Selwyn College, Cambridge

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2013

Registered Charity No. 1137517

Contents

Selwyn College
Grange Road, Cambridge CB3 9DQ
Charity Registration Number 1137517

The Head, Fellows and Scholars of Selwyn College is a corporate body comprising the Master, Fellows and Scholars. On 12th August 2010, the College became a registered charity with the Charities Commission, with its registered office at Grange Road, Cambridge CB3 9DQ.

Members of the Governing Body (as at 30th June 2013)

Professor Richard Bowring
Dr Michael R F Aitken
Dr Patrick J N Baert
Dr James W Baxendine
Dr Daniel A Beauregard
Dr John R Benson
Dr Rosemary C Bolton
Dr Christopher Briggs
Dr Uradyn E Bulag
Dr Nicholas J Butterfield
Dr Jack O Button
Professor R Stewart Cant
Dr Andrew N Chester
Professor Daping Chu
Professor William J Clegg
Dr Philip J Connell
Dr John S Dennis
Mr Nicholas J A Downer
Dr Paul Elliott
Mr Stuart M Eves
Professor David F Ford
Mr Peter K Fox
Dr Fabian Grabenhorst
Mrs Sarah B P Harmer
Professor David W Holton
Dr Gavin E Jarvis
Dr Andrew V Jones
Dr James H Keeler
Dr Georgios Kolios
Ms Bonnie C Lander Johnson
Mrs Haruko U Laurie
Ms Sarah E A MacDonald
Dr Catherine P MacKenzie
Mr James M R Matheson
Mr James A G McComish
Dr Sarah Meer
Professor John S Morrill
Dr James Moultrie
Dr Nikolaos Nikiforakis
Dr Diamuid R O'Donnell
Dr Janet A O'Sullivan
Dr Amer A Rana
Dr Vidyan Ravinthiran
Professor John D Ray
Dr Stewart O Sage
Professor Jeremy K M Sanders
Dr Michael J Sewell
Revd Canon Hugh D Shilson-Thomas
Dr David L Smith
Professor John R Spencer
Dr Michael J Taussig
Dr Rupert J E Thompson
Dr Michael J Tilby
Dr Bjőrn F N Wallace
Dr Heather M Webb
Dr David W E Willis
Dr Charlotte Woodford
Dr Yu Ye

<u>Junior Members</u>

Richard Cadman (JCR President)
David Parke (JCR Treasurer)
Nick Jones (MCR President)
Sarah Latty (MCR Treasurer)

Operating and Financial Review for the Year ended 30th June 2013

Scope

Selwyn College (the "College") is pleased to present its operating and financial review, together with the consolidated financial statements for the year ended 30th June 2013. The consolidated financial statements include those of its development subsidiary, SCO&E Limited.

Aims and Objectives

Founded in 1882 as a place of religion, education, learning and research in memory of George Augustus Selwyn, Bishop successively of New Zealand and of Lichfield, the College is an autonomous, self-governing community of scholars and one of 31 Colleges within the University of Cambridge. The community consists of the Master, 58 fellows and 560 junior members, of whom 350 are undergraduates and 210 are graduate students. The College exists to promote its charitable objectives as laid down in its charter and statutes.

The College provides, in conjunction with the University of Cambridge, an education for undergraduate and graduate students, which is recognised as being of the highest international standard. The University came third overall in the QS World University Rankings for 2013. This education develops students academically and advances their leadership qualities and interpersonal skills, and so prepares them to play full and effective roles in society. In particular, the College provides teaching facilities and individual or small-group supervision, as well as pastoral, administrative and academic support through its tutorial and graduate mentoring systems. It also provides 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 advances research through the provision of 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. In addition, it supports research work pursued by its other Fellows through the promotion of interaction across disciplines, the provision of facilities and grants for national and international conferences, research trips and research materials. It encourages visits from outstanding academics from abroad and the dissemination of research undertaken by members of the College through the publication of papers in academic journals or other suitable means.

