGPS) has been measured using the projected unit method and the resulting pension scheme liabilities, discounted at an AA corporate bond rate. The pension scheme deficit is recognised in full on the Balance Sheet.

f) Tangible fixed assets

Land and buildings

The College has adopted a policy of revaluation. Details of the latest valuation of the College's operational site and premises are given in note 11. Investment land is valued annually.

Freehold buildings are depreciated on a straight line basis over their expected useful economic life of 50 years. Freehold buildings have been re-lifed to 50 years following the revaluation in 2011. Freehold land is not depreciated.

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.

Where the land and buildings were acquired with the aid of capital grants received from HEFCE, specific bequests or donations they are capitalised and depreciated as above. The related HEFCE capital grants, and, where in the past it has been possible to identify the nature and purpose of the building grants, all other benefactions, have been credited to a deferred capital grant account. The grants are released to the Income and Expenditure Account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

1 Accounting policies (continued)

f) Tangible fixed assets (continued)

Land and buildings (continued)

Buildings under construction are valued at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

The cost of routine maintenance is charged to the Income and Expenditure Account as it is incurred.

Furniture, fittings and equipment

In accordance with the College's capitalisation policy furniture, fittings and equipment costing more than £5,000 per individual item are capitalised and depreciated over their expected useful life as follows:

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

Where equipment is acquired with the aid of specific bequests or donations it is capitalised and depreciated as above. The related benefactions are credited to a deferred capital account and released to the Income and Expenditure Account over the expected useful economic life of the related asset on a consistent basis with the depreciation policy.

g) Investments

Fixed asset investment and endowment assets are included in the Balance Sheet at market value, except for investments in subsidiary undertakings which are stated in the College's Balance Sheet at cost and eliminated on consolidation. Investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value.

Increases in value arising on the revaluation of fixed asset investments are taken to a revaluation reserve via the Statement of Total Recognised Gains and Losses.

Profit or losses on sale of investments are taken to the Statement of Total Recognised Gains and Losses. The College has adopted this accounting policy to accord with the principles that are required to be followed in the application of the RCCA accounting guidelines.

h) Stocks

Stocks are valued at the lower of cost and net realisable value.

i) 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.

j) 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.

1 Accounting policies (continued)

k) 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 after 2016. The liability for the year 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.

This is the first year in which the College is required to make a contribution under Statute G, II.

2 Academic fees and charges

	2011 £	2010 £
College fees:		
Fee income paid on behalf of Undergraduates at the Publically-funded Undergraduate rate per Capita fee: £3,861 (2009/10: £3,744)	2,049,031	1,954,536
Privately-funded Undergraduate fee income per Capita fee: £4,464 (2009/10: £4,142)	244,929	262,008
Fee income received at the Graduate fee rate (including PGCE's) per Capita fee: £2,229 (2009/10: £2,184)	1,060,143	1,022,356
	3,354,103	3,238,900

3 Residences, catering and conferences income

		2011 £	2010 £
Accommodation	- College members	2,199,995	2,103,931
	- Conferences	672,553	645,360
Catering	- College members	724,820	686,826
	- Conferences	331,996	237,368
Colophon Conferences	- Accommodation	445,286	497,223
	- Catering	442,425	475,656
College bar		78,001	83,605
		4,895,076	4,729,969

4 Investment income

4a Analysis of income

	2011 £	2010 £
Income from funds:		
Quoted securities	1,002,471	737,531
Cash deposits	24,217	67,806
	1,026,688	805,337

4b Summary of total investment return

	2011 £	2010 £
Income from quoted and other securities and cash	1,026,688	805,337
Gains on Fixed Asset Investments:		
Land	-	300,000
Quoted and other securities and cash	4,093,721	3,351,679
Total return for year	5,120,409	4,457,016
Total return transferred to income and expenditure account (see note 4a)	(1,026,688)	(805,337)
Unapplied total return for year included within Statement of Total Recognised Gains and Losses	4,093,721	3,651,679

5 Other income

	2011 £	2010 £
Servicing and recharges to the University of Cambridge	559,152	547,049
Finance, administration and contribution towards central overhead	9,867	10,089
Gifts and legacies	40,519	54,942
Miscellaneous income	279,964	201,585
	889,502	813,665

