# QUEENS' COLLEGE, CAMBRIDGE

# ANNUAL REPORT AND FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 30 JUNE 2018

**QUEENS' COLLEGE, CAMBRIDGE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2018**

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# QUEENS' COLLEGE, CAMBRIDGE

## REFERENCE AND ADMINISTRATIVE DETAILS

## FOR THE YEAR ENDED 30 JUNE 2018

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The full name of the College is "The Queen's College of St Margaret and St Bernard, commonly called Queens' College in the University of Cambridge". The College is a corporate body consisting of the President, Fellows and Scholars.

The Governing Body, which consists of the President and the Fellows, with four student observers, holds at least six meetings each year. The Governing Body met ten times in the year to which this report relates. The President, Professorial Fellows and Official Fellows are the voting members of the Governing Body and, since the Governing Body exercises general control and management of the College, its voting members are the trustees of the charity.

*President
The Rt Hon. Prof. Lord Eatwell

Life Fellows
Prof. A C Spearing
Dr B A Callingham
Prof. J E Carroll
Revd Dr B L Hebblethwaite
Dr J T Green
Dr T H Coaker
Dr W A Phillips
Revd Dr B I Bradshaw[+1]
Prof A. N. Hayhurst
Prof. P Spufford[+2]
Dr C J Pountain
Prof. Lord Oxburgh
Revd Canon J C Polkinghorne
Prof J Diggle
His Hon. Judge Bridge
Prof K F Priestley
Revd Dr J M Holmes
Dr H J Field
Dr C N Pitelis
Dr A D Cosh
Prof D R Ward[4]
Prof J L Scott[4]
Dr M J Milgate[4]

*Professorial Fellows
Prof. E A H Hall
Prof. A N Lasenby
Prof. D.K. Menon
Prof. R W Prager

*Official Fellows
Prof. R R Weber
Prof. J A Jackson
Prof. R G Fentiman
Prof. P H Haynes
Prof. D Cebon
Prof R L Jones
Dr E G Kahrs
Dr A H Gee
Dr J W F Allison
Prof B J Glover
Prof R A W Rex
Prof C E Bryant
Dr M P V Crowley
Prof J C Muldrew
Dr J W P Campbell
Dr H R N Jones
Prof M J Dixon
Dr A C Thompson
Dr J R Gog
Prof A A Seshia
Prof E M Terentjev
Dr I Sitaridou
Dr A Zurcher
Dr A M Rossi
Mr J Spence
Dr G J McShane
Dr H J Stone
Dr M Edmonds
Dr J J Maguire
Dr G M Fraser
Dr L S Tiley
Dr T S Butlin
Prof R Nickl
Dr J W Kelly
Dr A C Rice
Dr E Moyroud
Dr D J Butterfield
Dr A Paterson
Dr E Gallo
Mr R M C Kitt
Dr S Haggarty
Dr C J Bickerton
Mr C Karakoulas[5]
Dr C Brendon
Dr D J Parker
Dr G Denyer Willis
Dr T Bekinschtein[3]
Dr E McPherson
Dr J Baxendine
Dr A Zaccone
Dr M E B Tait
Dr F I Paddeu
Revd T C Harling
Dr P Daly
Mr M Saxton
Dr C Warnick[4]
Dr A Marsham[4]
Dr J Blundell[4]
Dr A Beresford[4]
Dr G Atkins[4]

Bye-Fellows
Dr R D H Walker
Dr A D Challinor
Dr G H Treece
Mr S J Price
Dr M Williamson
Dr R M Faragher
Dr T S Cordiner
Dr I K Patterson
Dr J M Escartin Esteban[5]
Dr T Forster
Dr M Steenhagen

Research Fellows
Dr I Martincorena[3]
Dr O Rosenboim [3]
Dr V Acedo-Matellan[3]
Dr M Polgovsky Ezcurra
Dr M S Keibek
Dr C Herresthal
Dr S Seita
Dr F Jephcott[4]
Dr S Kissler[4]

Emeritus Fellows
Dr A M W Glass
Prof J Russell
Prof. A M Gamble

[1] Obit 19 November 2017
[2] Obit 10th December 2017
[3] To 30th September 2017
[4] From 1st October 2017
[5] To 31st December 2017

*Charity Trustees

**QUEENS' COLLEGE, CAMBRIDGE**

**REFERENCE AND ADMINISTRATIVE DETAILS**

**FOR THE YEAR ENDED 30 JUNE 2018**

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**Senior Officers**

| | |
|---|---|
| President | The Rt. Hon. Professor Lord Eatwell |
| Vice-President | Professor E A H Hall |
| Senior Bursar | Mr J Spence |
| Senior Tutor | Dr J W Kelly |

**PRINCIPAL COMMITTEES**

**Bursarial Committee**

The Rt Hon. Professor Lord Eatwell, President
Professor E A H Hall, Vice President
Mr J Spence, Senior Bursar
Dr R D H Walker, Estate Bursar
Dr J W Kelly, Senior Tutor
Mr R M C Kitt, Development Director
Dr F I Paddeu
Dr M Edmonds
Dr D Butterfield
Dr I Sitaridou
Dr A H Gee

**Investments Committee**

The Rt Hon. Professor Lord Eatwell, President
Professor E A H Hall, Vice President
Mr J Spence, Senior Bursar
Professor R R Weber
Dr A H Gee
Professor M J Dixon, Dean of College
Mr R R Foulkes (Queens' Alumnus)
Mr A Pomfret (Queens' Alumnus)
Mrs A Koerling (Queens' Alumna)

**Fellowships Committee**

The Rt Hon Professor Lord Eatwell, President
Professor E A H Hall, Vice-President
Dr J W Kelly, Senior Tutor
Mr J Spence, Senior Bursar
Professor P H Haynes
Professor R W Prager
Dr M P V Crowley
Dr A Zurcher
Dr A M Rossi
Dr G Denyer Willis

**Teaching and Learning Committee**

Dr J W Kelly, Senior Tutor
Dr H Stone, Admissions Tutor
Dr B Butterfield, Admissions Tutor
All Directors of Studies of the College
Tutors charged with Admissions
Admissions Co-ordinator
Graduate Administrator

**Tutorial Committee**

The Rt Hon. Professor Lord Eatwell, President
Dr J W Kelly, Senior Tutor
Professor M J Dixon, Dean of College
All Tutors of the College
Revd T C Harling, Dean of Chapel
Mr J Spence, Senior Bursar

# QUEENS' COLLEGE, CAMBRIDGE

# REFERENCE AND ADMINISTRATIVE INFORMATION

# FOR THE YEAR ENDED 30 JUNE 2018

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## PROFESSIONAL ADVISORS

**Auditors**

Peters Elworthy & Moore
Salisbury House
Station Road
Cambridge
CB1 2LA

**Actuaries**

Cartwright Group Ltd
Suite 7, 2nd Floor, The Hub, IQ Farnborough
Farnborough
Hampshire
GU14 7JP

**Bankers**

National Westminster Bank plc
23 Market Street
Cambridge
CB2 3PA

**Investment Fund Managers**

Heronbridge Investment Management LLP
1 Queen Street
Bath
BA1 1HE

Sarasin & Partners LLP
Juxon House
100 St Paul's Churchyard
London
EC4M 8BU

**Property Advisors**

Bidwells LLP
Trumpington Road
Cambridge
CB2 9LD

Carter Jonas LLP
6 – 8 Hills Road
Cambridge
CB2 1NH

**Solicitors**

Mills & Reeve LLP
Francis House
112 Hills Road
Cambridge
CB2 1PH

## CHARITY INFORMATION

| | |
|---|---|
| Charity Registration | 1137495 |
| Registered Address | Silver Street, Cambridge CB3 9ET |
| Website | www.queens.cam.ac.uk |

## STRUCTURE, GOVERNANCE AND MANAGEMENT

### Organisation

Queens' College, Cambridge is a self-governing academic community and body corporate, comprising the President, Fellows and Scholars and is one of the thirty-one Colleges in the University of Cambridge. The provisions which regulate the purposes and administration of the College are to be found in its Royal Charter, dated 30th March 1448, and its Statutes, as made in 1955 and variously amended from time to time, most recently in 2017.

### The Governing Body

The Charity Trustees of the College are the voting members of the Governing Body, being its President, Professorial Fellows and Official Fellows, appointed by the Governing Body in accordance with the Statutes of the College. The membership of the Governing Body is given on page 3.

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.