Public benefit

The College aims to attract the best applicants from the widest range of schools and colleges, thus helping to achieve the government's aspiration for a greater number of places being taken up by students from the maintained sector. The Colleges and the University engage in substantial outreach activities to encourage all academically qualified students to apply for admission to Cambridge, whatever their backgrounds or financial circumstances. The University is committed under the agreement with the Office for Fair Access ("OFFA") to increasing the proportion of UK resident students admitted from UK state sector schools and colleges so that they fall within a range of 61-63% and the proportion of UK resident students admitted from low-participation neighbourhoods to approximately 4%. 67% of students accepted by Selwyn for entry in October 2012 were from the maintained sector, compared with 69% the previous year.

The College participates enthusiastically in Widening Participation and Aspiration-Raising programmes in conjunction with the University. The College also, jointly with Homerton College, employs a Schools Liaison Officer who visited 1,890 students in 71 schools last year, with a further 480 students visiting the College for events and six Open Days organised by the College. Since 2000, by agreement with the University and the other colleges, Selwyn has targeted non-selective state maintained 11-16 and 11-18 schools, Further Education and Sixth Form Colleges in Leeds, West Yorkshire and Scotland.

Over the year, the College spent £104,921 on access events, compared with £115,424 the previous year. Once admitted, students have access to several sources of financial aid. In 2012-13, a total of £197,325 was received by Selwyn students through the Cambridge Bursary Scheme, a scheme operated in common with the University, other colleges, and the Isaac Newton Trust. Under this Scheme, students whose household income is below £25,000 receive a maximum grant of £3,500 per year in addition to any government means-tested grants. Those with incomes of up to £42,600 receive amounts that taper to £50. In addition, the College paid out £90,932 in awards and scholarships (to support the purchase of books and equipment, attendance at conferences, and travel); studentships, and bursaries in cases of financial hardship. This represented a 32% increase over the previous year's figure of £68,990.

Achievements and Performance

Academic performance declined somewhat over the year, with 16.0% of Selwyn candidates obtaining first class honours in 2012, compared with 24.1% the previous year. Although this is disappointing after a period of sustained high achievement in the College, it is not thought that this is due to any underlying structural problem with the education provided by the College. Nevertheless, renewed attention will be focused in the coming year on academic standards. Details of the College's many sporting, musical and cultural successes are recorded in the *College Calendar*.

Governance

The College is a corporation established by Royal Charter of 13th September 1882. The arrangements for governance of the College are set out in its statutes. The Master is Head of House, has statutory powers of governance and presides over the Governing Body. The Senior Tutor has overall responsibility for the admission, education and welfare of undergraduates and graduates and the Bursar has overall responsibility for the finances and administration of the College. The membership of the Governing Body as at 30th June 2013 is shown at the beginning of this report. Members of the Governing Body serve until the earlier of retirement or the end of the academic year in which they reach 67 years of age.

Acting on the powers in the Charities Act 2006, the Secretary of State removed the exempt status of the Colleges of Oxford and Cambridge on 1 June 2010. The College was then registered with the Charity Commission on 12 August 2010 (Registered Number: 1137517). The Governing Body is the trustee body for the charity.

