

**QUEENS' COLLEGE, CAMBRIDGE**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**QUEENS' COLLEGE, CAMBRIDGE**  
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**FOR THE YEAR ENDED 30 JUNE 2011**

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# QUEENS' COLLEGE, CAMBRIDGE

## REFERENCE AND ADMINISTRATIVE DETAILS

### FOR THE YEAR ENDED 30 JUNE 2011

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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

Prof A Singh

Dr B A Callingham

Prof. J E Carroll

Prof. P G Stein

Revd Dr B L Hebblethwaite

Dr J T Green

Dr T H Coaker

Dr W A Phillips

Revd Dr B I Bradshaw

Prof A. N. Hayhurst

Prof. P Spufford

Dr C J Pountain

Prof. Lord Oxburgh

Revd Canon J C Polkinghorne

Prof J Tiley

#### \*Professorial Fellows

Prof. P H Haynes

Prof. E A H Hall

Prof. A N Lasenby

Prof. D.K. Menon

Prof. R W Prager

#### \*Official Fellows

Prof. J Diggle

Dr R D H Walker

Dr A D Cosh

Prof. R R Weber

Prof. J A Jackson

Prof. R G Fentiman

Revd Dr J M Holmes

Prof. D Cebon

Dr H J Field

Mr S N Bridge

Prof R L Jones

Prof K F Priestley

Dr C N Pitelis

Dr E G Kahrs

Dr A H Gee

Prof D R Ward

Prof J L Scott

Revd Canon Dr F N Watts

Mr L A Bollom

Dr J W F Allison

Dr B J Glover

Dr M J Milgate

Dr R A W Rex

Dr A M W Glass

Dr I K Patterson

Dr C E Bryant

Dr M P V Crowley

Dr J C Muldrew

Dr J W P Campbell

Dr H R N Jones

Dr M J Dixon

Dr A C Thompson

Dr J R Gog

Dr A A Seshia

Prof E M Terentjev

Dr D M Henderson

Dr I Sitaridou

Dr T T Berger<sup>1</sup>

Dr A Zurcher

Dr A M Rossi

Mr J Spence

Dr J Russell

Prof. A M Gamble

Dr G J McShane

Dr A C Perreau-Saussine

Dr M Edmonds

Dr G M Fraser

Dr S M G L Rowan

Dr L S Tiley

Dr R Nickl

Dr J W Kelly

Dr A C Rice<sup>3</sup>

Dr J G Goedecke<sup>5</sup>

#### Bye-Fellows

Dr A D Challinor

Dr G H Treece

Dr A M C Odhams

Dr C Smith

Dr O J Arthurs

Dr H J Stone

Dr J J Maguire

Mr T S Butlin

Ms M Lovell<sup>4</sup>

Mr S J Price

Dr A M Martins<sup>3</sup>

Dr Y Cordeaux<sup>3</sup>

Dr S Wollston<sup>7</sup>

#### Research Fellows

Dr N J S Gibson<sup>2</sup>

Dr C M Warnick

Dr F Steinberger<sup>6</sup>

Dr G Szenkovits

Dr L R Biron<sup>3</sup>

<sup>1</sup> To 31<sup>st</sup> August 2010

<sup>2</sup> To 30 September 2010

<sup>3</sup> From 1<sup>st</sup> October 2010

<sup>4</sup> To 31<sup>st</sup> December 2010

<sup>5</sup> From 1<sup>st</sup> January 2011

<sup>6</sup> To 31<sup>st</sup> March 2011

<sup>7</sup> From 1<sup>st</sup> April 2011

\*Charity Trustees

# QUEENS' COLLEGE, CAMBRIDGE

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### Senior Officers

|                |                                     |
|----------------|-------------------------------------|
| President      | The Rt. Hon. Professor Lord Eatwell |
| Vice-President | Professor R L Jones                 |
| Senior Tutor   | Dr J W Kelly                        |
| Senior Bursar  | Mr J Spence                         |
| Junior Bursar  | Dr R D H Walker                     |

### PRINCIPAL COMMITTEES

#### Bursarial Committee

The Rt Hon. Professor Lord Eatwell, President  
Professor R L Jones, Vice President  
Mr J Spence, Senior Bursar  
Dr R D H Walker, Junior Bursar  
Dr J W Kelly, Senior Tutor  
Mr L A Bollom, Steward  
Professor D Cebon  
Mr S N Bridge  
Dr A H Gee

#### Fellowships Committee

The Rt Hon Professor Lord Eatwell, President  
Professor R L Jones, Vice-President  
Dr J W Kelly, Senior Tutor  
Dr H J Field  
Dr E G Kahrs  
Dr M P V Crowley  
Professor E M Terentjev  
Professor A M Gamble  
Dr M Edmonds

#### Investments Committee

The Rt Hon. Professor Lord Eatwell, President  
Professor R L Jones, Vice President  
Mr J Spence, Senior Bursar  
Professor R R Weber  
Dr M J Milgate  
Dr M J Dixon  
Mr R R Foulkes (Queens' Alumnus)  
Mr A Pomfret (Queens' Alumnus)

#### Teaching and Learning Committee

Dr J W Kelly, Senior Tutor  
Dr A C Thompson, Admissions Tutor  
All Directors of Studies of the College  
Professor J L Scott

#### Tutorial Committee

The Rt Hon. Professor Lord Eatwell, President  
Dr J W Kelly, Senior Tutor  
Dr R D H Walker, Junior Bursar  
The Revd Dr J M Holmes, Dean of Chapel  
Dr M J Dixon, Dean of College  
All Tutors of the College  
Revd Canon Dr F N Watts

**QUEENS' COLLEGE, CAMBRIDGE**

**REFERENCE AND ADMINISTRATIVE INFORMATION**

**FOR THE YEAR ENDED 30 JUNE 2011**

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**PROFESSIONAL ADVISORS**

**Auditors**

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

**Actuaries**

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

**Bankers**

National Westminster Bank plc  
23 Market Street  
Cambridge  
CB2 3PA

**Investment Fund Managers**

Lazard Asset Management Limited  
50 Stratton Street  
London, W1J 8L

**Property Advisors**

Cluttons LLP  
Portman House  
2 Portman Street  
London  
W1H 6DU

Bidwells LLP  
Trumpington Road  
Cambridge  
CB2 9LD

**Solicitors**

Ginn & Co  
Sidney House  
Sussex Street  
Cambridge  
CB1 1PE

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](http://www.queens.cam.ac.uk)

# QUEENS' COLLEGE, CAMBRIDGE

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### 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 30<sup>th</sup> March 1448, and its Statutes, as made in 1955 and variously amended from time to time.

#### 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.

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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 30<sup>th</sup> June 2011 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

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 periodically the operational, financial, regulatory and legal risks facing the College 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.

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### 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.

### 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 pastoral support through the tutorial system;
- 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 formulating 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 495 undergraduate and 339 graduate students which is recognised internationally as being of the highest standard. This education develops students academically and advances their leadership qualities and

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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.

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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 2010/2011, 112 undergraduates (out of our 457 Home/EU undergraduates) received such bursaries with a total value of £236,900. The scheme is approved by the Office of Fair Access and provides benefits at a substantially higher level than the minimum OFFA requirement. It is widely advertised, on the University website, on College websites and in the Admissions Prospectus. The College spent £13,000 on additional bursaries in 2010/2011.

The College also supports all students through a grant scheme to assist with attendance at conferences, and travel grants. In 2010/2011 the College spent £28,216 on this scheme.