Under the College Statutes, the Governing Body has the discretion to form committees to consider and to make recommendations to the Governing Body in accordance with the College's Statutes. The Governing Body also has the discretion to delegate powers to committees. The Governing Body has formed a number of committees, the principal ones being:-

- **Bursarial Committee** – to oversee the financial management of the College in accordance with the College Statutes, under the overall direction of the Governing Body. In accordance with the College Statutes, the Senior Bursar, advised by the Bursarial Committee, is responsible for the financial management of the College, subject to the overall direction of the Governing Body. The Bursarial Committee, without the Bursars, acts as an Audit Committee;

- **Investments Committee** – to keep under continual review the investments of the College, against agreed benchmarks, to recommend and implement the investment policy approved by the Governing Body, to maintain consultation with the College's financial advisors;

- **Fellowships Committee** – to consider and advise the Governing Body on the general needs of the College in relation to appointments to Fellowships, in all classes, in accordance with the Statutes of the College;

- **Teaching and Learning Committee** - to review all aspects of College teaching and its relationship to University teaching and to make recommendations accordingly to the Governing Body;

- **Tutorial Committee** – to review and consider general issues pertaining to the welfare of students of the College and to advise the Governing Body on all matters of policy pertaining to student welfare.

These Committees are a key component of the College's system of internal control, which is designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the extent and nature of those risks and to manage them efficiently, effectively and economically. This process was in place for the year ended 30th June 2018 and up to the date of approval of the financial statements. The Governing Body is responsible for ensuring the effectiveness of the systems of internal control: all the above Committees make regular reports to the Governing Body through the medium of detailed minutes, as well as dedicated reports.

The Governing Body's review of the effectiveness of the system of internal control is informed by the work of the various Committees, the Senior College Officers and other 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.

**Induction and Training of Members of the Governing Body**

Upon admission to the Fellowship, new members of the Governing Body receive, inter alia:-

- A copy of the College Statutes
- A copy of the most recent Annual Report and Accounts
- A copy of procedures and policies relating to the College
- An up-to-date list of College Officers, Committees and their membership
- A copy of the Charity Commission's guide to the responsibilities of a Charity Trustee (both the full and summary versions)
- A copy of Being a Trustee (the Charity Commission's easy read guidance, which explains the main things that a Trustee needs to know)
- Copies of minutes of previous meetings of the Governing Body and its principal committees
- A declaration of qualifications to be a Trustee (to be signed and held by the College)
- A list of all diary dates relevant to membership of the Governing Body
- Information about the management of conflicts of interest
- The latest circulars from the Charity Commission
- A copy of the latest Corporate Risk Register

Each new member has an induction meeting with the Senior Bursar, prior to attending a meeting of the Governing Body.

**Risk Management**

The Governing Body is committed to an ongoing policy of identifying, monitoring and managing the risks that might adversely affect the operations and reputation of the College. The Bursarial Committee, chaired by the President, reviews at least twice each year the operational, financial, regulatory and legal risks facing the College, (including reviewing the Corporate Risk Register) and reports accordingly to the Governing Body. The Governing Body keeps under review the structures to deal with risk and is satisfied that appropriate structures are in place to identify, manage and mitigate the risks faced by the College.

**Scope of Financial Statements**

The financial statements are a consolidation of the results of Queens' College and its subsidiaries, QC Enterprises Limited and Q College Property Limited. Q College Property Limited has continued to be non-trading during the year. QC Enterprises is the corporate vehicle through which the College undertakes its commercial conference and catering activities.

**AIMS AND OBJECTIVES OF THE COLLEGE**

The College is an institution of higher education. Its purposes are the promotion of study and prayer.

The College has the following aims and objectives:

- to maintain the College's emphasis on the individual in academic and pastoral provision; to deliver an excellent undergraduate education by safeguarding the provision of small-group teaching through the College-based supervision system; and to achieve and maintain the highest standards in education at both undergraduate and postgraduate levels while maintaining welfare support through the dedicated student support team;

- to support a community of Fellows, students and staff, allowing the benefits of a large, internationally renowned University to be realised in a small and close-knit community;

- to promote academic research of the highest quality by Fellows and students;

- to maintain and enhance the endowments and benefactions, historic buildings and grounds of the College for the benefit of future generations.

Remaining an independent foundation, forming part of a collegiate university, is fundamental to the College's long-term strategy. The College endorses the University's mission and core values and agrees that the partnership between the University and the Colleges is central to Cambridge's future development. The College will continue to play an active role in University bodies and in contributing to the formulation of University policy.

In pursuit of its aims and objectives, as well as its charitable objects, the College admits (as junior members) undergraduate and graduate students matriculated in the University of Cambridge. It provides financial and other support to those of its members who require it in order to achieve its aims and objects and it supports teaching and research in the University. In furtherance of its objects, the College maintains and manages an endowment of property and financial assets. Besides financial and tutorial support, the College also supplies accommodation, catering and other services to its members and others.

**Public benefit statement**

In accordance with its Royal Charter of 1448, the College's charitable objects are the promotion of study and prayer through the provision of a College in the University of Cambridge.

The College provides, in conjunction with the University of Cambridge, an education for some 524 undergraduate and 407 full-time and 85 part-time graduate students which is recognised internationally as being of the highest standard. This education develops students academically and advances their leadership qualities and

interpersonal skills, and so prepares them to play full and effective roles in society. In particular, the College provides:

- teaching facilities and individual or small-group supervision, as well as pastoral, administrative and academic support through its tutorial and graduate mentoring systems;

- social, cultural, musical, recreational and sporting facilities to enable each of its students to realise as much as possible of their academic and personal potential whilst studying at the College.

The College additionally advances study through:

- providing Research Fellowships to outstanding academics at the early stages of their careers, which enables them to develop and focus on their research in this formative period before they undertake the full teaching and administrative duties of an academic post;

- supporting research work pursued by its other Fellows through promoting interaction across disciplines, providing facilities and providing grants for national and international conferences, research trips and research materials;

- encouraging visits from outstanding academics from outside the University of Cambridge; and

- encouraging the dissemination of research undertaken by members of the College through the publication of papers in academic journals or other suitable means.

The College maintains an extensive Library (including important special collections), so providing a valuable resource for students and Fellows of the College, members of other Colleges and the University of Cambridge more widely, as well as external scholars and researchers.

The College carries forward the tradition, continuous since its foundation, of being a place of prayer. In particular, the College:

- Maintains and supports the Chapel as a place of prayer and holds a variety of religious services on week days and at weekends during term, which are open to the general public and visitors.

- Supports, through the College Chaplaincy team, the emotional, mental and spiritual well-being of all members of the College community whatever their faith tradition, or none.

The resident members of the College, both students and academic staff, are the primary beneficiaries and are directly engaged in study.

However, beneficiaries also include: students and academic staff from other Colleges in Cambridge and the University of Cambridge more widely, visiting academics from other higher education institutions and visiting schoolchildren and alumni of the College who have an opportunity to attend educational events at the College or use its academic facilities. The services in the College Chapel are open to the public and are attended by local residents and visitors to Cambridge.

The College admits as students those who have the highest potential for benefiting from the education provided by the College and the University and recruits as academic staff those who are able to contribute most to the academic excellence of the College, regardless of their financial, social, religious or ethnic background.

The College charges the following fees:

a) College composition fees at externally regulated rates to undergraduates entitled to those rates and to graduate students (with those undergraduate fees being paid by grant funding through arrangements approved by the Government), and a fee determined by the College annually to Overseas undergraduates and any Home/EU undergraduates not entitled to the regulated rates; and

b) Accommodation and meal charges at reasonable rates.

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 for those of limited financial means. In 2017/2018, 90 undergraduates (out of our 465 Home/EU undergraduates) received such bursaries with a total value of £309,855. The scheme is approved by the Office for Students and provides benefits at a substantially higher level than the minimum OFS requirement. It is widely advertised, on the University website, on College websites and in the Admissions Prospectus. The College spent £94,640 on additional bursaries in 2017/2018.

The College also supports all students through a grant scheme to assist with attendance at conferences, and travel grants. In 2017/2018 the College spent £68,072 on this scheme.

In addition to its other programmes, the College operates a hardship scheme for all students in financial hardship. In 2017/2018 the College made hardship grants totalling £78,285.

The sole condition for admission as an undergraduate to Queens' is academic potential. The College will use its best endeavours to ensure that no student is prevented from studying here because of disability or any other social or financial consideration. We are particularly keen to receive applications from schools with no previous tradition of sending students to Cambridge. To further this aim, and to fulfil our desire to widen access to the University in general, we have developed an extensive programme of activities to support potential applicants. We run several open days each year, allowing applicants to experience a Cambridge College for themselves. We receive visits from schools in College and also go out and visit schools ourselves. We run seminars for teachers and allow teachers to observe our interviews to give them a real sense of how our admission process works from the inside. Our outreach and widening participation activity, as part of a University-wide agreement to link areas to Colleges, is particularly focused on Bradford, Kent and Havering but we are happy to engage with any school that contacts us. All this activity is coordinated through the Admissions Office and is the responsibility of our Admissions Tutor and our Schools Liaison Officer. In addition, this year the College recruited an additional Schools Liaison Officer, based in our linked area of Bradford, to enhance further the effectiveness of our access work.