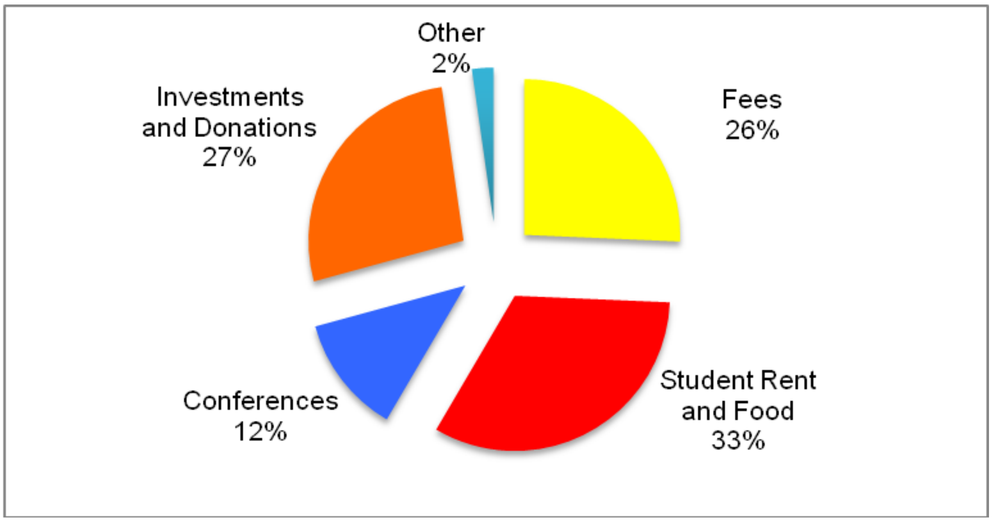
From a financial perspective, the Governing Body has responsibility for ensuring that there is an effective system of internal controls and that financial records are accurately maintained. It is also responsible for safeguarding the assets of the College and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The College is required by statute to present audited financial statements for each financial year. The Cambridge Colleges are classed as a special case for purposes of accounting and will continue to publish accounts in the form stipulated by Statute G III 2(i) of the University, *The Recommended Cambridge Colleges Accounts ("RCCA"),* which is based on Financial Reporting Standards and is compliant with the *Statement of Recommended Practice: Accounting for Further and Higher Education.* The Intercollegiate Colleges Accounts Committee advises on interpretation. The College is a charity within the meaning of the Taxes Act 1988, s 506 (1).

The Governing Body, which meets three times a year, delegates day-to-day responsibility for the running of the College to the College Council and its sub-committees. Representatives of the undergraduate and postgraduate student bodies attend Governing Body and Council meetings and most of the sub-committees. External advisers attend meetings of the Investment Committee. Members of the Governing Body are required to act with integrity, in the College's interests without regard to their own private interests, and manage the affairs of the College prudently, balancing long-term and short-term considerations. The College has a policy for managing conflicts of interest, maintaining a register of interests and seeking declarations of potential conflict at the start of any meeting.

The College is a legally autonomous body; however, it exists within the federal structure of the University. Matters of concern to all colleges and the University are discussed and acted on through a system of University-wide committees, such as the Colleges' Committee, of which all Heads of House are members, the Senior Tutors' Committee, which is chaired by the Vice Chancellor, and the Bursars' Committee. Representatives of the Senior Tutors and Bursars sit on each other's committees and on the Colleges' Committee. These committees work through the building of consensus as their decisions are not constitutionally binding. The Cambridge colleges have established an Office for Intercollegiate Services, to support the activities of the principal intercollegiate committees.

Funding

The College's activities are funded from tuition fees, charges for student residences and catering, income from conferences, investments and from donations and bequests. The chart below shows the breakdown by category of the College's income for 2012-13:



Tuition Fees

Tuition Fees for Home and EU undergraduates are charged at the maximum permitted rate of £9,000 for students matriculating in 2012-13. Approval for this level of fee was conditional on the signing of an Access Agreement with OFFA and follows the very substantial reduction in the teaching funding for undergraduates provided by the Higher Education Funding Council for England ("HEFCE") to universities. Under the College Fee Agreement between 1999 and 2012, the University passed over funds, calculated on a *per capita* basis, to the Colleges. From 2012, the tuition fees for new students are paid either by the students themselves or on behalf of the students through the Student Loans Company. The Colleges collect these fees and, under a recently negotiated fee agreement, pass half over to the University. Both the Colleges and the University pay from the fee equal shares towards the Cambridge Bursary Scheme, with the Isaac Newton Trust contributing funds to support the obligations of the less well-endowed Colleges, such as Selwyn.

It is not yet clear what effect, if any, the new fee arrangements will have on Cambridge admissions. It would appear that in the first year of operations, applications held up well with 15,962 candidates applying to the University for 2012 admission, compared with 15,383 the previous year. In 2012, there were 4.6 applications per place, compared with 4.7 the previous year.