6 Education expenditure

	2011 £	2010 £
Teaching	1,852,815	1,725,867
Tutorial	592,582	573,776
Admissions	428,757	421,296
Research	227,678	252,422
Scholarships and awards	59,377	57,648
Other educational facilities	258,715	249,708
	3,419,924	3,280,717

7 Residences, catering and conferences expenditure

		2011 £	2010 £
Accommodation	- College members	1,894,785	1,657,145
	- Conferences	386,500	391,525
Catering	- College members	893,218	887,219
	- Conferences	162,678	116,311
Colophon Conferences	- Accommodation	181,267	188,750
	- Catering	216,789	233,071
College bar		67,562	61,182
		3,802,799	3,535,203

8 Other expenditure

College administration	2011 £	2010 £
Pay expenditure:		
Directorate	9,093	16,506
Administrative staff	459,871	497,510
	468,964	514,016
Non-pay expenditure:		
Building repairs and maintenance	133,495	142,340
Building feasibility study	2,653	2,294
Fuel and light	102,850	127,151
Rates	24,931	36,353
Depreciation: buildings	351,342	404,831
Depreciation: furniture and equipment	36,988	104,030
Loss from fixed asset write-off (proportion) (note 11)	76,222	-
Other expenses	150,423	167,501
Reclassification of costs to residence	(376,795)	(346,568)
Interest on pension scheme liabilities	542,000	669,000
Expected return on pension scheme assets	(437,000)	(460,000)
Provision for future liabilities (note 18)	153,000	-
	1,229,073	1,360,948

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

9 Analysis of expenditure by activity

9a 2010/11

	Staff costs (note 10) £	Other operating expenses £	Depreciation £	Total £
Education (note 6)	2,027,838	1,177,569	214,517	3,419,924
Residences, catering and conferences (note 7)	1,444,808	1,803,424	554,567	3,802,799
Other (note 8)	468,964	371,779	388,330	1,229,073
	3,941,610	3,352,772	1,157,414	8,451,796

9b 2009/10

	Staff costs (note 10) £	Other operating expenses £	Depreciation £	Total £
Education (note 6)	2,135,455	865,809	279,453	3,280,717
Residences, catering and conferences (note 7)	1,294,679	1,538,460	702,064	3,535,203
Other (note 8)	514,016	338,071	508,861	1,360,948
	3,944,150	2,742,340	1,490,378	8,176,868

9c Auditors' remuneration

	2011 £	2010 £
Other operating expenses include:		
Audit fees payable to the College's external auditors	17,756	17,469
Other fees payable to the College's auditors	875	1,335
	18,631	18,804

10 Staff

Consolidated	College Fellows - other academics 2011 £	Non-academics 2011 £	Total 2011 £	Total 2010 £
Staff costs				
Emoluments	1,013,976	2,297,900	3,311,876	3,307,165
Social security costs	71,702	153,176	224,878	223,029
Other pension costs	111,799	293,057	404,856	413,956
	1,197,477	2,744,133	3,941,610	3,944,150

Average staff numbers	2011 Number	2011 Number	2011 Number	2010 Number
Academic (including library)	71	-	71	67
Non- academics	-	114	114	111
	71	114	185	178
Full time equivalents (non academics)			98.83	98.21
Fellows – Full Time Stipendiary	15			
Fellows – Part time Stipendiary	23			
Fellows – Non Stipendiary	14			
	52			
Other Academics (Non Fellows)	19			
	71			

The Governing Body comprises 52 fellows, of which 18 declared above are stipendiary.

No officer or employee of the College, including the Head of House, received emoluments of over £100,000.