In order to fulfil its charitable purposes, the College employs College Lecturers, Tutors, Clergy and senior academic and administrative officers. These posts are qualifying offices under the College Statutes. The appointment of Fellows is a result of their employment in a qualifying office which office is undertaken with the intention of furthering the College's aims and their employment directly contributes to the fulfilment of those aims. The private benefit accruing to the President and Fellows occurs solely through their employment in a relevant qualifying office by means of salaries, stipends and employment related benefits and is objectively reasonable, measured against academic stipends generally; moreover, annual pay increases normally follow national settlements applying to the university sector, as implemented by the University of Cambridge. Without the employment through qualifying offices of Fellows, the College could not fulfil its charitable aims as a College in the University of Cambridge.

The President and Fellows of the College also receive benefits as beneficiaries. These comprise research grants, conference grants, book grants etc. These benefits are provided with the intention of furthering the College's aims. The amounts of the benefits provided are objectively reasonable, measured against the academic benefits made available to other beneficiaries of the College.

**Academic Performance**

In 2017/2018, 500 undergraduates sat University classed examinations with 85.8% obtaining grades in the First Class or the upper division of the Second Class (or in the undivided Second Class).

**Funding of the College**

Queens' College is funded from several sources as follows:

| | **2017/2018** | **2016/2017** | **2015/2016** | **2014/2015** |
|---|---|---|---|---|
| Academic Fees | 26.4% | 26.5% | 24.9% | 27.5% |
| College Accommodation | 23.7% | 23.8% | 24.2% | 25.1% |
| College Catering | 6.8% | 7.2% | 6.9% | 7.4% |
| Conference Activities (including Catering) | 11.0% | 9.9% | 9.8% | 9.1% |
| Investment Income | 16.5% | 18.0% | 19.5% | 20.8% |
| Donations | 14.4% | 13.0% | 13.3% | 8.8% |
| Other | 1.2% | 1.6% | 1.4% | 1.3% |

The above table excludes new endowments from the calculations. Future income from the new endowments will appear as Investment Income.

## Financial Review

In common with other organisations, the financial year to 30th June 2018 has been a challenging one in somewhat uncertain economic circumstances. The College has continued to pursue its principal goals of providing a first class educational and research environment to undergraduates, graduate students and Fellows alike, whilst striving to live within its means.

The College's principal objective to provide a world class education to its undergraduates and graduate students places a heavy burden on its resources. Last year this meant spending c£9,500 on each undergraduate student, mainly through the intensive support provided by the individual's Director of Studies, Supervisors and Tutors. The total cost of educating 524 undergraduates, 407 full-time and 85 part-time graduate students, together with funding research came to £6,824,000 (2017: £6,390,000). Our academic fee income, including Cambridge Bursaries money, was £3,846,000, leaving the balance of £2,978,000 to be found from the College's own resources, including from the generosity of its old members. Excluding the costs of research, which are met through dedicated income streams, the balance of £2,978,000 is equal to c£5,000 per undergraduate, being c52% of the total cost.

The balance funded from the College's own resources has steadily increased over recent years and presents a significant, continuing challenge to the College. Undergraduates admitted since Michaelmas 2013 now pay higher University fees for themselves, with a likely commensurate need for increased bursary provision. Increased levels of debt are likely to put heavy pressure on Queens' hardship funds.

## Financial Results

The College had an Operating Surplus, before New Endowments, of £180,000 and included £2,094,000 of donations of a revenue nature, or unrestricted in respect of their capital, principally in support of education compared to similar donations in the previous year of £1,819,000.

The surplus after new endowments, but before other gains and losses, amounted to £1,811,000 with new endowments totalling £1,631,000 in support of various College's activities, including funds for fellowships and teaching, bursaries and hardship funds, this is £352,000 greater than the amount received last year. The College is very grateful to those of its old members who continue to support it so generously.

| Year ended 30th June | 2018 £m | 2017 £m | 2016 £m | 2015 £m | 2014 £m |
|---|---|---|---|---|---|
| Operating Income | 14.54 | 14.03 | 13.91 | 12.28 | 11.15 |
| Expenditure | 14.36 | 13.21 | 12.68 | 12.24 | 10.69 |
| Operating Surplus (Deficit) | 0.18 | 0.82 | 1.23 | 0.04 | 0.46 |
| New Endowments | 1.63 | 1.27 | 3.08 | 1.84 | |
| Total Surplus before Other Gains and Loses | 1.81 | 2.09 | 4.31 | 1.88 | |

The Operating Surplus includes investment income from the Endowment of £2,396,000, (2016/2017: £2,531,000) while any realised gains or losses for the Endowment are included in the Other Gains and Losses.

The Operating Surplus of £180,000 is realised after charging depreciation of £2,095,000. The depreciation charge has more than tripled in the last ten years, and now almost reflects the true annual cost to the College of maintaining and enhancing its operational properties, including the main College site.

This year the College shows as part of its comprehensive Income and Expenditure account other gains and losses relating to investments assets of £3,420,000 (2016/2017: £10,163,000) and pension liabilities of £940,000 (2016/2017: -£1,230,000) giving a total surplus of £6,147,000 (2016/2017: £11,029,000).

There are a number of financial matters to draw to your attention:

- overall income before new endowments increased compared with the previous year, by 3.7%;
- the investment income was 5.3% lower than last year as income, particularly from maturing private equity investments, declined;
- total donations and new endowments totalled £3.7million (2016/2017: £3.09million) some 19% higher, although it is inevitable that the level of donations will fluctuate year on year;
- the contribution to the College's overhead of its conference activities was significant at £1.60 million, this was some 14% higher than in 2016/2017. In cash terms, it is now ahead of the level achieved in 2008/2009 for the first time, but still reflects the difficult trading environment;
- overall expenditure increased by 8.9% over the previous year;
- the deficit on the Education Account was £2,978,000, an increase of 11.6% on the previous year reflecting higher expenditure on teaching, tutorial support, access initiatives and scholarships and bursaries;
- there was a significant extra cost within the Income and Expenditure account under FRS102 in respect of the pensions for the non-academic staff of £488,000 being £288,000 greater than in 2016/2017;
- the College's Residence and Catering activity showed a deficit of £573,000. This is £254,000 worse than last year and this deterioration is almost entirely represented by the additional pension cost referred to above;

- the net assets of the College stand at £113.87 million (2016/2017: £107.7 million), following the increase in fixed assets, an increase in investment assets' capital values and a 6% decrease in the pension liability under FRS102;
- The College's total long-term unsecured borrowing increased from £8million to £23million, further details are given below and represent a gearing ratio of 20%.

The College is not immune from the effects of an economic downturn and it took several years after the financial crisis for Endowment Income to recover. This year Endowment Income has declined by 5.3% from last year's level and is now 10.8% lower than the all-time high achieved in 2015/2016.

**Main Endowment and Investment Assets**

The College, as a long term investor, has a medium risk appetite for the management of its investments. While risk parameters are agreed with the College's Fund Managers, there are no ethical restrictions placed on the investments that may be made, save that the Managers are required to have due regard to a company's environmental, social and governance record. The market value of the main Endowment and Investment Assets at 30th June 2018 stood at £104.46 million. This figure includes the £15 million proceeds of a 40 year unsecured private placement issue, further details of which are given below, and when this is excluded, the investment assets stand at £89.46 million (2016/2017: £86.17 million) this sum was invested in Global Equities (66%), residential property, farmland and Property Unit Trusts (16.4%), cash, (8.2%), a charity Multi-Asset Fund (0.06%) and the balance in the recognised alternative asset classes of private equity and absolute return funds. It should be noted that the private equity investments are unquoted and shown at managers' estimated value on a "marked to market" basis.

The College's direct investment property assets have been re-valued during the year and this will now occur each year.

| | 2018 £mn | 2017 £mn | 2016 £mn | 2015 £mn | 2014 £mn |
|---|---|---|---|---|---|
| **Year ended 30th June** | | | | | |
| Endowment & Investments Assets | 89.46 | 86.17 | 75.93 | 69.09 | 65.37 |
| Actual Income | 2.39 | 2.53 | 2.68 | 2.57 | 1.83 |
| Gains (Losses) | 3.42 | 10.16 | 2.73 | 3.01 | 6.79 |
| Total Return | 5.81 | 12.69 | 5.41 | 5.58 | 8.62 |

The total recorded return on the investment assets in the year was 6.74% (16.71% 2017). It should be noted that Queens' only uses its Actual Income in its day to day operations. The College does not drawdown any of its investment gains but accumulates them within reserves as it is, relatively speaking, an under-endowed College.

Since the year end, the College has rebalanced its portfolio with the purchase of a mixed commercial and agricultural estate to the north of Cambridge. The College, for historic reasons, has relatively little invested in long-term assets with the potential for long-term gains and this purchase is part of addressing this identified strategic weakness. The College also created, as a pilot, a custom index with professional advisors to test the investment returns from funds excluding carbon from the portfolio and has purchased a number of Exchange Traded Funds to further this. As a result of this rebalancing, the College's £89.46 million of investment assets are now invested in the following asset classes: Global Equities (55.6%),

Residential Property and Farmland (27.3%), Cash (5.9%), ESG Fund (2.3%), a Charity Multi-Asset Fund (2.3%) and the balance remaining in Private Equity and Absolute Return Funds.