In 2012-13, fees from home and EU undergraduates amounted to £1,442,990, a modest 0.4% increase over the previous year. A further £168,663 was received from privately funded undergraduates and £296,302 from postgraduate students. The combination of old and new cohorts produced an average fee of £4,106 for home and EU undergraduates in 2012-13, and the College set a fee of £6,164 for the 2012 intake of privately-funded undergraduates. The fee payable by all graduate students was £2,349. These fees are substantially below the actual cost of education, which was estimated by the Cambridge Colleges in 2011-12 as £8,230 per annum for an undergraduate and £4,135 for a postgraduate. This excludes considerable additional expenditure by the University. The Colleges' share of £4,500 of the new regime fee is still substantially short of the actual cost of an undergraduate education. The consequences of the shortfall are evidenced by the growing deficit on the education account described below.

The Colleges Fund

The Colleges Fund, which is funded through an intercollegiate taxation system, makes grants to Colleges with insufficient endowments. The College received a grant of £182,000 in 2012-13 (£221,000 in 2011-12). The College considers that the burden of buildings maintenance requires a more substantial endowment and is shortly to launch a major endowment fundraising campaign. Grants to Selwyn from the Colleges Fund since the beginning of this arrangement in 1998 have totalled £2,696,093.

Student Residences and Catering

Rent and catering for members of the College was the most important revenue source, accounting for 33% of total income. Most junior members live in College accommodation while in residence. The majority of rooms are located on or adjacent to the main site on Grange Road. The College provides a wide range of student accommodation with varying charges depending on the facilities provided. A typical room rent in 2012-13 was around £107 per week. This is substantially below the levels charged by private landlords in Cambridge and also below the economic cost to the College of providing the room. The College acknowledges that welfare considerations must play a part in rent discussions and that sharp rent rises are to be avoided where possible. In consequence, the College has put in place a seven-year agreement designed to achieve breakeven on the rent account.

The College also offers a variety of catering services to members; snacks, brunches, cafeteria self-service meals and formal hall dinners. The College is recognised for the high quality of its offering and holds a 5-star rating, the highest awarded by Cambridge City Council.

Conferences

The College has a long-term strategy of building its conference income, which amounted to £0.9 million in 2012-13, representing 12% of total income, and down from £1.0 million in 2011-12, as the effects of recession continue to be felt. The business has grown substantially since 2003, as the College seeks to cover the out-of-term portion of the year-round costs of the estate and the staff. The College works closely with many University departments, notably the Institute of Continuing Education and its Summer Schools on the adjacent Sidgwick Site.

Donations and bequests
One of the fundamental challenges facing the College is that its endowment is insufficient to support the current scale of its operations, as income from investments can only partly offset losses in the core businesses. The College is preparing a new endowment campaign that is intended to address this and secure the future scope, scale and quality of its operations.

Investment Income
Although the College's endowment remains modest when compared to other Cambridge colleges, income from investments is a vital source of revenue, amounting to £1.4 million or 19% of total income in 2012-13. The College endeavours to manage its investments to ensure that it can continue to meet its charitable objectives in perpetuity. The portfolio continues to be self-managed by the College’s Investment Committee, which includes external members, and the College’s stockbroker. The College’s defensive investment stance served it well throughout the downturn and the College continues to favour strong levels of exposure to high quality global equities at a time when returns on cash are minimal.

Financial review
The refurbishment of Cripps Court, which began in July 2012, has brought a number of challenges. The loss of around 50 rooms throughout each of the three phases required a prudent approach to student numbers, with caution being exercised in those areas where the College has discretion, such as postgraduate admissions and the admission of international undergraduates. This led to pressure on fee and rental income, which, with increased costs such as interest on construction loans and the cost of leasing accommodation for displaced students, and a generally difficult operating environment, meant that the College did not match the record results of last year. That said, the results were better than expected in the circumstances, given the scale of the Cripps project. The College however remains in structural deficit.

Income and Expenditure
In statutory accounting terms, the College made a loss of £311,248, compared with a surplus of £189,927 last year, with £216,832 of Cripps-related interest costs and £110,811 of adverse pension adjustment being amongst the major causes of the deterioration. A focus on the underlying operational condition of the College however gives grounds for some relief. In the year to June 2013, the College recorded an underlying deficit of £561,406. Whilst representing a 35% increase on the previous year's record low deficit, it is only 5% worse than 2011 and ranks as the third lowest deficit in the last 11 years.