11 Fixed assets

Tangible fixed assets

a) Consolidated	College Buildings and site	Furniture, fittings & equipment	Sub-total Operational assets	Investment land	Total
Cost/valuation	£	£	£	£	£
At 1 August 2010	62,481,500	3,079,088	65,560,588	11,000,000	76,560,588
Write-off	-	(2,325,890)	(2,325,890)	-	(2,325,890)
	62,481,500	753,198	63,234,698	11,000,000	74,234,698
Additions	-	24,908	24,908	-	24,908
Revaluation	4,041,402	-	4,041,402	-	4,041,402
At 31 July 2011	66,522,902	778,106	67,301,008	11,000,000	78,301,008
Depreciation					
At 1 August 2010	-	2,506,839	2,506,839	-	2,506,839
Write-off	-	(1,905,467)	(1,905,467)	-	(1,905,467)
	-	601,372	601,372	-	601,372
Provided for the year	1,081,386	76,028	1,157,414	-	1,157,414
Revaluation	(1,081,386)	-	(1,081,386)	-	(1,081,386)
At 31 July 2011	-	677,400	677,400	-	677,400
Net book value					
At 31 July 2011	66,522,902	100,706	66,623,608	11,000,000	77,623,608
At 31 July 2010	62,481,500	572,249	63,053,749	11,000,000	74,053,749

11 Fixed assets (continued)

Tangible fixed assets

b) College	**College Buildings and site**	**Furniture, fittings & equipment**	**Sub-total Operational assets**	**Investment land**	**Total**
Cost/valuation	**£**	**£**	**£**	**£**	**£**
At 1 August 2010	62,481,500	2,785,737	65,267,237	11,000,000	76,267,237
Write-off	-	(2,325,890)	(2,325,890)	-	(2,325,890)
	62,481,500	459,847	62,941,347	11,000,000	73,941,347
Additions	-	24,908	24,908	-	24,908
Revaluation	4,041,402	-	4,041,402	-	4,041,402
At 31 July 2011	66,522,902	484,755	67,007,657	11,000,000	78,007,657
Depreciation					
At 1 August 2010	-	2,285,065	2,285,065	-	2,285,065
Write-off	-	(1,905,467)	(1,905,467)	-	(1,905,467)
	-	379,598	379,598	-	379,598
Charge for the year	1,081,386	47,686	1,129,072	-	1,129,072
Revaluation	(1,081,386)	-	(1,081,386)	-	(1,081,386)
At 31 July 2011	-	427,284	427,284	-	427,284
Net book value					
At 31 July 2011	66,522,902	57,471	66,580,373	11,000,000	77,580,373
At 31 July 2010	62,481,500	500,672	62,982,172	11,000,000	73,982,172

c) Land and buildings

A desktop valuation of the College's operational site and premises was completed by Messrs Bidwells, Chartered Surveyors on 31 July 2011. This valuation, amounting to £66,522,902, has been incorporated in the accounts. The 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.

The valuation of the College's operational land and buildings gave rise to a surplus of £5,122,788 compared against carrying values and has been taken direct to the revaluation reserve.

The investment land was valued by Messrs Bidwells, Chartered Surveyors, at £11,000,000 on 31 July 2011 on the basis of open market value taking account of the College's Estates Strategy for the future use of this land. There was no change on the previous valuation.

The insured value of freehold buildings as at 31 July 2011 was £72,598,116 (2010: £72,598,116) including the costs of related professional fees.

11 Fixed assets (continued)

d) Furniture, fittings and equipment

The fixed asset write off arose from the increase in the capitalisation limit of individual items to £5,000. Assets that were previously capitalised by the College that were less than this limit have been written off with effect from 1 August 2010. The effect of this has been to recognise a loss on elimination of these assets of £420,423 (gross £2,325,890 less accumulated depreciation £1,905,467) which has been offset by a reduced depreciation charge for the year of £136,001.

12 Investments in subordinated company

	College
	£
Shares at cost	
At 1 August 2010 and 31 July 2011	40,000

The holding represents the College's investments in Colophon Limited. Colophon Limited is a wholly owned subordinated company of the College.

The College's principal trading subsidiary undertakings at 31 July 2011 was:

Undertaking	Activity
Colophon Limited	A trading vehicle for Homerton College, engaging in commercial and income generation and pursuing commercial objectives, principally through conferences.