### Capital Expenditure and Building Renewals

During the year the College spent £2.8 million on maintaining, improving and enhancing its buildings and their environs, including replacing the roof over the southern range in Old Court, which has not been renewed in nearly 100 years. The College has also recommissioned the Porters' Lodge at the graduate residence in Newnham, Owlstone Croft, after many years of being out of use. This has significantly enhanced the experience of the residents at Owlstone Croft, as College Porters are now on site 24 hours a day. The College has continued with its ongoing programme of refurbishing the College's main site accommodation, as well as its houses within the city, to improve the quality of the accommodation it provides its undergraduates and graduates. This is part of a long term programme.

### Future Capital Projects

In 2018/2019, the College will renew the roof, parapet and other stone and brickwork of the Main Gate of Old Court, an area of College last renewed in 1920. The College will also continue with its expenditure programme to improve and enhance the College Estate.

### Long Term Debt Issue

The significant projects in 2014 and 2015 were funded, as previously reported, using the proceeds of an unsecured long-term debt issue in which the College participated with 18 other Colleges. The College's share of the issue was £8 million with an average life of 34 years at an effective rate of 4.42% per annum fixed for the duration of the loan. Although issued through a funding vehicle, the College has no responsibility for the obligations of any other of the issuing Colleges. This issue was a good example of the Cambridge Colleges working well together for a common purpose.

In January 2018, the College raised a further £15million through a private placement. This is unsecured at a fixed rate of interest of 2.62% per annum with repayment in one amount after 40 years. This fixed funding will be used to invest in further operational assets for the College to house more of its graduate students and to eradicate some historic anomalies in the provision of undergraduate accommodation. At present, the College, together with two other Colleges and the University of Cambridge, is working on plans to develop the north side of Mill Lane. These plans are now moving from the Master Planning stage to a more detailed design stage and, while it is not yet certain the development will ultimately proceed and this may not be clear until 2021 or 2022, the College believes the raising of long-term debt finance has given a degree of certainty for funding part of such a development. Should Mill Lane not proceed for any reason, then the College would seek to develop other operational assets within the City of Cambridge.

### Staff Costs

Approximately 50% of the College's total expenditure is represented by staff costs, both academic and non-academic. It is likely that pay settlements will be subdued for the foreseeable future. There is, however, a high cost associated with pension contributions. The Cambridge Colleges Federated Pension Scheme (CCFPS), a pension scheme exclusively for non-academic staff, has its full liability recorded in the balance sheet under FRS102. The deficit shown this year has decreased by £940,000. There is, as already mentioned, an additional impact in the staff costs shown in the Income and Expenditure account of £488,000 arising from FRS102, some £280,000 greater than last year. This gives a net movement in the balance sheet of £452,000. The College is reducing its pension liability under the scheme with additional contributions over an eleven year period.

## Reserves Policy

The College's unrestricted funds amount to £48.66 million, before any pension asset or liability, and are represented in the balance sheet by the College's operational buildings, which are used for teaching and residential purposes, and by part of the investment portfolio. The College needs to maintain and enhance its unrestricted reserves as it is one of the measures of its relative financial strength in terms of its pension obligations as well as for its external funders.
The Endowment Assets and restricted funds amount to £72.4 million and are represented by part of the investment portfolio.

The College takes a long term view of the investment portfolio and attempts to protect its value in real terms and, as a result, to strike an equitable balance between the interests of the present members of the College and future generations. Any new donations or bequests received during the year are added to Unrestricted Funds, unless the donor has made it clear that the funds are to be spent on a particular project.

## Principal Risks and Uncertainties

The principal risks and uncertainties that the College faces may be briefly summarised:

- the current economic uncertainties, following the financial crash and its aftermath as well as the referendum in the United Kingdom on membership of the European Union, have a significant effect on the markets in which the College invests and it is possible that capital values will be highly volatile and investment income may again be adversely affected;
- the economic situation may adversely affect the College's conference activities which are a significant contributor to the College's overheads;
- although the College has a long term programme of building renewal and improvement, it is always possible with buildings of the age of the College's estate that there will be unexpected issues that may arise;
- the volatility in investment markets could be one of the factors that may give rise to a deterioration in the pension liability;
- a continuing low interest rate environment may also adversely affect both investment markets and pension obligations;
- the failure of academic fees to keep up with the rise in academic costs, as well as the inevitable uncertainties with a significant change to the funding of Universities in England, mean that the funding and costs associated with the College's core activity will need to be kept under constant review.

## Future Plans

During the course of the coming year the College intends to pursue a number of developments in its pursuit of academic excellence. It will continue to work on encouraging applications from applicants with high academic potential from all parts of society.

The College will also continue to develop plans for raising funds to enhance significantly the College's endowment to enable it to continue achieving its objectives following agreed strategic priorities for fundraising approved by the Governing Body in 2010. It will focus principally on raising permanent capital funds for fellowships and teaching, the core activity of the College and unrestricted funds, so the College may continue to invest in the future and strengthen its financial position. Through the Alumni & Development Office, the College will again undertake in 2018/2019 a telephone fund raising campaign. This is an activity that many other Colleges undertake, often with considerable success.

The major building plans have been mentioned earlier in this report as has the work in respect of the possible development at Mill Lane.

**Conclusion**

The College's financial provision can be described as adequate, although by no means comfortable, but there is a great deal to be done to secure properly the long term future of the College especially for the provision of teaching and research excellence, providing for graduate students and refurbishing and enhancing the historic and other operational buildings. The College will also need to ensure it is maximising its revenues from other sources as well as endeavouring to work as efficiently as possible within the context of being an academic community.

In the medium term, the College needs to increase its endowment from all sources by at least £45 million and the College is making progress towards this goal. The College will also continue to control costs and manage resources to best effect to support its principal objective of providing a first class education. It is not at all certain that academic fees will be increased adequately to meet the full costs of educating our undergraduates and the College needs to plan and act accordingly.

There is no doubt that the challenging environment in which the College has operated in the last year will continue for the foreseeable future and the College will strive to use its resources wisely and efficiently in these difficult circumstances.

The Rt. Hon. Professor Lord Eatwell
Mr J Spence, Senior Bursar
Mr R M C Kitt, Development Director
Dr D J Butterfield
Dr A H Gee

Professor E A H Hall, Vice-President
Dr R D H Walker, Estates Bursar
Dr J W Kelly, Senior Tutor
Dr M Edmonds
Dr I Sitaridou
Dr F Paddeu

## QUEENS' COLLEGE, CAMBRIDGE

## RESPONSIBILITIES OF THE GOVERNING BODY

## FOR THE YEAR ENDED 30 JUNE 2018

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The Governing Body is responsible for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards.

The Bursarial Committee has day to day responsibility, under the overall direction of the Governing Body, for ensuring that there is an effective system of internal control and that accounting records are properly kept in accordance with the College's Statutes. It is required to present audited financial statements for each financial year, prepared in accordance with the Statutes of the University, for approval by the Governing Body 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 Governing Body is required to:

- select suitable accounting policies and then apply these 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.

The Governing Body is satisfied that the College has adequate resources to continue in operation for the foreseeable future. The financial statements are accordingly prepared on a going concern basis.

The Governing Body has taken reasonable steps to ensure that there are appropriate financial and management controls in place to achieve policy, aims and objectives and to safeguard the assets of the College and prevent and detect fraud and other irregularities.

Any system of internal control, however, is designed to manage rather than eliminate risk and can only provide reasonable, not absolute, assurance against failure to achieve policy aims and objectives and material misstatement or loss.

The Governing Body 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.

## QUEENS' COLLEGE, CAMBRIDGE

## INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY

## FOR THE YEAR ENDED 30 JUNE 2018

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We have audited the financial statements of Queens' College (the 'College') for the year ended 30 June 2018 which comprise the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 30 June 2018 and of its incoming resources and application of resources 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 requirements of the Charities Act 2011 and the Statutes of the University of Cambridge; and
- 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.

### 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the College 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 trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the College'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 trustees are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- The information given in the Annual Report 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; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of the Governing Body**

As explained more fully in the responsibilities of the Governing Body statement set out on page 18, the Governing Body 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 Governing Body determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governing Body are responsible for assessing the College'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 trustees either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

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

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

**Use of our report**

This report is made solely to the College Governing Body, as a body, in accordance with College's statutes, the Statutes of the University of Cambridge and the Charities Act 2011. 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 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.

**PETERS ELWORTHY & MOORE**
Chartered Accountants and Statutory Auditors

Salisbury House
Station Road
Cambridge
CB1 2LA
Date:
Peters Elworthy & Moore is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

**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 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 6.

**Basis of accounting**

The financial statements have been prepared under the historical cost convention, modified in respect of the treatment of investments which are included at valuation.