In addition to its other programmes, the College operates a hardship scheme for all students in financial hardship. In 2010/2011 the College made hardship grants totalling £35,441.

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 four 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 newly appointed Schools Liaison Officer.

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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 2010/2011, 479 undergraduates sat University classed examinations with 78% 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:

|  | <b>2010/2011</b> | <b>2009/2010</b> |
|--|------------------|------------------|
| Academic Fees                              | 29.6%            | 29.3%            |
| College Accommodation                      | 26.3%            | 24.5%            |
| College Catering                           | 8.3%             | 8.2%             |
| Conference Activities (including Catering) | 13.4%            | 16.4%            |
| Investment Income                          | 14.8%            | 15.1%            |
| Donations                                  | 5.7%             | 5.2%             |
| Other                                      | 1.9%             | 1.3%             |

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#### Financial Review

In common with other organisations, the financial year to 30<sup>th</sup> June 2011 has been a very challenging one in very difficult 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£6,500 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 495 undergraduates, 339 graduate students and funding research came to £4,158,920. Our academic fee income was £2,689,018, leaving the balance of £1,469,902 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 £1,231,450 is equal to c£2,500 per undergraduate, being 38.5% 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. From 2012 Queens' students will have to pay higher University fees for themselves, with a likely commensurate need for increased bursary provision. Increased levels of debt will put heavy pressure on Queens' hardship funds. The increased University fees for Queens' students will provide no additional funding for the College.

#### Financial Results

The College achieved an Operating Surplus of £84,448, as set out in the Income and Expenditure Statement on page 22. This included £535,251 of donations of a revenue nature, principally in support of education, but it did not include capital donations totalling £1,302,148 in support of various of the College's activities, including funds for fellowships and teaching, bursaries and hardship funds. These capital donations have been credited to the Statement of Total Realised Gains and Losses on page 23. The College is very grateful to those of its old members who continue to support it so generously.

| Year ended 30 <sup>th</sup> June | 2011<br>£m  | 2010<br>£m  | 2009<br>£m  | 2008<br>£m  | 2007<br>£m  |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Operating Income                 | 9.08        | 9.09        | 8.55        | 8.36        | 7.73        |
| Expenditure                      | <u>9.00</u> | <u>8.91</u> | <u>8.69</u> | <u>7.91</u> | <u>7.31</u> |
| Operating Surplus (Deficit)      | 0.08        | 0.18        | (0.14)      | 0.45        | 0.42        |

The Operating Surplus includes income from the Endowment of £1,338,510, while any realised gains or losses for the Endowment are included in the Statement of Total Realised Gains and Losses.

The Operating Surplus of £84,448 is realised after charging depreciation of £1,101,085. The depreciation charge has almost doubled in the last five years, but still does not yet reflect the true annual cost to the College of maintaining and enhancing its operational properties, including the main College site.

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

- overall income was very marginally down on the previous year;
- overall expenditure increased by 0.95% over the previous year. This indicates reasonable overall cost control when inflation is over 4%;
- part of the increase in education expenditure reflects the re-allocation of research expenditure from its previous allocation to other expenditure;
- the contribution to the College's overhead of its conference activities was still significant at £1.2 million, but this was some 18% lower than in 2009/10, in a difficult trading environment;
- the deficit on the Education Account was £1,469,902;
- the College's Residence and Catering activity showed a small deficit of £37,000, reflecting a lower conference activity;
- the net assets of the College stand at £70 million, following the increase in fixed assets, growth in investment assets and a reduction in the pension liability under FRS17.

The College is not immune from the effects of an economic downturn and these effects are most obviously manifested in the further decline in Endowment income in the year of 2.43%. The income generated from the Endowment is some 27% lower this year than that achieved four years ago.

#### 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. The market value of the main endowment and Investment Assets at 30<sup>th</sup> June 2011 was £54.9 million, invested in global equities (53%), cash, gilts and bonds (22%), commercial property and property unit trusts (9%) 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 cost. The College does not re-value the private equity investments, although managers' valuations are received, on a marked-to-market basis. Gains or losses are recognised on realisation of the investments. The College's direct investment property assets have also not been re-valued during the year.

| Year ended 30 <sup>th</sup> June | 2011<br>£mn | 2010<br>£mn | 2009<br>£mn   | 2008<br>£mn   | 2007<br>£mn |
|----------------------------------|-------------|-------------|---------------|---------------|-------------|
| Endowment & Investments Assets   | 54.24       | 47.89       | 44.50         | 52.48         | 58.37       |
| Actual Income                    | 1.34        | 1.37        | 1.60          | 1.83          | 1.85        |
| Gains (Losses)                   | <u>5.82</u> | <u>3.94</u> | <u>(6.89)</u> | <u>(5.32)</u> | <u>3.59</u> |
| Total Return                     | 7.16        | 5.31        | (5.29)        | (3.49)        | 5.44        |

The total recorded return on the investment assets in the year was 14.95% (11.93% 2010). Unlike some other Colleges, 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.

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#### **Capital Expenditure and Building Renewals**

During the year the College spent £1.0 million on improving and enhancing its buildings and their environs. Part of the expenditure this year was incurred replacing life expired roofs on the College Main Site. 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 2011/2012, the College is likely to commence work on expanding and enhancing the College Porters' Lodge, providing an appropriate working environment for the College Porters, while at the same time providing a cloister linking the Fisher Building with Cripps Court. The opportunity will also be taken to remodel the Round. Much of the cost of this project will be met by donations. The College will also continue with its expenditure programme to improve and enhance the College Estate.

#### **Staff Costs**

Approximately 53% of the College's total expenditure is represented by staff costs, both academic and non-academic. Overall staff costs increased by 1.57%. It is likely that pay settlements will be very 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 FRS17. The deficit shown this year has reduced by £1.1 million, as a result of improved investment markets during the year. The College is reducing its pension liability under the scheme with additional contributions over a ten year period.

#### **Reserves Policy**

The College's unrestricted funds amount to £53 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 Endowment Assets amount to £18 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 credit crunch and its aftermath, 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 continue to be adversely affected;
- the economic situation may adversely affect the College's conference activities which are a significant contributor to the College's overheads;

# QUEENS' COLLEGE, CAMBRIDGE

## ANNUAL REPORT AND FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2011

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- 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 a deterioration in the pension liability;
- 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.

It 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 capital funds for fellowships and teaching, the core activity of the College. For the first time, through the Alumni & Development Office, the College will undertake in 2011/12 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.

#### Conclusion

The College's financial provision can be described as just 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.

In the medium term, the College needs to increase its endowment from all sources by £45 million. 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  
Professor R L Jones, Vice-President  
Mr J Spence, Senior Bursar  
Dr R D H Walker, Junior Bursar  
Dr J W Kelly, Senior Tutor  
Mr L A Bollom, Steward  
Professor D Cebon  
Mr S N Bridge  
Dr A M Gee

## **QUEENS' COLLEGE, CAMBRIDGE**

### **RESPONSIBILITIES OF THE GOVERNING BODY**

#### **FOR THE YEAR ENDED 30 JUNE 2011**

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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 2011**

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We have audited the financial statements of Queens College', Cambridge for the year ended 30 June 2011 which comprise the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the consolidated cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the College's Governing Body, as a body, in accordance with the College's Statutes and the Statutes of the University of Cambridge. Our audit work has been undertaken so that we might state to the College's Governing Body those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the College's Governing Body as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective Responsibilities of the Governing Body and Auditors**

As explained more fully in the Governing Body's Responsibilities Statement set out on page X, the Governing Body is responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's [APB's] Ethical Standards for Auditors.