13 Investments

	Consolidated and College	
	2011	2010
	£	£
Balance at 1 August	41,734,260	27,878,188
Additions	7,060,266	13,973,116
Disposals	(7,493,115)	(2,810,830)
Revaluation in year	4,093,721	3,351,679
Increase/(decrease) in cash balances and deposits held at fund managers	2,472,916	(657,893)
Balance at 31 July	47,868,048	41,734,260
Represented by:		
Quoted securities – equities	42,731,121	36,809,255
Quoted securities – fixed interest including convertibles	1,859,073	4,120,067
Cash held for reinvestment	3,277,854	804,938
Total	47,868,048	41,734,260

14 Debtors

	Consolidated		College	
	2011	2010	2011	2010
Debtors falling due within one year:	£	£	£	£
Trade debtors	424,489	418,577	299,751	289,288
Amounts due from subsidiary undertakings	-	-	633,824	748,258
Prepayments and accrued income	698,392	560,567	573,600	443,914
	1,122,881	979,144	1,507,175	1,481,460

15 Cash

	Consolidated		College	
	2011	2010	2011	2010
	£	£	£	£
Cash at bank – short term deposits	4,046,735	2,745,375	3,574,728	2,146,712
Cash in hand	6,747	1,210	5,647	910
	4,053,482	2,746,585	3,580,375	2,147,622

16 Creditors: amounts falling due within one year

	Consolidated		College	
	2011	2010	2011	2010
	£	£	£	£
Trade creditors	240,038	245,324	124,705	157,170
Other taxation and social security	112,626	61,362	112,626	61,362
Contribution to Colleges' Fund	34,000	-	34,000	-
Other creditors and accruals	345,828	476,589	313,048	392,118
Deferred income	136,754	66,471	133,233	61,867
	869,246	849,746	717,612	672,517

17 Creditors: amounts falling due after one year

	Consolidated and College	
	2011	2010
	£	£
Accruals and deferred income	2,896,174	2,927,855

Accruals and deferred income represent the deferral of monies received from the University of Cambridge Education Faculty for the grant of a 99 year lease over a new Faculty building that has been constructed on the College site. The receipt will be released to the income and expenditure account in equal annual instalments over the lease term.

18 Provisions for liabilities and charges

	Consolidated and College 2011 £	2010 £
Balance at 1 August	349,717	450,510
Movement in provisions:		
Benefits paid	(63,721)	(66,108)
Charge to income and expenditure account	18,885	27,880
Changes in actuarial assumptions	33,027	(62,565)
	337,908	349,717
Charge to income and expenditure account for new provision created in year	153,000	-
Balance at 31 July	490,908	349,717

The provision for the College's liability to enhance the pensions of teaching staff who have retired early amounts to £337,908 at the balance sheet date. Actuarial gains and losses arising from changes made to the assumptions used in determining the provision are recognised in the statement of total recognised gains and losses.

The College had previously recognised pension obligations in respect of certain of the group's former employees under FRS17 as a pension liability based on annual FRS17 valuations.

The liability has been reclassified in the year as a provision rather than a pension liability as this more accurately reflects the nature of the liability. Previous actuarial losses that were recognised have been credited to the statement of recognised gains and loses in the year and the estimate of the year end obligation, amounting to £153,000 has been charged to the income and expenditure account.

19 Deferred capital grants

	Consolidated and College 2011 £	2010 £
Balance at beginning of year	2,821,898	2,901,182
Grants and donations received	-	-
Released to income and expenditure account	(79,282)	(79,284)
Balance at end of year	2,742,616	2,821,898

Deferred capital grants relate to HEFCE grants received for building refurbishments and construction.

20 Reserves

Consolidated	General reserves £	Operational property revaluation reserve £	Fixed asset investment reserve £	Total 2011 £	Total 2010 £
Balance at beginning of year	56,193,619	50,470,548	1,967,868	108,632,035	103,790,295
Surplus retained for the year	1,758,855	-	-	1,758,855	1,490,287
Actuarial gain/(loss)	1,077,000	-	-	1,077,000	(252,000)
Gain on change in basis of LGPS pension benefits to Consumer Price Index from RPI	-	-	-	-	794,000
Changes in assumptions underlying the present value of teachers pension obligations	(33,027)	-	-	(33,027)	62,565
Transfer in respect of depreciation on revalued operational properties	722,439	(722,439)	-	-	-
Unrealised surplus/(deficit) on revaluation of fixed assets	-	5,122,788	-	5,122,788	(1,389,056)
Increase in movement of investment land market value	-	-	-	-	300,000
Increase in market value of investments	-	-	4,093,721	4,093,721	3,351,679
Profit on sale of investments	59,820	-	-	59,820	484,265
Realised revaluation surplus in year	409,155	-	(409,155)	-	-
Balance at end of year	60,187,861	54,870,897	5,652,434	120,711,192	108,632,035