	2013 **£**	**2012** **£**	**2011** **£**	**2010** **£**
Net Surplus /(Deficit)	**(311,248)**	**189,927**	**63,266**	**(240,684)**
FRS17 Pension Cost Adjustments	110,811	(60,939)	73,293	3,939
Unrestricted Donations Income	(222,536)	(257,630)	(273,957)	(225,024)
Release of Deferred Capital	(355,265)	(312,879)	(258,095)	(222,636)
Loan Interest	216,832	25,000	25,000	25,000
Special Dividend	-	-	(165,600)	-
Underlying Deficit	**(561,406)**	**(416,521)**	**(536,093)**	**(659,405)**

Annual benchmarking exercises with other Colleges suggest that Selwyn remains amongst the most efficiently run. The College’s staff cost per capita student is for example 15% below the college average of £834. A decision during the year to match the “Living Wage” for staff will not increase staff costs unduly and, although staff turnover remains low, will help attract and retain the good people that the College needs. Cost control remains a priority for the College, with a robust annual budgeting process.

Income for the year remained flat at £7.4 million, with the positive impact of increased investment income largely offset by a disappointing conference result, where the wider recession continues to affect client spending. Total expenditure rose by 7.3% to £7.6 million, essentially due, as noted above, to new Cripps-related interest costs and statutory pension adjustments.

Fee income from undergraduate and graduate students rose by 4% to £1.9 million. Following a 6% increase in teaching costs resulting from a decrease in external funding, total expenditure rose by 5% to £2.8 million, leading to a further increase in the education deficit to £0.9 million.

Income from accommodation of College members fell by 1% to £1.7 million. The loss of 50 rooms to each phase of the Cripps refurbishment brought a corresponding loss of rent. The College has leased five houses in central Cambridge partly to offset the loss of the rooms but it proved necessary to subsidise rents to incentivise students. The corresponding 5% increase in related expenditure to £2.1 million reflected these added costs and resulted in a deterioration in the accommodation deficit from £0.2 million to £0.3 million. These incremental costs will last for one more year until the completion of the project in July 2014.

Income from catering for College members fell by 4% to £0.7 million, whilst the related expenditure rose by 2% to £1.1 million, producing a 18% rise in the student catering deficit to £0.4 million, reversing the hard-won gains of recent years. The disruptive effects of the Cripps displacements form part of this decline. Student spend in Hall is holding up well, with College data suggesting that the average daily spend in Hall during the Easter Term 2013 was £3.56, compared with £3.50 the year before but that 425 students used the Hall, over the period, down from 455 the previous year. Postgraduate students in particular appear to be hit by tighter budgets, with numbers down by 17%, compared to a 4% drop in undergraduate use of Hall.

The conference business had a difficult year, with revenue falling by 6% to £0.9 million, as new business was not sufficient to offset a particularly sharp decline in bookings from University departments.

Investments
The College's investment portfolio amounted to £42.0 million at 30th June 2013, an increase of 5% on the previous year. This figure included £4.0 million of as yet unutilised proceeds of a loan from the Cripps Foundation. On a like-for-like basis, the portfolio rose by 14.3% as financial markets trended upwards over the course of the year. This modestly underperformed the return of the WM Charity Fund Monitor, which rose by 15.5%. The College's average annual return for the last three years has been 11.8%. Investment income rose by 8.7% to £1.43 million: a satisfactory performance at a time when income returns are historically low.

Cash holdings declined from 22% to 14% however as debt related to the refurbishment of Cripps Court began to be spent on construction. In consequence, equity weightings rose from 62% last year to 72%, with holdings increasing from £25.0 million in 2011-12 to £30.2 million.

Donations

The College is dependent on donations and benefactions to build its endowment and offset losses in its core activities. It is a vital source of revenue and the College is very appreciative of the generosity of its alumni. This year the College received £222,536 in unrestricted donations, which form part of Endowment Income in the Income and Expenditure account; last year it received £257,630. In addition, the College received £3,207,040 in donations for capital purposes; last year it received £3,271,403.