**Basis of consolidation**

The consolidated financial statements include the College and its subsidiary undertakings. Details of the subsidiary undertakings included are set out in note 16. Intra-group balances are eliminated on consolidation.

A separate balance sheet and related notes for the College are not included in the accounts because the College's subsidiary company is a conference and banqueting trading company which donates its profits to the College each year. The balance sheet for the College alone would not be materially different to the one included in the accounts.

**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.

*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 endowments*
Non-exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised within the Consolidated Statement of Comprehensive Income and Expenditure when the College is entitled to the income. Income is retained within restricted reserves until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

*Donations and endowments (continued)*
Donations and endowments with restrictions are classified as restricted reserves with additional disclosure provided within the notes to the accounts.

There are four main types of donations and endowments with restrictions:

1. Restricted donations – the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the College.
3. Restricted expendable endowments – the donor has specified a particular objective and the College can convert the donated sum into income.
4. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to 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.

*Investment income and change in value of investment assets*
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 endowment fund.

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

*Cambridge Bursary Scheme*
In 2017-18, payment of the Cambridge Bursaries to eligible students was made directly by the Student Loans Company (SLC). As a consequence, Cambridge University reimbursed the SLC for the full amount and each College paid their portion (based on their own eligible students) to the University.

The net payment of £167,000 is shown within the Consolidated Statement of Comprehensive Income and Expenditure as follows:

| | |
|---|---|
| Income (see note 1) | £142,000 |
| Expenditure | £309,000 |

**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 contract, at contract rates. The resulting exchange differences are dealt with in the determination of the comprehensive income and expenditure for the financial year.

**Fixed assets**

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

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the College.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful economic lives of 50 years.

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

The cost of additions to operational property shown in the balance sheet includes the cost of land. All other assets are capitalised and depreciated over their expected useful life as follows:

| | |
|---|---|
| Furniture and fittings | 10% per annum |
| Motor vehicles and general equipment | 20% per annum |
| Computer equipment | 33.33% per annum |

*Heritage assets*
The College holds and conserves a number of collections, exhibits, artefacts and other assets of historical, artistic or scientific importance. Heritage assets acquired before 1 July 1999 have not been capitalised since reliable estimates of cost or value are not available on a cost-benefit basis. Acquisitions since 1 July 1999 have been capitalised at cost or, in the case of donated assets, at expert valuation on receipt. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

**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 cost and eliminated on consolidation.

**Stocks**

Stocks are stated at the lower of cost and net realisable value after making provision for slow moving and obsolete items.

**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 benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**Contingent liabilities and assets**

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.

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

Contingent assets and liabilities are not recognised in the balance sheet but are disclosed in the notes.

**Taxation**

The College is a registered charity (number 1137495) and also 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 Contribution under the provisions of Statute G,II of the University of Cambridge. Contribution is used to fund grants to colleges from the Colleges Fund. 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.

**Pension costs**

The College participates in two funded defined benefit pension schemes, Cambridge Colleges Federated Pension Scheme (CCFPS) and the Universities Superannuation Scheme (USS)

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 Fellows' or employees' services.

*Universities Superannuation Scheme (USS)*
Throughout the current and preceding periods, the Universities Superannuation Scheme was a defined benefit only pension scheme until 31 March 2016 which was 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 Section 28 of FRS102 "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. Since the institution has entered into an agreement (the Recovery Plan that determines how each employer.

**Pension costs (continued)**

within the scheme will fund the overall deficit), the College also recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

*Cambridge Colleges Federated Pension Scheme (CCFPS)*
The College participates in the Cambridge Colleges Federated Pension Scheme (CCFPS), a defined benefit scheme which is externally funded and until 31 March 2016 was contracted out of the State Second Pension (S2P). As CCFPS is a federated scheme and the College is able to identify its share of the underlying assets and liabilities, the College values the fund as required by Section 28 Employee Benefits of FRS102 'Retirement Benefits'. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure represents the amount calculated under FRS102 guidelines.

**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 material unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

**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 to 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.

**QUEENS' COLLEGE, CAMBRIDGE**

**Consolidated Statement of Comprehensive Income and Expenditure**

**FOR THE YEAR ENDED 30 JUNE 2018**

| | | 2017-18 | | | | 2016-17 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Unrestricted £'000 | Restricted £'000 | Endowment £'000 | Total £'000 | Unrestricted £'000 | Restricted £'000 | Endowment £'000 | Total £'000 |
| **INCOME** | | | | | | | | | |
| Academic fees & charges | 1 | 3,846 | | | 3,846 | 3,722 | | | 3,722 |
| Residences, catering and conferences | 2 | 6,028 | | | 6,028 | 5,737 | | | 5,737 |
| Endowment and investment income | 3 | 832 | 1,034 | 530 | 2,396 | 997 | 1,010 | 524 | 2,531 |
| Other income | | 182 | | | 182 | 212 | | | 212 |
| Total income before donations and endowments | | **10,887** | **1,034** | **530** | **12,451** | **10,668** | **1,010** | **524** | **12,202** |
| Donations | | 2,094 | | | 2,094 | 1,819 | | | 1,819 |
| Deferred Capital write back | | 0 | | | 0 | 0 | | | 0 |
| New endowments | | | 34 | 1,590 | 1,624 | | 120 | 1,152 | 1,272 |
| Capital grants from colleges fund | | | | | 0 | | | | 0 |
| Other capital grants for assets | | | 7 | | 7 | | 7 | | 7 |
| **Total income** | | **12,981** | **1,075** | **2,121** | **16,176** | **12,488** | **1,138** | **1,675** | **15,301** |
| **EXPENDITURE** | | | | | | | | | |
| Education | 4 | 5,341 | 953 | 530 | 6,824 | 5,110 | 756 | 524 | 6,390 |
| Residences, catering and conferences | 5 | 6,601 | | | 6,601 | 6,056 | | | 6,056 |
| Other expenditure | | 941 | | | 941 | 735 | | | 735 |
| Contribution under Statute G, II | | 23 | | | 23 | 23 | | | 23 |
| **Total expenditure** | 6 | **12,906** | **953** | **530** | **14,389** | **11,925** | **756** | **524** | **13,205** |
| **Surplus (deficit) before other gains and losses** | | 74 | 122 | 1,590 | 1,787 | 563 | 381 | 1,152 | 2,096 |
| Gains(loss) on disposal of fixed assets | 8 | 0 | | | 0 | 0 | | | 0 |
| Gains(loss) on investments | 9 | 963 | 789 | 1,668 | 3,420 | 2,847 | 2,332 | 4,984 | 10,163 |
| **Surplus (deficit) for the year** | | 1,038 | 911 | 3,258 | 5,207 | 3,410 | 2,713 | 6,136 | 12,259 |
| **Other comprehensive income** | | | | | | | | | |
| Unrealised surplus on revaluation of fixed assets | | | | | 0 | | | | 0 |
| Actuarial gain(loss) in respect of pension schemes | 15 | 940 | | | 940 | (1,230) | | | (1,230) |
| **Total comprehensive income for the year** | | **1,978** | **911** | **3,258** | **6,147** | **2,179** | **2,713** | **6,136** | **11,028** |

The notes on pages 31 to 44 form part of these accounts

## QUEENS' COLLEGE, CAMBRIDGE

**Statement of Changes in Reserves**
**Year Ended 30th June 2018**

| | Income and expenditure reserve | | | |
|---|---|---|---|---|
| | **Unrestricted** | **Restricted** | **Endowment** | **Total** |
| **Balance at 1 July 2017** | **£'000** | **£'000** | **£'000** | **£'000** |
| Opening balance | 39,436 | 20,321 | 47,964 | 107,722 |
| Surplus/(Deficit) from income and expenditure statement | 1,038 | 911 | 3,258 | 5,207 |
| Other comprehensive income | 940 | 0 | 0 | 940 |
| Release of restricted capital funds spent in year | 7 | (7) | 0 | 0 |
| **Balance at 30th June 2018** | **41,421** | **21,225** | **51,222** | **113,869** |

| | Income and expenditure reserve | | | |
|---|---|---|---|---|
| | **Unrestricted** | **Restricted** | **Endowment** | **Total** |
| **Balance at 1 July 2016** | **£'000** | **£'000** | **£'000** | **£'000** |
| Opening balance | 37,250 | 17,615 | 41,829 | 96,693 |
| Surplus/(Deficit) from income and expenditure statement | 3,410 | 2,713 | 6,136 | 12,259 |
| Other comprehensive income | (1,230) | 0 | 0 | (1,230) |
| Release of restricted capital funds spent in year | 7 | (7) | 0 | 0 |
| **Balance at 30th June 2017** | **39,436** | **20,321** | **47,964** | **107,722** |