#### **Scope of the Audit of Financial Statements**

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

#### **Opinion on the Financial Statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the College's affairs as at 30<sup>th</sup> June 2011 and of the group's income and expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;

**QUEENS' COLLEGE, CAMBRIDGE**

**INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY**

**FOR THE YEAR ENDED 30 JUNE 2011**

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- the financial statements have been prepared in accordance with the requirements of the Charities Act 1993, the College's Statutes and the Statutes of the University of Cambridge;
- the contribution due from the College to the University has been correctly computed as advised in the provisional assessment by the University of Cambridge and in accordance with the provisions of Statute G, II, of the University of Cambridge.

**Matters on which we are Required to Report by Exception**

- we have nothing to report in respect of the following matters where the Charities Act 1993 requires us to report to you if, in our opinion:
- the information given in the Governing Body's 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 and returns; or
- we have not received all the information and explanations we require for our audit.

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

CAMBRIDGE

Date:

# QUEENS' COLLEGE, CAMBRIDGE

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

### FOR THE YEAR ENDED 30 JUNE 2011

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#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment assets, and in accordance with the provisions of the Statutes of the College and of the University of Cambridge and applicable Accounting Standards.

In addition, the financial statements comply with the Statement of Recommended Practice for accounting in Further and Higher Education (the SORP) with the exception of the Balance Sheet, which has been presented in the different format as set out in the relevant section of the Statutes and Ordinances of the University of Cambridge (RCCA). The provisions of the SORP require endowments, deferred grants and revaluation reserves to be disclosed on the face of the Balance Sheet, whereas RCCA requires that part of this information be disclosed in Notes to the Accounts.

All of the income and expenditure carried out by the College during this accounting period was for collegiate purposes.

#### **Basis of 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**

Income from the investment of restricted funds is included in the Income and Expenditure Account to the extent of the expenditure incurred during the year, together with any related contributions to overhead costs. All income from short-term deposits and the investment of unrestricted funds is credited to the Income and Expenditure Account on a receivable basis. Donations and benefactions are included in the Income and Expenditure Account only when they are not added to capital funds, but used for current expenditures.

#### **Pension schemes**

Pension costs are assessed on the latest actuarial valuation of the final salary scheme, and are accounted for on the basis of charging the cost of providing pensions over the period during which the College benefits from the employees' services.

#### **Tangible fixed assets**

##### a. Land and buildings

Land and buildings held for operational purposes are stated at cost. Freehold buildings are depreciated on a straight-line basis over the expected useful economic life of 50 years. Where land and buildings are acquired with the aid of specific bequests or donations they are capitalised as part of the cost of those assets.

Buildings under construction are valued at cost, based on the value of architects' certificates and other direct costs incurred to 30 June.

## QUEENS' COLLEGE, CAMBRIDGE

### STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### FOR THE YEAR ENDED 30 JUNE 2011

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b. Maintenance and Renewal of premises

Major refurbishments of buildings are treated as capital expenditures and are depreciated over a twenty-five year period.

c. Furniture, fittings and equipment

Furniture, fittings and equipment 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                   | 33⅓% per annum |

d. Rare books, silver, works of art and other assets not related to education

Rare books, silver, works of art and other assets not related to education, which are deemed to be inalienable, are not included in the balance sheet. Where such assets are acquired with the aid of specific bequests or donations they are capitalised as above. The related benefactions are credited to expendable capital.

The disposal of fixed assets is deemed to occur at the end of their expected useful life.

#### **Heritage assets**

The College holds and conserves a number of collections, exhibits, artefacts and other assets of historical, artistic or scientific importance. In accordance with FRS 15 and FRS 30 (Heritage assets) 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**

Quoted investments are included in the balance sheet at market value. Unquoted investments based on land and property are valued by Bursar's estimate calculated on the basis of capitalised income. Other unquoted investments are valued on the basis of the net invested sum.

#### **Stocks**

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

#### **Provisions**

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

## **QUEENS' COLLEGE, CAMBRIDGE**

### **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**FOR THE YEAR ENDED 30 JUNE 2011**

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#### **Foreign currencies**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year. No material sums were recorded this year.

#### **Taxation**

During the year the College was a registered charity within the meaning of the Charities Act 1993. On 1 June 2010 the College ceased to be an exempt charity and became a registered charity (number 1137495) on 16 August 2010.

The College is 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 received 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 GII of the University of Cambridge. Contribution is used to fund grants to colleges from the Colleges Fund. The College may from time to time be eligible for such grants.

#### **Rounding adjustments**

The figures appearing in these accounts are rounded to the nearest whole pound. At times this will give the appearance that a set of figures do not add up correctly, but this is not the case when the pence are taken into account.

**QUEENS' COLLEGE, CAMBRIDGE**

**CONSOLIDATED INCOME & EXPENDITURE ACCOUNT**

**FOR YEAR ENDED 30 JUNE 2011**

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|   |      | <b>2011</b>          | <b>2010</b>          |
|---|------|----------------------|----------------------|
|   |      | £                    | £                    |
| <b>INCOME</b>   | Note |                      |                      |
| Academic fees & charges   | 1    | 2,689,018            | 2,665,340            |
| Residences, catering and conferences  | 2    | 4,354,762            | 4,469,948            |
| Endowment and investment income   | 3    | 1,338,510            | 1,371,836            |
| Donations   | 4    | 535,251              | 475,323              |
| Other income  |      | <u>167,760</u>       | <u>113,450</u>       |
| Total income  |      | <u>9,085,301</u>     | <u>9,095,897</u>     |
| <b>EXPENDITURE</b>  |      |                      |                      |
| Education   | 5    | 4,158,920            | 4,062,614            |
| Residences, catering and conferences  | 6    | 4,391,656            | 4,311,748            |
| Other expenditure   |      | <u>450,277</u>       | <u>541,940</u>       |
| Total expenditure   | 7    | <u>9,000,853</u>     | <u>8,916,302</u>     |
| <b>Surplus/(deficit) on continuing operations<br/>before Contribution under Statute G, II</b> |      | 84,448               | 179,595              |
| Contribution under Statute G, II  |      | <u>(26,000)</u>      | <u>(26,000)</u>      |
| <b>Surplus/(deficit) on continuing operations<br/>after Contribution under Statute G, II</b>  |      | 58,448               | 153,595              |
| Surplus/(deficit) for the year transferred to<br>accumulated income in endowment funds        |      | <u>(39,343)</u>      | <u>67,567</u>        |
| <b>Surplus/(deficit) for the year retained<br/>within general reserves</b>                    |      | <u><u>97,792</u></u> | <u><u>86,027</u></u> |

All items dealt with in arriving at the surplus/(deficit) for 2011 and 2010 relate to continuing operations