Cash Flow

The College continues to focus on its cash flow. This can be calculated in a number of ways and in the interests of simplicity, one measure of the progress of recent years is to take the underlying deficit and add back the annual depreciation charge, as follows:

	2013	**2012**	**2011**	**2010**
		£	**£**	**£**
Underlying Deficit	(561,406)	(416,521)	(536,093)	(659,405)
Depreciation Charge	1,508,737	1,482,662	1,453,219	1,412,394
Cash Flow	947,331	1,066,141	917,126	752,989
Change	(11%)	16%	22%	137%

The financial consequences of the Cripps project have not impacted cash flow as much as was originally anticipated and, despite the additional costs, the College returned its second highest ever level of cash generation. Solid cost control has allowed the College to navigate several years of recession and remain cash positive. Maintaining positive cash flow over the long term is a critical objective. When cash generation turns negative, the College will have to sell assets or borrow money to fund its day-to-day operations. This would certainly be imprudent and unsustainable.

Staff Costs and Pensions

Staff costs amounted to £3.3 million, or 43% of total expenditure. This represented a 3% increase on the previous year, due to a decrease in external funding of College Teaching Officers. Non-academic pay costs of £2.5 million remained essentially unchanged.

At 30th June 2013, the College employed 52 Fellows and 95 full-time equivalent staff, compared with 51 Fellows and 96 full-time equivalent staff, the previous year.

Under FRS17 the College is required to disclose its pension liability on the balance sheet. This year saw a substantial increase in the pension deficit as calculated by the actuary from £1.4 million to £2.2 million at 30th June 2013. The increase in the deficit is due to changes in the FRS17 assumptions, mainly due to higher inflation expectations and a lower discount rate assumption; contributions over the year being less than required to meet the FRS17 calculated service cost, being offset by higher than expected investment returns. The increase in the deficit of £769,128 is shown in the accounts as follows:

	2013	**2012**	**2011**
		£	£
Income and Expenditure Account:	(110,811)	60,939	(73,293)
Statement of Total Recognised Gains and Losses:	(658,317)	(1,064,575)	1,131,488
Total (increase)/decrease	(769,128)	(1,003,636)	1,058,195

The College is committed, to the best of its ability, to protecting the pension benefits of its employees.

Balance Sheet

Liquid resources, excluding the proceeds of the borrowings referred to above, declined modestly from £0.6 million to £0.4 at the year-end. Debt decreased from £8.9 million to £7.9 million, following an annual donation instalment from the Cripps Foundation. Land and buildings of £56.5 million and the investment portfolio of £42.0 million form the other main components of a balance sheet of £88.2 million.

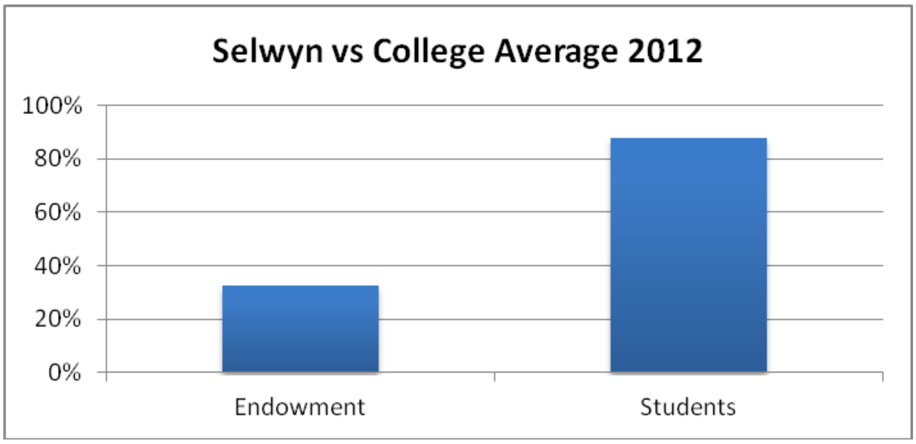
Buildings and Estate

Maintaining the College's listed and historic buildings is one of the College's major costs, with an annual depreciation charge of £1.5 million (or 20% of total expenditure) set aside to cover their upkeep and replacement. In the year under review, capital expenditure on buildings amounted to £5.1 million (substantially all of which on Cripps Court), with a further investment of £0.4 million in fixtures, fittings and equipment.