20 Reserves (continued)

College	General reserves £	Operational property revaluation reserve £	Fixed asset investment reserve £	Total 2011 £	Total 2010 £
Balance at beginning of year	56,220,067	50,470,548	1,967,868	108,658,483	103,808,230
Surplus retained for the year	1,769,595	-	-	1,769,595	1,498,800
Actuarial gain/(loss)	1,077,000	-	-	1,077,000	(252,000)
Gain on change in basis of LGPS pension benefits to Consumer Price Index from RPI	-	-	-	-	794,000
Changes in assumptions underlying the present value of teachers pension obligations	(33,027)	-	-	(33,027)	62,565
Transfer in respect of depreciation on revalued operational properties	722,439	(722,439)	-	-	-
Unrealised surplus/(deficit) on revaluation of fixed assets	-	5,122,788	-	5,122,788	(1,389,056)
Increase in movement of investment land market value	-	-	-	-	300,000
Increase in market value of investments	-	-	4,093,721	4,093,721	3,351,679
Profit on sale of investments	59,820	-	-	59,820	484,265
Realised revaluation surplus in year	409,155	-	(409,155)	-	-
Balance at end of year	60,225,049	54,870,897	5,652,434	120,748,380	108,658,483

General reserves and the operational property revaluation reserve include a permanent capital fund of £65,584,723 representing the value at 31 July 2007 of the College's main site land and buildings. This fund was created in July 2007 by designation by the Governing Body rather than from external donations.

21 Restatement of prior year figures

The College has adopted the new RCCA guidelines in the current year and therefore comparative figures have been restated to reflect the revised accounting policies. This has affected the classification of reserves as follows:

a) Deferred capital grants are now disclosed separately on the face of the balance sheet rather than as part of restricted reserves.

b) The classification of reserves between expendable and permanent endowments has been revised.

c) Designated funds are not permitted and therefore have been reviewed and reclassified as unrestricted funds.

21 Restatement of prior year figures (continued)

d) Permanent capital has been reclassified as an unrestricted reserve.

e) Heritage Assets FRS30 has been adopted for the first time, though this had no effect on prior year's figures.

Consolidated	Restricted expendable £	Unrestricted permanent £	General and revaluation reserves £	2010 Total £
Reserves under previous accounting policies	2,872,118	65,584,723	42,997,092	111,453,933
Reclassification between restricted expendable and general reserves	(50,220)	-	50,220	-
Reclassification between unrestricted permanent and general reserves	-	(65,584,723)	65,584,723	-
Reserves as restated	2,821,898	-	108,632,035	111,453,933

College	Restricted expendable £	Unrestricted permanent £	General and revaluation reserves £	2010 Total £
Reserves under previous accounting policies	2,872,118	65,584,723	43,023,540	111,480,381
Reclassification between restricted expendable and general reserves	(50,220)	-	50,220	-
Reclassification between unrestricted permanent and general reserves	-	(65,584,723)	65,584,723	-
Reserves as restated	2,821,898	-	108,658,483	111,480,381

The prior year adjustments had no effect on results for the year ended 31 July 2010.

22 Pension liability

	Consolidated and College	
	2011	2010
	£	£
Balance at beginning of year	3,972,000	4,285,000
Actuarial losses relating to former employees released through statement of total recognised gains and losses (see note 18)	(553,000)	-
	3,419,000	4,285,000
Movement in year:		
Current service cost	323,000	336,000
Past service gain	-	(794,000)
Expected return on assets	(437,000)	(460,000)
Contributions	(316,000)	(316,000)
Other finance cost	542,000	669,000
Actuarial (gain)/loss recognised in statement of total recognised gains and losses	(524,000)	252,000
Balance at end of year	3,007,000	3,972,000

The College participates in two schemes, Universities Superannuation Scheme (USS) and Cambridgeshire County Council Pension Fund (CCCPF). The CCCPF is part of the Local Government Pension Scheme (LGPS). All the 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 institution is unable to identify its share of the underlying assets and liabilities of the USS scheme on a consistent and reasonable basis and therefore, as required by FRS17 "Retirement 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.