**QUEENS' COLLEGE, CAMBRIDGE**

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**FOR YEAR ENDED 30 JUNE 2011**

|   |    | <b>Restricted<br/>funds</b> | <b>Unrestricted<br/>funds</b> | <b>2011<br/>Total Funds</b> | <b>2010<br/>Total Funds</b> |
|---|----|-----------------------------|-------------------------------|-----------------------------|-----------------------------|
|   |    | £                           | £                             | £                           | £                           |
| Surplus/(deficit) on income and expenditure account         |    | 0                           | 97,792                        | 97,792                      | 86,027                      |
| Unspent endowment fund income                               |    | 9,042                       | (48,385)                      | (39,343)                    | 67,567                      |
| Increase/(decrease) in market value of investments          |    |                             |                               |                             |                             |
| Endowment assets  | 17 | 1,669,965                   | 435,262                       | 2,105,227                   | 3,940,210                   |
| Fixed asset investments                                     | 18 | 0                           | 3,719,589                     | 3,719,589                   | 0                           |
| New endowments  | 17 | 702,721                     | 599,427                       | 1,302,148                   | 217,155                     |
| Actuarial gain/(loss) in respect of pension schemes         |    | 0                           | 1,066,173                     | 1,066,173                   | (1,441,657)                 |
| <b>Total recognised gains/(losses) relating to the year</b> |    | <b>2,381,727</b>            | <b>5,869,858</b>              | <b>8,251,585</b>            | <b>2,869,302</b>            |
| <b>Reconciliation</b>                                       |    |                             |                               |                             |                             |
| Opening reserves and endowments                             |    | 11,584,691                  | 49,526,046                    | 61,110,737                  | 58,241,435                  |
| Total recognised gains/(losses) for the year                |    | 2,381,727                   | 5,869,858                     | 8,251,585                   | 2,869,302                   |
| <b>Closing reserves and endowments</b>                      |    | <b>13,966,418</b>           | <b>55,395,904</b>             | <b>69,362,322</b>           | <b>61,110,737</b>           |

QUEENS' COLLEGE, CAMBRIDGE

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2011

|   | Note | 2011<br>Group<br>£          | 2010<br>Group<br>£             |                       |                       |
|---|------|-----------------------------|--------------------------------|-----------------------|-----------------------|
| <b>FIXED ASSETS</b>                                   |      |                             |                                |                       |                       |
| Tangible assets                                       | 9    | 17,094,850                  | 16,682,335                     |                       |                       |
| Investments   | 10   | 36,901,229                  | 36,305,176                     |                       |                       |
| <b>Endowment Assets</b>                               | 10   | 17,991,720                  | 11,584,691                     |                       |                       |
|   |      | <u>71,987,799</u>           | <u>64,572,202</u>              |                       |                       |
| <b>CURRENT ASSETS</b>                                 |      |                             |                                |                       |                       |
| Stocks and work in progress                           | 11   | 335,623                     | 324,290                        |                       |                       |
| Debtors   | 12   | 1,284,526                   | 1,046,374                      |                       |                       |
| Cash at bank and in hand                              | 13   | (129,363)                   | 468,829                        |                       |                       |
|   |      | <u>1,490,785</u>            | <u>1,839,493</u>               |                       |                       |
| <b>Creditors: amounts falling due within one year</b> | 14   | 1,691,353                   | 2,103,043                      |                       |                       |
| <b>Provision for liabilities and charges</b>          |      |                             |                                |                       |                       |
| <b>Net assets-excluding pension asset/(liability)</b> |      | (200,568)                   | (263,550)                      |                       |                       |
| <b>Net pension asset/(liability)</b>                  |      | (1,567,507)                 | (2,650,398)                    |                       |                       |
| <b>Net assets including pension asset/(liability)</b> |      | <u>70,219,724</u>           | <u>61,658,254</u>              |                       |                       |
| <b>Represented by:</b>                                |      |                             |                                |                       |                       |
|   |      | <b>Restricted<br/>Funds</b> | <b>Un-restricted<br/>Funds</b> | <b>2011<br/>Group</b> | <b>2010<br/>Group</b> |
| <b>Deferred capital grants</b>                        | 16   | 0                           | 857,401                        | 857,401               | 547,517               |
| <b>Endowments</b>                                     |      |                             |                                |                       |                       |
| Expendable endowments                                 | 17   | 3,591,916                   | 0                              | 3,591,916             | 3,130,447             |
| Permanent endowments                                  | 17   | 10,374,502                  | 4,025,302                      | 14,399,804            | 8,454,244             |
| <b>Reserves</b>                                       |      |                             |                                |                       |                       |
| General reserves excluding pension reserve            | 18   | 0                           | 52,938,111                     | 52,938,111            | 55,215,442            |
| Pension reserve                                       |      | 0                           | (1,567,507)                    | (1,567,507)           | (2,650,398)           |
|   |      | <u>13,966,418</u>           | <u>55,395,906</u>              | <u>69,362,324</u>     | <u>64,149,735</u>     |
| <b>TOTAL FUNDS</b>                                    |      | <u>13,966,418</u>           | <u>56,253,307</u>              | <u>70,219,725</u>     | <u>64,697,252</u>     |

These accounts were approved by the Governing Body on 30 September 2011 and signed on their behalf by

Lord Eatwell  
President

Jonathan Spence  
Senior Bursar

**QUEENS' COLLEGE, CAMBRIDGE****CONSOLIDATED CASH FLOW STATEMENT****FOR YEAR ENDED 30 JUNE 2011**

|   | <b>2011</b>               | <b>2010</b>             |
|---|---------------------------|-------------------------|
|   | £                         | £                       |
| <b>Net cash inflow from operating activities</b>            | 84,448                    | 179,594                 |
| Returns on investments and servicing of finance             | <u>(1,873,760)</u>        | <u>(1,847,160)</u>      |
|   | (1,789,312)               | (1,667,565)             |
| Depreciation  | 9 1,101,085               | 1,037,774               |
| Movement in pension deficit/surplus                         | 15 (16,718)               | (114,837)               |
| (Increase)/decrease in stocks                               | 11 (11,333)               | 11,043                  |
| (Increase)/decrease in debtors                              | 12 (238,152)              | (75,645)                |
| Increase/(decrease) in creditors                            | 14 <u>(411,690)</u>       | <u>645,682</u>          |
| <b>Net cash inflow/(outflow) from operating activities</b>  | <u><u>(1,366,120)</u></u> | <u><u>(163,549)</u></u> |
| <b>RETURNS ON INVESTMENTS</b>                               |                           |                         |
| Freehold land and buildings                                 | 3 272,133                 | 265,435                 |
| Dividends and interest                                      | 3 1,066,377               | 1,102,198               |
| Profit on sale of investments                               | 3 0                       | 0                       |
| <b>Net cash inflow/(outflow) from returns on investment</b> | <u>1,338,510</u>          | <u>1,367,633</u>        |
| <b>CONTRIBUTION TO COLLEGES' FUND</b>                       | (26,000)                  | (26,000)                |
| <b>CAPITAL TRANSACTIONS AND FINANCIAL INVESTMENT</b>        |                           |                         |
| Receipts from sales of investment assets                    | 10 18,816,434             | 18,412,243              |
| Donations and benefactions                                  | 1,830,438                 | 1,033,496               |
| Deferred capital grants received                            | <u>316,845</u>            | <u>210,702</u>          |
| Total capital receipts                                      | 20,963,718                | 19,656,441              |
| Payments to acquire tangible fixed assets                   | 9 (1,513,600)             | (2,168,112)             |
| Payments to acquire investment assets                       | 10 <u>(19,994,700)</u>    | <u>(17,863,034)</u>     |
| Total capital expenditure                                   | (21,508,300)              | (20,031,146)            |
| <b>Net cash inflow/(outflow) from investing activities</b>  | <u>(544,582)</u>          | <u>(374,705)</u>        |
| <b>NET CASH INFLOW/(OUTFLOW)</b>                            | (598,192)                 | 803,380                 |
| Net liquid funds at start of year                           | <u>468,829</u>            | <u>(334,551)</u>        |
| <b>Net liquid funds at end of year</b>                      | <u><u>(129,363)</u></u>   | <u><u>468,829</u></u>   |