The refurbishment of Cripps Court is at the halfway stage. The College took delivery of Phase 1 on 5th April 2013. The project remains on time and on budget at an anticipated cost of £14.4 million, (including a contingency of £1.2 million). Project completion is expected in September 2014.

Risks and Uncertainties

The primary risks facing the College are of a financial nature. Relative to other colleges, the chart below shows that Selwyn has 33% of the average endowment but almost 90% of the average student numbers:



The College continues to punch above its weight but also continues to incur losses in its core businesses of educating, feeding and housing young people. The current level of endowment income is insufficient to offset these operating losses. It must therefore either grow the endowment and increase investment income to the point where overall underlying breakeven can be achieved, or scale back the size, scope and quality of its operations.

The College has long focussed on cost control and cash preservation. It recognises however that, although a necessary and ongoing process, cost cutting will in itself not eliminate the deficit. As has been often stated in recent years, the long-term solution to the deficit is to raise revenue by means of an increased endowment, rather than cost cutting at the expense of the scope and quality of the College's educational and other charitable objectives. It will however permit a breathing space to put in place a long-term development campaign to increase the endowment by around £20 million in order to secure the future and insulate the College against the vagaries of an increasingly hostile operating environment.

Other uncertainties relate to the situation regarding fees for higher education. The full impact of a £9,000 undergraduate tuition fee is as yet unknown. Applications to Selwyn have not fallen materially in the first year following the introduction of the higher fee and it is hoped that they will not do so in the future. Reductions in postgraduate funding may have a more significant impact on student numbers in the years to come. A further cause for concern is the risk that the perception, amongst new regime students in particular, that the disparity of wealth amongst colleges will lead to an inequality of service provision by colleges. This may in the future have an adverse effect on the College's ability to attract the best students. Reducing this disparity will be a key objective of the forthcoming endowment campaign.

Outlook

The short-term operational and financial challenges of the Cripps refurbishment are being managed and the project will make a strong educational and financial contribution upon completion next year. The College has responded to a difficult economic context in an effective yet measured manner. Costs are being addressed where practicable but the Governing Body is conscious of the need to preserve the ethos of the College. Despite the unfavourable financial and operating environment, the College has much to be proud of: it remains successful academically and is a strikingly vibrant community. It now wishes to protect and develop these qualities and is embarking on a new and critical phase of its history, as it seeks to grow its endowment and secure its financial and academic future.

NJA Downer

N J A Downer
September 2013

Statement of Responsibilities of the Governing Body

In accordance with the College's Statutes, the Governing Body is responsible for the administration and management of the College's affairs.

It is responsible for ensuring that there is an effective system of internal control and that accounting records are properly kept. It is required to present audited financial statements for each financial year, prepared in accordance with the Statutes of the University.

In causing the financial statements to be prepared, the Governing Body has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- 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 safeguard the assets of the College and prevent and detect fraud.

Any system of internal financial control, however, can only provide reasonable, not absolute, assurance against material misstatement or loss.

Independent Auditors' Report to the Governing Body of Selwyn College
Year Ended 30 June 2013

We have audited the financial statements of Selwyn College for the year ended 30 June 2013, 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).

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

Respective Responsibilities of the Governing Body and Auditors

As explained more fully in the Statement of Responsibilities of the Governing Body set out on page 13, 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 151 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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 and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the College's affairs as at 30 June 2013 and of the group's income and expenditure for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;

- have been prepared in accordance with the requirements of the Charities Act 2011, the College's Statutes and the Statutes of the University of Cambridge; and

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

Matters on which we are required to Report by Exception

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

- the information given in the Governing Body's Operating and Financial Review 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

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

Chartered Accountants and Statutory Auditors

Date: 26 November 2013

Peters Elworthy & Moore is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Statement of Principal Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and the Statement of Recommended Practice: Accounting for Further and Higher Education (the SORP).