The notes on pages 31 to 44 form part of these accounts

**QUEENS' COLLEGE, CAMBRIDGE**

**CONSOLIDATED BALANCE SHEET**

**AS AT 30 JUNE 2018**

| | Note | 2018 Group £'000 | 2017 Group £'000 |
|---|---|---|---|
| **NON CURRENT ASSETS** | | | |
| Fixed assets | 8 | 38,604 | 36,577 |
| Heritage Assets | 8 | 15 | 15 |
| Investments | 9 | 104,466 | 86,171 |
| | | 143,085 | 122,764 |
| **CURRENT ASSETS** | | | |
| Stocks | 10 | 401 | 435 |
| Trade and other receivables | 11 | 3,144 | 2,068 |
| Cash and cash equivalents | 12 | 202 | 99 |
| | | 3,746 | 2,603 |
| **Creditors: amounts falling due within one year** | 13 | 2,725 | 1,931 |
| **Total Assets less current liabilities** | | 144,106 | 123,436 |
| **Creditors: amounts falling due after more than one year** | 14 | (23,000) | (8,000) |
| **Provisions** | | | |
| Pension provisions | 15 | (7,238) | (7,714) |
| Other provisions | | 0 | 0 |
| **Total net assets** | | 113,869 | 107,722 |
| **Restricted reserves** | | | |
| Income and expenditure reserve-endowment reserve | 17 | 51,222 | 47,964 |
| Income and expenditure reserve-restricted reserve | 18 | 21,225 | 20,321 |
| **Unrestricted Reserves** | | | |
| Income and expenditure reserve-Unrestricted | | 41,421 | 39,436 |
| **TOTAL RESERVES** | | 113,869 | 107,722 |

The notes on pages 31 to 44 form part of these accounts

These accounts were approved by the Governing Body on 28 September 2018 and signed on their behalf by

Lord Eatwell
President

Jonathan Spence
Senior Bursar

**QUEENS' COLLEGE, CAMBRIDGE**

**CONSOLIDATED CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 30 JUNE 2018**

| | Note | 2018 £'000 | 2017 £'000 |
|---|---|---|---|
| Net cash inflow from operating activities | 19 | 2,059 | 2,190 |
| Cash flows from investing activities | 20 | (16,603) | (879) |
| Cash flows from financing activities | 21 | 14,646 | (354) |
| Increase/(decrease) in cash equivalents in the year | | 103 | 957 |
| Cash and cash equivalents at beginning of the year | | 99 | (858) |
| Cash and cash equivalents at end of the year | 12 | 202 | 99 |

The notes on pages 31 to 44 form part of these accounts

**1 Academic fees and charges**

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Fee income received at the Regulated undergraduate rate | 2,164 | 2,107 |
| Fee income received at the unregulated undergraduate rate | 471 | 431 |
| Fee income received at the Graduate rate | 1,069 | 1,079 |
| Other Income | 142 | 104 |
| | 3,846 | 3,722 |

**2 Income from residences, catering and conferences**

| | | | |
|---|---|---|---|
| Accommodation: | College members | 3,441 | 3,333 |
| | Conferences and banquets | 587 | 471 |
| Catering: | College members | 991 | 1,004 |
| | Conferences and banquets | 1,009 | 928 |
| Total | | 6,028 | 5,737 |

**3 Endowment and investment income**

**3a Analysis**

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Income from: | | |
| Land and buildings | 206 | 204 |
| Quoted securities | 2,014 | 1,975 |
| Fixed interest securities | 0 | 0 |
| Income from short-term investments | 0 | 1 |
| Other interest receivable | 175 | 352 |
| Total | 2,396 | 2,531 |

**3b Investment management costs**

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Land and buildings | 28 | 13 |
| Quoted securities - equities | 47 | 14 |
| Fixed interest securities | 0 | 0 |
| Other investments | 0 | 0 |
| Cash | 0 | 0 |
| Total | 75 | 26 |

**4 Education expenditure**

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Teaching | 3,215 | 3,101 |
| Tutorial | 1,298 | 1,218 |
| Admissions | 615 | 603 |
| Research | 362 | 315 |
| Scholarships and awards | 694 | 521 |
| Other educational facilities | 640 | 633 |
| Total | 6,824 | 6,390 |

**5 Residences, catering and conferences expenditure**

| | | 2018 £000 | 2017 £000 |
|---|---|---|---|
| Accommodation: | College members | 3,824 | 3,677 |
| | Conferences and banquets | 634 | 507 |
| Catering: | College members | 1,278 | 1,143 |
| | Conferences and banquets | 865 | 729 |
| Total | | 6,601 | 6,056 |

**6a Analysis of 2017/2018 expenditure by activity**

| | Staff costs (note 7) | Other operating expenses | Depreciation | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Education | 3,771 | 2,357 | 697 | 6,824 |
| Residences, catering and conferences | 3,116 | 2,084 | 1,401 | 6,601 |
| Other | 324 | 640 | 0 | 964 |
| | 7,210 | 5,081 | 2,098 | 14,389 |

Expenditure includes fundraising costs of £497,444. This expenditure includes the costs of alumni relations

**6b Analysis of 2016/2017 expenditure by activity**

| | Staff costs (note 7) | Other operating expenses | Depreciation | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Education | 3,553 | 2,172 | 666 | 6,390 |
| Residences, catering and conferences | 2,719 | 2,014 | 1,323 | 6,056 |
| Other | 313 | 445 | 0 | 758 |
| | 6,585 | 4,630 | 1,989 | 13,205 |

Expenditure includes fundraising costs of £502,461. This expenditure includes the costs of alumni relations

**6c Auditors' remuneration**

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Other operating expenses include: | | |
| Audit fees payable to the College's external auditors | 30 | 29 |
| Other fees payable to the College's external auditors | 0 | 1 |

## 7 Staff costs

| Consolidated | College Fellows | Other academic | Non- academic | Total 2018 | Total 2017 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Staff Costs:** | | | | | |
| Emoluments | 1,451 | 316 | 4,314 | 6,082 | 5,512 |
| Social security | 145 | 0 | 331 | 477 | 444 |
| Pension | 229 | 0 | 422 | 652 | 629 |
| | 1,826 | 316 | 5,068 | 7,210 | 6,585 |
| **Average staff numbers (full-time equivalents)** | 37.0 | n.a. | 151.2 | 188.2 | 178.4 |

The Governing Body comprises 60 Fellows, of which 58 are stipendary.
The number of officers and employees of the College, including Head of House, who received emoluments in the following ranges was

| | 2018 | 2017 |
|---|---|---|
| £110,001 - £120,000 | 1 | 0 |

No Fellow received any remuneration in respect of their role as a charity Trustee.

**Key management personnel**
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. The President, Senior Bursar, and Senior Tutor are the College's key management personnel.

| | Total 2018 £'000 | Total 2017 £'000 |
|---|---|---|
| Key management personnel aggregated emoluments | 305 | 261 |

## 8 Fixed assets

| | Land and buildings £000 | Assets in construction £000 | Equipment £000 | Heritage Assets £000 | 2018 Total £000 | 2017 Total £000 |
|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | |
| At beginning of year | 48,598 | 1,954 | 1,820 | 15 | 52,387 | 49,472 |
| Additions at cost | 2,954 | 761 | 409 | 0 | 4,124 | 3,336 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 364 | 0 | 364 | 420 |
| At end of year | 51,552 | 2,716 | 1,865 | 15 | 56,148 | 52,387 |
| **Depreciation** | | | | | | |
| At beginning of year | 14,859 | 0 | 936 | 0 | 15,795 | 14,226 |
| Charge for the year | 1,756 | 0 | 342 | 0 | 2,098 | 1,989 |
| Eliminated on disposal | 0 | 0 | 364 | 0 | 364 | 420 |
| Written back on revaluation | 0 | 0 | 0 | 0 | 0 | 0 |
| At end of year | 16,615 | 0 | 914 | 0 | 17,529 | 15,795 |
| NET BOOK VALUE | | | | | | |
| At end of year | 34,937 | 2,716 | 951 | 15 | 38,619 | 36,592 |
| At beginning of year | 33,739 | 1,954 | 884 | 15 | 36,592 | 35,246 |

The insured value of freehold land and buildings as at 30 June 2018 was £153m (2017: £145m).

## 8 Tangible fixed assets (continued)

**Heritage assets**
The College holds and conserves certain collections, artefacts and other assets of historical, artistic or scientific importance.

As stated in the statement of principal accounting policies, heritage assets acquired since July 2005 have been capitalised. However the majority of assets held in the College's collections were acquired prior to this date. As reliable estimates of the cost or valuation are not available for these on a cost-benefit basis, they have not been capitalised. As a result the total included in the balance sheet is partial.