**QUEENS' COLLEGE, CAMBRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2011**

| <b>1 Academic fees and charges</b>  | per capita fee | <b>2011</b>             | <b>2010</b>             |
|---|----------------|-------------------------|-------------------------|
|   | £              | £                       | £                       |
| Fee income paid on behalf of undergraduates at the Publicly funded Undergraduate rate | 3,861          | 1,750,383               | 1,698,591               |
| Privately-funded Undergraduate fee income   | 4,548          | 172,824                 | 182,700                 |
| Fee income received at the Graduate fee rate  | 2,229          | 415,762                 | 502,503                 |
| Fee income received at the Graduate fee rate  | 2,361          | 350,049                 | 281,546                 |
| Other income  |                | 0                       | 0                       |
| <b>Total</b>  |                | <u><u>2,689,018</u></u> | <u><u>2,665,340</u></u> |
| <br>  |                |                         |                         |
| <b>2 Income from residences, catering and conferences</b>                             |                |                         |                         |
| Accommodation: College members  |                | 2,385,848               | 2,226,243               |
| Conferences and banquets  |                | 374,937                 | 554,700                 |
| Catering: College members   |                | 755,807                 | 751,518                 |
| Conferences and banquets  |                | 838,170                 | 937,487                 |
| <b>Total</b>  |                | <u><u>4,354,762</u></u> | <u><u>4,469,948</u></u> |
| <br>  |                |                         |                         |
| <b>3 Endowment and investment income</b>  |                | <b>2011</b>             | <b>2010</b>             |
| <b>3a Analysis</b>  |                | Total                   | Total                   |
|   |                | £                       | £                       |
| Income from:  |                |                         |                         |
| Land and buildings  |                | 272,133                 | 265,435                 |
| Quoted securities   |                | 792,324                 | 838,243                 |
| Fixed interest securities   |                | 212,523                 | 196,221                 |
| Income from short-term investments  |                | 10,864                  | 14,151                  |
| Other interest receivable   |                | 50,666                  | 57,786                  |
| <b>Total</b>  |                | <u><u>1,338,510</u></u> | <u><u>1,371,836</u></u> |
| <br>  |                |                         |                         |
| <b>3b Investment management costs</b>   |                | <b>2011</b>             | <b>2010</b>             |
|   |                | £                       | £                       |
| Land and buildings  |                | 6,131                   | 2,424                   |
| Quoted securities - equities  |                | 50,763                  | 45,325                  |
| Fixed interest securities   |                | 14,002                  | 13,509                  |
| Other investments   |                | 0                       | 0                       |
| Cash  |                | 0                       | 0                       |
| <b>Total</b>  |                | <u><u>70,896</u></u>    | <u><u>61,258</u></u>    |
| <br>  |                |                         |                         |
| <b>4 Donations</b>  |                | <b>2011</b>             | <b>2010</b>             |
|   |                | £                       | £                       |
| Unrestricted donations  |                | 528,289                 | 471,120                 |
| Restricted donations  |                | 0                       | 0                       |
| Released from deferred capital grants   |                | 6,962                   | 4,203                   |
| <b>Total</b>  |                | <u><u>535,251</u></u>   | <u><u>475,323</u></u>   |
| <br>  |                |                         |                         |
| <b>5 Education expenditure</b>  |                | <b>2011</b>             | <b>2010</b>             |
|   |                | £                       | £                       |
| Teaching  |                | 2,086,724               | 2,110,529               |
| Tutorial  |                | 817,051                 | 810,876                 |
| Admissions  |                | 367,066                 | 340,011                 |
| Research  |                | 239,252                 | 189,962                 |
| Scholarships and awards   |                | 220,992                 | 180,612                 |
| Other educational facilities  |                | 427,834                 | 430,624                 |
| <b>Total</b>  |                | <u><u>4,158,920</u></u> | <u><u>4,062,614</u></u> |
| <br>  |                |                         |                         |
| <b>6 Residences, catering and conferences expenditure</b>                             |                | <b>2011</b>             | <b>2010</b>             |
| Accommodation: College members  |                | 2,290,461               | 1,744,513               |
| Conferences and banquets  |                | 569,293                 | 793,446                 |
| Catering: College members   |                | 786,825                 | 911,931                 |
| Conferences and banquets  |                | 745,077                 | 861,858                 |
| <b>Total</b>  |                | <u><u>4,391,656</u></u> | <u><u>4,311,748</u></u> |

**QUEENS' COLLEGE, CAMBRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2011**

**7a Analysis of 2010/2011 expenditure by activity**

|                                      | <b>Staff costs</b> | <b>Other</b>              | <b>Depreciation</b> | <b>Total</b>     |
|--------------------------------------|--------------------|---------------------------|---------------------|------------------|
|                                      | <b>(note 8)</b>    | <b>Operating expenses</b> |                     |                  |
|                                      | £                  | £                         | £                   | £                |
| Education                            | 2,551,331          | 1,235,526                 | 372,063             | 4,158,920        |
| Residences, catering and conferences | 2,092,488          | 1,570,146                 | 729,022             | 4,391,656        |
| Other                                | 159,591            | 290,686                   | 0                   | 450,277          |
|                                      | <u>4,803,410</u>   | <u>3,096,357</u>          | <u>1,101,086</u>    | <u>9,000,853</u> |

Expenditure includes fundraising and alumni relations costs of 218,419  
This expenditure includes the costs of alumni relations.

**7b Analysis of 2009/2010 expenditure by activity**

|                                      | <b>Staff costs</b> | <b>Other</b>     | <b>Depreciation</b> | <b>Total</b>     |
|--------------------------------------|--------------------|------------------|---------------------|------------------|
|                                      | <b>(note 8)</b>    | <b>expenses</b>  |                     |                  |
|                                      | £                  | £                | £                   | £                |
| Education                            | 2,550,425          | 1,189,953        | 322,236             | 4,062,614        |
| Residences, catering and conferences | 1,904,367          | 1,691,844        | 715,539             | 4,311,750        |
| Other                                | 274,151            | 267,787          | 0                   | 541,938          |
| Totals                               | <u>4,728,943</u>   | <u>3,149,584</u> | <u>1,037,775</u>    | <u>8,916,302</u> |

Expenditure includes fundraising and alumni relations costs of 280,982  
This expenditure includes the costs of alumni relations

**7c Auditors' remuneration**

|   | <b>2011</b> | <b>2010</b> |
|---|-------------|-------------|
|   | £           | £           |
| Other operating expenses include:                     |             |             |
| Audit fees payable to the College's external auditors | 21,500      | 24,375      |
| Other fees payable to the College's external auditors | 58,401      | 2,780       |

**QUEENS' COLLEGE, CAMBRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2011**

**8 Staff costs**

|  | College<br>Fellows | Other<br>academic | Non-<br>academic | <b>Total</b><br><b>2011</b> | <b>Total</b><br><b>2010</b> |
|--|--------------------|-------------------|------------------|-----------------------------|-----------------------------|
|  | £                  | £                 | £                | £                           | £                           |
| <b>Staff Costs:</b>                                  |                    |                   |                  |                             |                             |
| Full employment cost                                 | 1,302,621          | 194,630           | 3,306,159        | 4,803,410                   | 4,728,944                   |
| Emoluments   | 1,019,347          | 194,630           | 2,567,716        | 3,781,692                   | 3,807,428                   |
| Social security                                      | 89,863             | 0                 | 195,065          | 284,928                     | 265,260                     |
| Pension  | 193,411            | 0                 | 543,378          | 736,790                     | 656,256                     |
| <b>Average staff numbers (full-time equivalents)</b> | 27.2               | n.a.              | 129.0            | 156.2                       | 153.7                       |
| Academic numbers of Governing Body                   | 58                 |                   |                  |                             |                             |

Of the 58 Fellows declared above 54 are stipendary.