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 accounts. The disclosure requirements of FRS17 in relation to these schemes are shown below.

The total pension cost for the College and its subsidiaries for the year to 31 July 2011was:

	2011	2010
	£	£
Contributions USS	90,435	93,391
Current service cost of CCCPF (LGPS)	323,000	336,000
Payment to University of Cambridge for TPS	500	6,002
Total pension cost	413,935	435,393

The actuaries' recommendations for contributions to USS are based on valuation of the scheme's liabilities. In the intervening years, the actuaries review the progress of the schemes. Pension costs are accounted for on the basis of charging the cost of providing pensions over the period during which the College benefits from the employees' services. Unless it is considered prudent to recognise deficiencies over a shorter period, variations from regular cost are spread over the expected average working lifetime of members of the schemes, after making suitable allowances for future withdrawals.

22 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 2008	31 March 2010
Market valuation of assets	£28,843m	£1,494m
Past service liabilities	£28,136m	£2,048m
Surplus/(deficit) of assets	£707m	£(555)m

USS

The institution 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 fund administered by the trustee, Universities Superannuation Scheme Limited.

The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University of College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; 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.

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 institution 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 FRS17 "Retirement 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.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation of USS under the new 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. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2011 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past services liabilities) and pensions would increase by 3.3% per annum.

22 College pension schemes (continued)

USS (continued)

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables – rated down 1 year
Female members' mortality	PA92 MC YoB tables – No age rating

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males/(females) currently aged 65	22.8/(24.8) years
Males/(females) currently aged 45	24.0/(25.9) years

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which has accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using an AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discounted rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, increased the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

22 College pension schemes (continued)

USS (continued)

Since 31 March 2008 global investment markets have continued to fluctuate and as at 31 March 201s the market's assessment of inflation has increased slightly. The government has also announced a change to the inflation measure used in determining the "Official Pensions Index" from the Retail Price Index to the Consumer Prices Index. The actuary has taken all this into account in his funding level estimates at 31 March 2011 by reducing the assumption for pension increases from 3.3% pa to 2.9% pa. The actuary has estimated that the funding level as at 31 March 2011 under the scheme specific funding regime has fallen from 103% to 98% (a deficit of circa £700 million). Over the past twelve months, the funding level has improved from 91%, as at 31 March 2010 to 98%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). The next formal valuation is as at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

With effect from 1 October 2011, new joiners to the scheme will join the new revalued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels.

On the FRS17 basis, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

Assumption	*Change in assumption*	*Impact on scheme liabilities*
Valuation rate of interest	Increase/decrease by 0.5%	Deacrease/increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 billion

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

22 College pension schemes (continued)

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimising the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2011 and will incorporate allowance for scheme benefit changes and any changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2011, USS had over 142,000 active members and the institution had 35 active members participating in the scheme.

The total pension cost for the institution was £108,643 (2010: £93,391). There were no outstanding or prepaid contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

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 assess the future liabilities discounted to their present value.

The main assumptions used for the purposes of FRS17 are as follows:	**2011**	**2010**
Discount rate	5.3% pa	5.4% pa
Rate of increase of salaries	5.0% pa	4.9% pa
Rate of increase of pension in payment	2.7% pa	2.9% pa
Expected return on assets	6.4% pa	6.6% pa

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

	2011 **£000**	**2010** **£000**
Equities	5,304	5,555
Bonds	1,090	1,270
Property	581	715
Other	291	397
Total	7,266	7,937

22 College pension schemes (continued)

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

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

	2011	2010
Current pensioners		
Males	21.0	20.8
Females	23.8	24.1
Future pensioners		
Male	22.9	22.3
Females	25.7	25.7

The amounts recognised in the balance sheet for the current and previous accounting periods are as follows:

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Present value of funded obligations	(10,272)	(11,908)	(11,078)	(9,215)	(8,538)
Fair value of plan assets	7,266	7,937	6,794	7,055	6,980
	(3,006)	(3,971)	(4,284)	(2,160)	(1,558)
Present value of unfunded obligations	(1)	(1)	(1)	(1)	(1)
Net liability recorded in the balance sheet	(3,007)	(3,972)	(4,285)	(2,161)	(1,559)
Experience gain/(loss) on assets	108	529	(893)	(488)	311
Experience gain/(loss) on liabilities	416	(781)	(1,135)	(259)	1

Amounts charged to income and expenditure account	2011 £000	2010 £000
Current service cost	323	336
Interest on obligation	542	669
Expected return on plan assets	(437)	(460)
	428	545

22 College pension schemes (continued)

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

Analysis of amounts recognised in statement of total recognised gains and losses:

	2011 £000	2010 £000
Actuarial gains on pension scheme assets	108	529
Actuarial gains/(losses) on pension obligation	416	(781)
Actuarial gain on change to basis of LGPS pension benefits to Consumer Price Index from RPI	-	794
Actuarial losses relating to former employees released in year (see note 18)	553	-
Total actuarial gain recognised	1,077	542

Changes in the present value of the defined benefit obligation are as follows:

	2011 £000	2010 £000
Opening defined benefit obligation	11,908	11,078
Derecognition of pension obligation for former employees	(1,948)	-
Current service cost	323	336
Interest cost	542	669
Contributions by members	110	113
Actuarial (gains)/losses	(416)	781
Change in basis of pension benefits	-	(794)
Benefits paid	(247)	(275)
Closing defined benefit obligation	10,272	11,908

Changes in the fair value of plan assets are as follows:

	2011 £000	2010 £000
Opening fair value of plan assets	7,937	6,794
Derecognition of plan assets for former employees	(1,395)	-
Expected return	437	460
Contributions by members and other bodies	110	113
Contributions by employer	316	316
Actuarial gains	108	529
Benefits paid	(247)	(275)
	7,266	7,937

The College expects to contribute £353,000 to its defined benefit pension plans in the year ending 31 July 2012 (2010: expected to contribute £321,000 in the year to 31 July 2011).

The management bases required by FRS17 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.

23 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.

24 Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	2011 £	2010 £
Operating surplus	1,758,855	1,490,287
Depreciation	1,157,414	1,490,378
Loss on tangible fixed assets written off in year	420,423	-
Release of capital grant	(79,282)	(79,284)
Endowment income receivable	(1,026,688)	(805,337)
FRS17 charge – non cash flow	112,000	229,000
Increase in stock	(9,604)	(5,533)
(Increase)/decrease in debtors	(143,737)	610,081
Decrease in creditors	(12,181)	(863,398)
Movement in provisions	108,164	(38,228)
Net cash inflow from operating activities	2,285,364	2,027,966

25 Cash flows

Returns on investments and servicing of finance	2011 £	2010 £
Endowment income	1,002,471	737,531
Interest received	24,217	67,806
Net cash inflow from returns on investments and servicing of income	1,026,688	805,337

Capital expenditure and financial investment	2011 £	2010 £
Receipts from sales of investment assets	7,552,935	3,295,095
Total capital receipts	7,552,935	3,295,095
Payments to acquire investment assets	(7,060,266)	(13,973,116)
Payments to acquire tangible fixed assets	(24,908)	(119,955)
Total capital expenditure	(7,085,174)	(14,093,071)
Net cash inflow/(outflow) from capital transactions	467,761	(10,797,976)

25 Cash flows (continued)

Management of liquid resources	2011 £	2010 £
(Increase)/decrease in cash for investment	(2,472,916)	657,893
Net cash (outflow)/inflow from liquid resources	(2,472,916)	657,893

26 Analysis of cash and bank balances

	2011 £	2010 £
Cash and short term deposits	4,053,482	2,746,585
Cash held with fund managers for reinvestment	3,277,854	804,938
	7,331,336	3,551,523

27 Capital commitments

	2011 £	2010 £
Capital commitments at 30 July 2011 are as follows:		
Authorised but not yet contracted for	310,000	-