Amounts for the current and previous years were as follows:

| | 2018 £000 | 2017 £000 | 2016 £000 | 2015 £000 | 2014 £000 |
|---|---|---|---|---|---|
| Acquisitions purchased with specific donations | 0 | 0 | 0 | 0 | 0 |
| Acquisitions purchased with College funds | 0 | 0 | 0 | 0 | 0 |
| Total cost of acquisitions purchased | 0 | 0 | 0 | 0 | 0 |
| Value of acquisitions by donation | 0 | 0 | 0 | 0 | 0 |
| Total acquisitions capitalised | 0 | 0 | 0 | 0 | 0 |

## 9 Fixed asset investments

| | 2018 Total £000 | 2017 Total £000 |
|---|---|---|
| Balance at beginning of year | 86,171 | 75,934 |
| Additions | 23,221 | 29,808 |
| Disposals | 8,346 | 29,734 |
| Less: impairment on unquoted securities | 0 | 0 |
| Gain/(loss) | 3,420 | 10,163 |
| Increase/(decrease) in cash balances held at fund managers | 0 | 0 |
| Balance at end of year | 104,466 | 86,171 |
| | | |
| Represented by: | | |
| Property | 13,947 | 12,248 |
| Quoted securities – equities | 53,146 | 56,092 |
| Fixed interest securities | 17,584 | 568 |
| Other investments | 10,569 | 9,784 |
| Cash in hand & at investment managers | 9,221 | 7,480 |
| Total | 104,466 | 86,171 |

## 10 Stocks and work in progress

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Goods for resale | 401 | 435 |
| Work in progress | 0 | 0 |
| Other Stocks | 0 | 0 |
| | 401 | 435 |

## 11 Trade and other receivables

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Members of the College | 34 | 16 |
| Amounts due from subsidiary undertakings | 0 | 0 |
| Other receivables | 3,060 | 1,951 |
| Prepayments and accrued income | 50 | 102 |
| | 3,144 | 2,068 |

## 12 Cash and cash equivalents

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Short-term money market investments | | |
| Bank deposits | | |
| Current accounts | 193 | 91 |
| Cash in hand | 9 | 9 |
| | 202 | 99 |

## 13 Creditors: amounts falling due within one year

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Trade creditors | 1,789 | 854 |
| Members of the College | 303 | 328 |
| Amounts due to subsidiary undertakings | 0 | 0 |
| Receipts in advance | 539 | 654 |
| University Fees | 71 | 71 |
| Contribution to Colleges Fund | 23 | 23 |
| Accruals and deferred income | | |
| Other creditors | | |
| | 2,725 | 1,931 |

## 14 Long term loans

During 2013-14, the College borrowed from institutional investors, collectively with other Colleges, the College's share being £8 million. The Loans are unsecured and repayable during the period 2043-2053, and are at fixed interest rates of approximately 4.42%. The College has agreed a financial covenant of the ratio of Borrowings to Net Assets, and has been in compliance with the covenant at all times since incurring the debt.

During the course of 2017-2018, the College raised a further £15 million of unsecured debt from institutional investors at a fixed rate of interest of 2.62% per annum. Repayment is due in one amount at the end of 40 years. There is an agreed covenant in respect of the borrowings which the College has been in compliance with.

**15 Pension provisions**

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **CCFPS** | | |
| **Balance at beginning of year** | 7,333 | 5,894 |
| Movement in year: | | |
| Current service costs including life assurance | 1,093 | 795 |
| Contributions | (605) | (587) |
| Other finance cost | 0 | 0 |
| Actuarial loss/(gain) recognised in Statement of Comprehensive Income and Expenditure | (940) | 1,230 |
| Balance at end of year | 6,880 | 7,333 |
| **USS** | | |
| **Balance at beginning of year** | 382 | 376 |
| Current service costs including life assurance | 213 | 235 |
| Contributions | (245) | (239) |
| Other finance cost | 8 | 10 |
| Balance at end of year | 357 | 382 |

**16 Principal subsidiary undertakings**

The College owns 100% of the ordinary share capital of QC Enterprises Limited, a company incorporated in England. The principal activity of the company is the provision of conference and banqueting services at the College.

**17 Endowment funds**

Restricted net assets relating to endowments are as follows:

| | Restricted permanent endowments £000 | Unrestricted permanent endowments £000 | 2018 Total £000 | 2017 Total £000 |
|---|---|---|---|---|
| **Balance at beginning of year** | | | | |
| Capital | 21,046 | 26,918 | 47,964 | 41,829 |
| New Donations and endowments | 1,544 | 46 | 1,590 | 1,152 |
| Increase/(decrease) in market value of investments | 815 | 853 | 1,668 | 4,984 |
| **Balance at end of year** | 23,405 | 27,817 | 51,222 | 47,964 |
| **Analysis by type of purpose** | | | | |
| Fellowship funds | 13,821 | 0 | 13,821 | 11,900 |
| Scholarship funds | 3,191 | 0 | 3,191 | 3,009 |
| Prize Funds | 0 | 0 | 0 | 0 |
| Hardship funds | 119 | 0 | 119 | 114 |
| Bursary funds | 4,326 | 0 | 4,326 | 4,153 |
| Travel grant funds | 283 | 0 | 283 | 272 |
| Other funds | 133 | 0 | 133 | 128 |
| General | 1,532 | 27,817 | 29,349 | 28,389 |
| | 23,405 | 27,817 | 51,222 | 47,964 |
| **Analysis by asset** | | | | |
| Property | 3,731 | 4,434 | 8,164 | 7,645 |
| Investments | 18,342 | 21,799 | 40,141 | 37,588 |
| Cash | 1,333 | 1,584 | 2,917 | 2,731 |

**18 Restricted Reserves**

Reserves with restrictions are as follows:

| | Capital grants unspent £000 | Permanent unspent and other restricted income £000 | Restricted expendable endowment £000 | 2018 Total £000 | 2017 Total £000 |
|---|---|---|---|---|---|
| Balance at beginning of year | 0 | 970 | 19,351 | 20,321 | 17,615 |
| Capital | 0 | 0 | 19,464 | 19,464 | 17,012 |
| Accumulated income | 0 | 970 | (113) | 857 | 603 |
| New grants | 0 | 0 | 0 | 0 | 0 |
| New donations | 7 | 0 | 34 | 41 | 127 |
| Endowment return transferred | 0 | 515 | 498 | 1,013 | 992 |
| Other investment income | 0 | 21 | 0 | 21 | 18 |
| Increase/(decrease) in market value of investments | 0 | 0 | 789 | 789 | 2,332 |
| Expenditure | 0 | 454 | 499 | 953 | 756 |
| Capital grants utilised | 7 | 0 | 0 | 7 | 7 |
| Balance at end of year | 0 | 1,052 | 20,173 | 21,225 | 20,321 |
| capital | 0 | 0 | 20,287 | 20,287 | 19,464 |
| Accumulated income | 0 | 1,052 | (114) | 938 | 857 |
| Analysis of other restricted funds/donations by type of purpose | | | | | |
| Fellowship funds | 0 | 793 | 15,105 | 15,898 | 15,232 |
| Scholarship funds | 0 | 70 | 700 | 770 | 725 |
| Prize Funds | 0 | 0 | 0 | 0 | 0 |
| Hardship funds | 0 | (9) | 1,388 | 1,380 | 1,301 |
| Bursary funds | 0 | 144 | 536 | 681 | 677 |
| Travel grant funds | 0 | 28 | 33 | 61 | 57 |
| Other funds | 0 | 26 | 2,178 | 2,203 | 2,108 |
| General | 0 | 0 | 233 | 233 | 220 |

**19 Reconciliation of consolidated surplus for the year to net cash inflow from operating activities**

| | | 2018 £000 | 2017 £000 |
|---|---|---|---|
| Surplus/(deficit) for the year | | 5,207 | 12,259 |
| **Adjustment for non-cash items** | | | |
| Depreciation | 8 | 2,098 | 1,989 |
| Loss/(gain) on endowments, donations and investment property | 17 | (3,420) | (10,163) |
| Decrease/(increase) in stocks | 10 | 34 | (22) |
| Decrease/(increase) in trade and other receivables | 11 | (1,076) | 109 |
| Increase/(decrease) in creditors | 13 | 794 | (20) |
| Increase/(decrease in provisions | | 0 | 0 |
| Pension costs less contributions payable | 15 | 464 | 214 |
| **Adjustment for investing or financing activities** | | | |
| Investment income | | (2,396) | (2,531) |
| Interest payable | | 354 | 354 |
| Profit on the sale on non-current assets | | 0 | 0 |
| **Net cash inflow from operating activities** | | 2,059 | 2,190 |

**20 Cash flows from investing activities**

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Proceeds from the sales of non-current fixed assets | 0 | 0 |
| Non-current investment disposal | 8,346 | 29,734 |
| Investment income | 2,396 | 2,531 |
| Endowment funds invested | 0 | 0 |
| Withdrawal of deposits | 0 | 0 |
| Payments made to acquire non-current assets | (27,344) | (33,144) |
| **Total cash flows from investing activities** | (16,603) | (879) |

**21 Cash flows from financing activities**

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Interest paid | (354) | (354) |
| Interest element of finance rental payment | 0 | 0 |
| New unsecured loans | 15,000 | 0 |
| Repayments of amounts borrowed | 0 | 0 |
| Capital element of finance lease rental payment | 0 | 0 |
| **Total cash flows from financing activities** | 14,646 | (354) |

**22 Capital commitments**

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Capital commitments at 30 June 2018 are as follows: | | |
| Authorised and contracted | 50 | 950 |
| Authorised but not yet contracted for | 0 | 0 |

**23 RELATED PARTIES**

The College maintains a Register of Interest for all Fellows and College employees with spending authority. It is updated every six months and during the year to 30th June 2018 it reveals that no material events occurred: The College continues it's investment in joint equity properties with 3 College Fellows. The total investment by the College amounted to £334,425 (2017 £311,675).