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

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

**9 Tangible fixed assets**

|                             | Land and<br>buildings | Assets in<br>construction | Equipment | Heritage<br>Assets | <b>2011</b><br><b>Total</b> | <b>2010</b><br><b>Total</b> |
|-----------------------------|-----------------------|---------------------------|-----------|--------------------|-----------------------------|-----------------------------|
|                             | £                     | £                         | £         | £                  | £                           | £                           |
| <b>Cost or valuation</b>    |                       |                           |           |                    |                             |                             |
| At beginning of year        | 24,366,715            | 0                         | 1,570,716 | 0                  | 25,937,431                  | 24,102,489                  |
| Additions at cost           | 1,079,459             | 0                         | 419,141   | 15,000             | 1,513,600                   | 2,168,112                   |
| Transfers                   | 0                     | 0                         | 0         | 0                  | 0                           | 0                           |
| Disposals                   | 0                     | 0                         | 214,130   | 0                  | 214,130                     | 333,170                     |
| At end of year              | 25,446,174            | 0                         | 1,775,727 | 15,000             | 27,236,901                  | 25,937,431                  |
| <b>Depreciation</b>         |                       |                           |           |                    |                             |                             |
| At beginning of year        | 8,518,787             | 0                         | 736,309   | 0                  | 9,255,096                   | 8,550,492                   |
| Charge for the year         | 743,319               | 0                         | 357,766   | 0                  | 1,101,085                   | 1,037,774                   |
| Eliminated on disposal      | 0                     | 0                         | 214,130   | 0                  | 214,130                     | 333,170                     |
| Written back on revaluation | 0                     | 0                         | 0         | 0                  | 0                           | 0                           |
| At end of year              | 9,262,107             | 0                         | 879,944   | 0                  | 10,142,051                  | 9,255,096                   |
| <b>NET BOOK VALUE</b>       |                       |                           |           |                    |                             |                             |
| At end of year              | 16,184,067            | 0                         | 895,783   | 15,000             | 17,094,850                  | 16,682,335                  |
| At beginning of year        | 15,847,928            | 0                         | 834,407   | 0                  | 16,682,335                  | 15,551,997                  |

The insured value of all the College's operational buildings as at 30 June 2011 was £117m (2010: £117m).

**QUEENS' COLLEGE, CAMBRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2011**

**9 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:

|  | <b>2011</b>          | <b>2010</b>     | <b>2009</b>     | <b>2008</b>     | <b>2007</b>     |
|--|----------------------|-----------------|-----------------|-----------------|-----------------|
|  | <b>£</b>             | <b>£</b>        | <b>£</b>        | <b>£</b>        | <b>£</b>        |
| Acquisitions purchased with specific donations | 0                    | 0               | 0               | 0               | 0               |
| Acquisitions purchased with College funds      | 15,000               | 0               | 0               | 0               | 0               |
| Total cost of acquisitions purchased           | <u>15,000</u>        | <u>0</u>        | <u>0</u>        | <u>0</u>        | <u>0</u>        |
| Value of acquisitions by donation              | 0                    | 0               | 0               | 0               | 0               |
| Total acquisitions capitalised                 | <u><u>15,000</u></u> | <u><u>0</u></u> | <u><u>0</u></u> | <u><u>0</u></u> | <u><u>0</u></u> |

**10 Fixed asset investments**

|  | <b>Investments</b> | <b>Endowment Assets</b> | <b>2011 Total</b>        | <b>2010 Total</b>        |
|--|--------------------|-------------------------|--------------------------|--------------------------|
|  | <b>£</b>           | <b>£</b>                | <b>£</b>                 | <b>£</b>                 |
| Balance at beginning of year                               |                    |                         | 47,889,867               | 44,498,867               |
| Additions  |                    |                         | 19,994,700               | 17,863,034               |
| Disposals  |                    |                         | 18,816,434               | 18,412,243               |
| Less: impairment on unquoted securities                    |                    |                         | (156,731)                | 0                        |
| Increase/(decrease) in cash balances held at fund managers |                    |                         | (453,302)                | (83,026)                 |
| Appreciation/(depreciation)                                |                    |                         | 6,434,849                | 4,023,235                |
| Balance at end of year                                     |                    |                         | <u><u>54,892,949</u></u> | <u><u>47,889,867</u></u> |

Represented by:

|                                       |                          |                          |                          |                          |
|---------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Property                              | 4,899,179                | 0                        | 4,899,179                | 4,851,052                |
| Quoted securities – equities          | 20,209,587               | 11,361,935               | 31,571,522               | 28,562,552               |
| Fixed interest securities             | 4,978,372                | 2,798,867                | 7,777,239                | 7,054,960                |
| Other investments                     | 3,683,407                | 2,070,830                | 5,754,237                | 4,748,592                |
| Cash in hand & at investment managers | 3,130,684                | 1,760,087                | 4,890,772                | 2,672,711                |
| Total                                 | <u><u>36,901,229</u></u> | <u><u>17,991,720</u></u> | <u><u>54,892,949</u></u> | <u><u>47,889,867</u></u> |

**QUEENS' COLLEGE, CAMBRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2011**

**11 Stocks and work in progress**

|                  | <b>2011</b>    | <b>2010</b>    |
|------------------|----------------|----------------|
|                  | £              | £              |
| Goods for resale | 335,506        | 324,091        |
| Work in progress | 0              | 0              |
| Other Stocks     | 117            | 199            |
|                  | <u>335,623</u> | <u>324,290</u> |

**12 Debtors**

|                                | <b>2011</b>      | <b>2010</b>      |
|--------------------------------|------------------|------------------|
|                                | £                | £                |
| Members of the College         | 62,365           | 63,622           |
| Other debtors                  | 917,699          | 690,765          |
| Prepayments and accrued income | 304,462          | 291,987          |
|                                | <u>1,284,526</u> | <u>1,046,374</u> |

**13 Cash and bank balances**

|                  | <b>2011</b>      | <b>2010</b>    |
|------------------|------------------|----------------|
|                  | £                | £              |
| Current accounts | (132,405)        | 464,197        |
| Cash in hand     | 3,042            | 4,632          |
|                  | <u>(129,363)</u> | <u>468,829</u> |

**14 Creditors: amounts falling due within one year**

|                               | <b>2011</b>      | <b>2010</b>      |
|-------------------------------|------------------|------------------|
|                               | £                | £                |
| Caution monies                | 190,710          | 187,283          |
| Members of the College        | 54,454           | 40,886           |
| Receipts in advance           | 867,721          | 1,429,276        |
| University Fees               | 110,113          | 120,791          |
| Contribution to Colleges Fund | 26,000           | 26,000           |
| Other creditors               | 442,355          | 298,807          |
|                               | <u>1,691,353</u> | <u>2,103,043</u> |

**15 Pension Liabilities**

|  | <b>2011</b>      | <b>2010</b>      |
|--|------------------|------------------|
|  | £                | £                |
| <b>Balance at beginning of year</b>  | 2,650,398        | 1,323,579        |
| Movement in year:  |                  |                  |
| Current service costs including life assurance                                     | 533,656          | 281,778          |
| Contributions  | (641,116)        | (495,350)        |
| Other finance cost   | 90,742           | 98,734           |
| Actuarial loss/(gain) recognised in statement of total recognised gains and losses | (1,066,173)      | 1,441,657        |
|  | <u>1,567,507</u> | <u>2,650,398</u> |

**QUEENS' COLLEGE, CAMBRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2011**

| <b>16 Deferred capital grants</b>          | <b>2011</b>    | <b>2010</b>    |
|--|----------------|----------------|
|  | £              | £              |
| Balance at beginning of the year           | 547,517        | 341,018        |
| Donations received                         | 316,845        | 210,702        |
| Released to income and expenditure account | (6,962)        | (4,203)        |
| Balance at end of year                     | <u>857,401</u> | <u>547,517</u> |

| <b>17 Endowments</b>                                  | <b>Unrestricted Permanent</b> | <b>Restricted Permanent</b> | <b>Restricted Expendable</b> | <b>2011 Total</b> | <b>2010 Total</b> |
|---|-------------------------------|-----------------------------|------------------------------|-------------------|-------------------|
|   |                               | £                           | £                            | £                 | £                 |
| Balance at beginning of year                          | 0                             | 8,454,244                   | 3,130,447                    | 11,584,691        | 10,239,020        |
| Capital   | 0                             | 8,384,024                   | 3,025,552                    | 11,409,577        | 10,089,276        |
| Unspent income  | 0                             | 70,219                      | 104,894                      | 175,114           | 149,744           |
| Reclassification of Funds                             | 3,038,998                     | 0                           | 0                            | 3,038,998         | 0                 |
| New Endowments received                               | 599,427                       | 699,807                     | 2,914                        | 1,302,148         | 4,618             |
| Income receivable form endowment asset investments    | 73,865                        | 206,185                     | 77,211                       | 357,261           | 274,923           |
| Expenditure   | 122,250                       | 200,717                     | 73,637                       | 396,604           | 205,147           |
| Net transfer (to)/from income and expenditure account | 0                             | 0                           | 0                            | 0                 | 0                 |
| Increase/(decrease) in market value of investments    | 435,262                       | 1,214,983                   | 454,982                      | 2,105,227         | 1,271,277         |
| Balance at end of year                                | <u>4,025,302</u>              | <u>10,374,502</u>           | <u>3,591,916</u>             | <u>17,991,720</u> | <u>11,584,691</u> |
| Comprising  |                               |                             |                              |                   |                   |
| Capital   | 4,025,302                     | 10,257,300                  | 3,581,961                    | 17,864,563        | 11,466,576        |
| Unspent income  | 0                             | 117,202                     | 9,955                        | 127,157           | 118,115           |
| Balance at end of year                                | <u>4,025,302</u>              | <u>10,374,502</u>           | <u>3,591,916</u>             | <u>17,991,720</u> | <u>11,584,691</u> |

**Representing**

|                             |                   |                   |
|-----------------------------|-------------------|-------------------|
| Fellowship funds            | 9,334,039         | 4,320,711         |
| Scholarship and prize funds | 2,330,904         | 1,743,444         |
| Hardship funds              | 871,515           | 763,171           |
| Bursary funds               | 2,697,404         | 2,360,404         |
| Travel grant funds          | 212,387           | 186,101           |
| Other funds                 | 1,405,452         | 1,217,356         |
| General endowments          | 1,140,020         | 993,503           |
| Total                       | <u>17,991,720</u> | <u>11,584,691</u> |

**QUEENS' COLLEGE, CAMBRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2011**

**18 Reserves**

|  | <b>2011</b>       | <b>2010</b>       |
|--|-------------------|-------------------|
|  | £                 | £                 |
| Balance at beginning of year                       | 49,526,047        | 47,666,563        |
| Reclassification of Funds                          | (3,038,998)       | 0                 |
| Surplus retained for the year                      | 97,792            | 86,028            |
| Actuarial gain/(loss)                              | 1,066,173         | (1,441,657)       |
| Increase/(decrease) in market value of investments | 3,719,589         | 2,668,461         |
| Donations  | 0                 | 546,652           |
| Transfer to Endowment Funds                        | 0                 |                   |
| Balance at end of year                             | <u>51,370,603</u> | <u>49,526,047</u> |

**19 CAPITAL COMMITMENTS**

At 30 June 2011 future capital expenditure authorised and committed amounted to £0. (2010 - £0.25m)

**20 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 2011 it reveals that no material events occurred.

**QUEENS' COLLEGE, CAMBRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

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**USS INSTITUTIONS –**

**FRS17 – RETIREMENT BENEFITS**

**Principal accounting policies**

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

**Notes to the accounts**

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

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

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2011 are also included in this note.

## QUEENS' COLLEGE, CAMBRIDGE

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2011

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The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (ie the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date.

An “inflation risk premium” adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England’s target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

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

Standard mortality tables were used as follows:

|  |                      |
|--|----------------------|
| Male members’ mortality<br>rated down 1 year | PA92 MC YoB tables – |
| Female members’ mortality<br>No age rating   | PA92 MC YoB tables - |

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

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

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

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

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was

## QUEENS' COLLEGE, CAMBRIDGE

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2011

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calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for

the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

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

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

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

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

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

**QUEENS' COLLEGE, CAMBRIDGE**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2011**

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

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

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

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

At 31 March 2011, USS had over 142,000 active members and the institution had 66 active members participating in the scheme.

The total pension cost for the institution was £193,411 (2010: £188,029). The contribution rate payable by the institution was 16% of pensionable salaries.

## QUEENS' COLLEGE, CAMBRIDGE

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2011

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#### CAMBRIDGE COLLEGES FEDERATED PENSION SCHEME

The College is also a member of a multi-employer defined benefit scheme, the Cambridge Colleges Federated Pension Scheme (CCFPS), in the United Kingdom. The Scheme is a defined benefit final salary pension scheme that was originally set up, under an interim Trust Deed, on 19 July 1977 as a defined benefit scheme. The scheme is deemed to be a registered pension scheme under the terms of Schedule 36 of the Finance Act 2004. The College's employees covered by the Scheme are contracted-out of the State Second Pension (S2P).

The College elected to change benefits for service from 1 April 2004 for all members by:

- capping service at 40 years (previously uncapped); and
- paying unreduced pensions from age 65 (previously 60).

The contribution made by the College in respect of the 12 month period ended 30 June 2011 was £641,116 (2010: £495,350), excluding PHI premiums. Contributions over the next year are expected to be at the rate 20.44% of Contribution Pay plus £170,427pa subject to review at future actuarial valuations. These rates exclude PHI.