## UNIVERSITIES SUPERANNUATION SCHEME

### Significant accounting policies

The institution participates in the Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The intuition is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

### Critical accounting judgements

FRS102 makes the distinction between a group plan and multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as the Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of 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 profit or loss in accordance with Section 28 of FRS102. The directors are satisfied that the Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

## PENSION COSTS

The total cost charged to the profit and loss account is £221,083 (2017: £245,148).

The latest available complete actuarial valuation of the Retirement Income Builder Section of the Scheme is at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway, but not yet completed.

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

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. These figures will be revised once the 2017 Scheme Valuation is complete.

Defined benefit liability numbers for the Scheme for the accounting purposes have been produced using the following assumptions as at 31 March 2017 and 2018:

| | 2018 | | 2017 |
|---|---|---|---|
| Discount rate | 2.64% | | 2.57% |
| Pensionable salary growth | n/a | | n/a |
| Pension increases (CPI) | 2.02% | | 2.41% |

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:

| | 2018 | 2017 |
|---|---|---|
| Mortality base table | Pre-retirement<br>71% of AMC00 (duration 0) for males and 112% of AFC00 (durations 0) for females | 98% of SAPS S1NA "light" YOB unadjusted for males |
| | Post retirement<br>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% pa |

The current life expectations on retirement at age 65 are:

| | 2018 | 2017 |
|---|---|---|
| Males currently aged 65 (years) | 24.5 | 24.4 |
| Females currently aged 65 (years) | 26.0 | 26.6 |
| Males currently aged 45 (years) | 26.5 | 26.5 |
| Females currently aged 45 (years) | 27.8 | 29.0 |

| | 2018 | 2017 |
|---|---|---|
| Scheme assets | £63.6bn | £60.0bn |
| Total scheme liabilities | £72.0bn | £77.5bn |
| FRS102 total scheme deficit | £8.4bn | £17.5bn |
| FRS102 total funding level | 88% | 77% |

## CAMBRIDGE COLLEGES FEDERATED PENSION SCHEME

The College operates a defined benefit pension plan for the College's employees of the Cambridge Colleges' Federated Pension Scheme.

The liabilities of the plan have been calculated at 30 June 2018 for the purposes of FRS102 using a valuation system designed for the Management Committee, acting as Trustee of the Cambridge Colleges' Federated Pension Scheme, but allowing for the different assumptions required under FRS102 and taking fully into consideration changes in the plan benefit structure and membership since that date.

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) were as follows:

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| Discount rate | 2.7% | 2.6% |
| Increase in salaries | 2.75% | 2.85% |
| RPI assumption | 3.25% | 3.35% |
| CPI assumption | 2.25% | 2.35% |
| Pension increased in payment (RPI Max 5% pa) | 3.15% | 3.25% |
| Pension increases in payment (CPI Max 2.5% pa) | 1.80% | 1.85% |

The underlying mortality assumption is based upon the standard table known as S2PA on a year of birth usage with CMI_2017 future improvement factors and a long-term rate of future improvement of 1.25% pa (2017: S2PA with CMI_2016 future improvement factors and a long-term future improvement rate of 1.25% pa). This results in the following life expectancies:

- Male age 65 now has a life expectancy of 21.9 years (previously 22.1 years).
- Female age 65 now has a life expectancy of 23.8 years (previously 23.9 years).
- Male age 45 now and retiring in 20 years has a life expectancy of 23.3 years (previously 23.5 years).
- Female age 45 now and retiring in 20 years has a life expectancy of 25.4 years (previously 25.4 years).

**PENSION SCHEMES (CONTINUED)**

The assets in the Scheme and the expected rates of return were:

| | *Long-term rate of return expected at 30/06/2018* | *Value at 30/06/2018* | *Long-term rate of return expected at 30/06/2017* | *Value at 30/06/2017* | *Long-term rate of return expected at 30/06/2016* | *Value at 30/06/2016* |
|---|---|---|---|---|---|---|
| Equities and Hedge Funds | | 10,110,515 | | 9,939,418 | | 7,623,501 |
| Cash, Bonds & Net Current Assets | | 4,739,304 | | 4,005,437 | | 4,522,416 |
| Property | | 947,861 | | 8,900,97 | | 775,271 |
| Total | | 15,797,680 | | 14,834,952 | 3.4% | 12,921,188 |

The following results were measured in accordance with the requirements of FRS17:

| | **2018** **£** | **2017** **£** | **2016** **£** |
|---|---|---|---|
| Total market value of assets | 15,797,680 | 14,834,952 | 12,921,188 |
| Present value of Scheme liabilities | (22,678,045) | (22,167,697) | (18,815,463) |
| Surplus/(deficit) in the Scheme | (6,880,7365) | (7,332,745) | (5,894,275) |

The amounts recognised in income and expenditure are as follows:

| | **30 June 2018** **£** | **30 June 2017** **£** |
|---|---|---|
| In staff costs: Current service cost (net of employee contributions) | 900,793 | 628,586 |
| In endowment and investment income: | | |
| Interest cost | 585,830 | 529,826 |
| Expected return on pension scheme assets | (393,909) | (363,615) |
| Net return | 191,921 | 166,211 |
| Actual return on pension scheme assets | 576,854 | 1,717,455 |

**PENSION SCHEMES (CONTINUED)**

Changes in the present value of the plan liabilities are as follows:

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| | £ | £ |
| Present value of plan liabilities at beginning of period | 22,167,697 | 18,815,463 |
| Current service cost (including employee's contributions) | 1,096,945 | 791,760 |
| Interest on plan liabilities | 585,830 | 529,826 |
| Actuarial (gains) losses | (776,365) | 2,568,091 |
| (Gain)/loss on plan changes | 0 | 0 |
| Curtailment (gain)/loss | 0 | 0 |
| Benefits paid | (396,062) | (537,643) |
| Present value of plan liabilities at end of period | 22,678,045 | 22,167,697 |

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

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| | £ | £ |
| Market value of plan assets at beginning of year | 14,834,952 | 12,921,188 |
| Contributions by the College | 604,705 | 586,770 |
| Additional contributions by members (including AVCs) | 222,302 | 189,524 |
| Benefits (and expenses) paid | (441,133) | (579,985) |
| Interest on plan assets | 393,909 | 363,615 |
| Return on assets, less interest included in Profit & Loss | 182,945 | 1,353,840 |
| Market value of plan assets at end of year | 15,797,680 | 14,834,952 |

Amounts for the current and previous four periods are as follows:

| | 30 June 2018 | 30 June 2017 | 30 June 2016 | 30 June 2015 | 30 June 2014 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Present value of plan liabilities | (22,678,045) | (22,167,697) | (18,815,463) | (16,221,268) | (15,057,595) |
| Market value of plan assets | 15,797,680 | 14,834,952 | 12,921,188 | 10,839,674 | 9,559,305 |
| Surplus/(deficit) | (6,880,365) | (7,332,745) | (5,894,275) | (5,381,594) | (5,498,290) |
| Experience adjustments on plan liabilities | (297,285) | 1,793 | 50,242 | 305,907 | (75,896) |
| Change in assumptions underlying present value of plan liabilities | (1,063,729) | (2,586,076) | (1,750,786) | (657,649) | (999,399) |

The plan has no investments in property occupied by assets used by or financial instruments issued by the College.

**Funding policy**

Actuarial valuations are carried out every three years on behalf of the Management Committee, acting as the Trustee of the Scheme, by a qualified independent actuary. The actuarial assumptions underlying the funding valuation are different to those adopted under FRS102.

The last such valuation was at 31 March 2017. This showed that the plan's assets were insufficient to cover the liabilities on the funding basis. A Recovery Plan has been agreed with the College, which commits the College to paying contributions to fund the shortfall.

These deficit reduction contributions are incorporated into the plan's Schedule of Contributions dated 28 June 2018 and are as follows:

- Annual contributions of not less than £274,247 pa payable for the period from 1 July 2018 to 31 March 2029.

These payments are subject to review following the next funding valuation, due as at 31 March 2020.