The major assumptions used by the actuary were:

|   | <u>30 June</u><br><u>2011</u> | <u>31 March</u><br><u>2010</u> | <u>31 March</u><br><u>2009</u> | <u>31 March</u><br><u>2008</u> |
|---|-------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Discount rate   | 5.5%                          | 5.6%                           | 6.4%                           | 6.6%                           |
| Price Inflation assumption  | 3.4%                          | 3.7%                           | 2.9%                           | 3.4%                           |
| Rate of increase in salaries  | 3.2%                          | 4.7% *                         | 3.9%                           | 4.9%                           |
| Rate of increase in pensions in<br>deferment                        | 3.4%                          | 3.7%                           | 2.9%                           |                                |
| - GMP   |                               |                                | 3.9%                           | 4.9%                           |
| - Excess pension  |                               | 3.7%                           | 2.9%                           | 3.4%                           |
| Rate of increase in pensions in<br>payment                          | 3.4%                          | 3.7%                           | 2.9%                           |                                |
| - GMP accrued up to 5 April 1988                                    | 0.0%                          | 0.0%                           | 0.0%                           | 0.0%                           |
| - GMP accrued after 5 April 1988                                    | 2.9%                          | 2.8%                           | 2.7%                           | 2.8%                           |
| - Excess Pension over GMP and<br>pension accrued after 5 April 1997 | 3.4%                          | 3.7%                           | 2.9%                           | 3.4%                           |

\*2.0% in 2011, 3.2% thereafter.

The underlying mortality assumption is based upon the standard table known as Self-administered Pension Schemes (SAPS) mortality tables for average normal pensioners projected in line with the CMI 2009 projection and a target long-term improvement rate of 0.75% p.a. Both the base table and the allowance for improvements has been updated from 2010 when the PA92 tables were used with the Medium Cohort projections. This results in the following life expectancies:

- Male age 65 now has a life expectancy of 21.7 years (previously 20.7)
- Female age 65 now has a life expectancy of 23.6 years (previously 23.5)
- Male age 45 now and retiring in 20 years would have a life expectancy then of 22.7 years (previously 21.8 years)

**QUEENS' COLLEGE, CAMBRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**PENSION SCHEMES (CONTINUED)**

- Female age 45 now and retiring in 20 years would have a life expectancy then of 24.8 years (previously 24.5 years)

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

|                                  | <i>Long-term<br/>rate of<br/>return<br/>expected at<br/>30/06/2011</i> | <i>Value at<br/>30/06/2011<br/>£</i> | <i>Long-term<br/>rate of<br/>return<br/>expected at<br/>31/03/2010</i> | <i>Value at<br/>31/03/2010<br/>£</i> | <i>Long-term<br/>rate of<br/>return<br/>expected at<br/>31/03/2009</i> | <i>Value at<br/>31/03/2009<br/>£</i> |
|----------------------------------|--|--------------------------------------|--|--------------------------------------|--|--------------------------------------|
| Equities and Hedge Funds         | 7.1%   | 4,759,022                            | 7.5%   | 4,279,903                            | 7.3%   | 2,714,274                            |
| Cash, Bonds & Net Current Assets | 4.8%   | 3,059,371                            | 5.0%   | 2,211,283                            | 4.8%   | 2,326,520                            |
| Property                         | 6.1%   | <u>679,860</u>                       | 6.5%   | <u>641,985</u>                       | 6.3%   | <u>498,541</u>                       |
| Total                            | 6.2%   | <u>8,498,253</u>                     | 6.6%   | <u>7,133,171</u>                     | 6.2%   | <u>5,539,335</u>                     |

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

|                                     | <b>2011<br/>£</b>   | <b>2010<br/>£</b>  | <b>2009<br/>£</b>  | <b>2008<br/>£</b>  |
|-------------------------------------|---------------------|--------------------|--------------------|--------------------|
| Total market value of assets        | 8,498,253           | 7,133,171          | 5,539,335          | 6,121,818          |
| Present value of Scheme liabilities | <u>(10,065,760)</u> | <u>(9,783,569)</u> | <u>(6,862,914)</u> | <u>(6,953,922)</u> |
| Surplus/(deficit) in the Scheme     | <u>(1,567,507)</u>  | <u>(2,650,398)</u> | <u>(1,323,579)</u> | <u>(832,104)</u>   |

The amounts recognised in income and expenditure are as follows:

|  | <b>30 June<br/>2011<br/>£</b> | <b>31 March<br/>2010<br/>£</b> |
|--|-------------------------------|--------------------------------|
| In staff costs: Current service cost (net of employee contributions) | <u>533,656</u>                | <u>281,778</u>                 |
| In endowment and investment income:                                  |                               |                                |
| Interest cost  | 697,143                       | 446,767                        |
| Expected return on pension scheme assets                             | <u>(606,401)</u>              | <u>(348,033)</u>               |
| Net return   | <u>624,398</u>                | <u>380,512</u>                 |
| Actual return on pension scheme assets                               | <u>864,915</u>                | <u>1,101,047</u>               |

**QUEENS' COLLEGE, CAMBRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**PENSION SCHEMES (CONTINUED)**

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

|  | <b>30 June<br/>2011<br/>£</b> | <b>31 March<br/>2010<br/>£</b> |
|--|-------------------------------|--------------------------------|
| Present value of Scheme liabilities at beginning of year | 9,783,569                     | 6,862,914                      |
| Service cost (including employee's contributions)        | 686,959                       | 398,474                        |
| Interest cost  | 697,143                       | 446,767                        |
| Actuarial losses (gains)                                 | (807,659)                     | 2,194,671                      |
| Benefits paid  | <u>(294,252)</u>              | <u>(119,257)</u>               |
| Present value of Scheme liabilities at end of year       | <u>10,065,760</u>             | <u>9,783,569</u>               |

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

|  | <b>30 June<br/>2011<br/>£</b> | <b>31 March<br/>2010<br/>£</b> |
|--|-------------------------------|--------------------------------|
| Market value of Scheme assets at beginning of year   | 7,133,171                     | 5,539,335                      |
| Expected return                                      | 606,401                       | 348,033                        |
| Actuarial gains and (losses)                         | 258,514                       | 753,014                        |
| Contributions by employer                            | 641,116                       | 495,350                        |
| Additional contributions by members (including AVCs) | 153,303                       | 116,696                        |
| Benefits (and expenses) paid                         | <u>(294,252)</u>              | <u>(119,257)</u>               |
| Market value of Scheme assets at end of year         | <u>8,498,253</u>              | <u>7,133,171</u>               |

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

|  | <b>30 June<br/>2011<br/>£</b> | <b>31 March<br/>2010<br/>£</b> | <b>31 March<br/>2009<br/>£</b> | <b>31 March<br/>2008<br/>£</b> | <b>31 March<br/>2007<br/>£</b> |
|--|-------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Present value of Scheme liabilities                                  | (10,065,760)                  | (9,783,569)                    | (6,862,914)                    | (6,953,922)                    | (6,858,590)                    |
| Market value of Scheme assets  | <u>8,498,253</u>              | <u>7,133,171</u>               | <u>5,539,335</u>               | <u>6,121,818</u>               | <u>5,926,392</u>               |
| Surplus/(deficit)  | <u>(1,567,507)</u>            | <u>(2,650,398)</u>             | <u>(1,323,579)</u>             | <u>(832,104)</u>               | <u>(932,198)</u>               |
| Experience adjustments on scheme liabilities                         | (31,782)                      | 152,626                        | (195,733)                      | (223,348)                      | 117,566                        |
| Experience adjustments on scheme assets                              | 258,514                       | 753,014                        | (1,190,870)                    | (451,213)                      | (8,425)                        |
| Change in assumptions underlying present value of Scheme liabilities | 839,441                       | (2,347,297)                    | 894,204                        | 614,366                        | 377,086                        |