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

All items dealt with in arriving at the (deficit)/surplus for 2013 and 2012 relate to continuing operations.

Basis of accounting

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

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the College and its subsidiary undertaking, S. C. O. & E. Ltd, for the year ended 30 June 2013. The activities of student societies have not been consolidated. A separate balance sheet and related notes for the College are not included because S. C. O. & E. Ltd is a design and build company and therefore the balance sheet of the College would not be materially different to the one included in the accounts.

S. C. O. & E. Ltd is incorporated in England and Wales with an authorised and issued share capital of 1,000 £1 ordinary shares, of which the College holds 100%.

Recognition of income

a. Academic fees

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

b. Restricted grant income

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

c. Donations and benefactions

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

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

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

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

Tangible fixed assets

a. Land and buildings
The operational buildings held by the College on 1 July 2002 have been brought into the accounts at depreciated replacement cost based on a valuation carried out by Davis Langdon LLP, Chartered Surveyors. Subsequent additions and improvements to the College's buildings are accounted for at cost. Freehold buildings are depreciated on a straight-line basis over their expected useful economic life of 50 years. Freehold land is not depreciated. Leasehold buildings are amortised over 50 years, or, if shorter, the period of the lease.

With effect from 2002/03 where land and buildings are acquired with the aid of specific bequests or donations they are capitalised and depreciated as above. The related benefactions are credited to a deferred capital account and released to the Income and Expenditure Account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Buildings under construction are valued at cost, based on the value of architects' certificates and other direct costs incurred to 30 June 2013. They are not depreciated until they are brought into use.

No value has been placed on the land occupied by the College's operational buildings as at 1 July 2002; purchases of land after this date are to be capitalised.

b. Maintenance of premises
The College has a five-year rolling maintenance plan that is reviewed on an annual basis. The cost of routine maintenance is charged to the Income and Expenditure Account as it is incurred.

c. Furniture, fittings and equipment
Furniture, fittings and equipment costing less than £100 per individual item or group of related items are written off in the year of acquisition. All other assets are capitalised and depreciated over their expected useful lives as follows:

Furniture and fittings	15 years
Motor vehicles	10 years
General equipment	5-15 years
Computer equipment	4 years
Library books	20 years
Musical instruments	50 years

No depreciation is charged in the year of acquisition.

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

d. Heritage assets
The College holds a collection of rare books which is not recognised in the Balance Sheet. This collection has arisen through donations and largely comprises works on theology. Few of the books are scarce or in first editions and the subject area is unfashionable. It would be difficult and expensive to replace the collection but equally the possibility of finding a specialist buyer could not be guaranteed, therefore to attribute any value to these books would be unrealistic.

The College employs a professional archivist whose responsibilities include the care and maintenance of the rare book collection. The exposure of the collection to heat and light is strictly controlled.

The College also holds a number of paintings and drawings but the majority of these are portraits of members and benefactors of the College. As such this collection pertains to the history of the College and has little external market value.

e. Leased assets
The College does not hold any fixed assets under finance leases.

Investments

Fixed asset investment and endowment assets are included in the balance sheet at market value. All the College's investments are listed on a recognised stock exchange.

Stocks

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

Provisions

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

Endowment Funds

Endowment funds are classified under three headings:

- Where the donor has specified that the fund is to be permanently invested to generate an income stream for the general purposes of the College, the fund is classified as an unrestricted permanent endowment.

- Where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied for a restricted purpose, the fund is classified as a restricted permanent endowment.

- Where the donor has specified a particular objective other than the acquisition or construction of tangible fixed assets, and that the College must or may convert the donated sum into income, the fund is classified as a restricted expendable endowment.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the budgeted rate of exchange. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the actual year end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Taxation

Until 1st June 2010 the College was an exempt charity within the meaning of Schedule 2 of the Charities Act 1993. On 1st June 2010 the College ceased to be an exempt charity and, subsequent to the balance sheet date, became a registered charity, number 1137517, on 17th 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 receives no similar exemption in respect of Value Added Tax.

Contribution under Statute G,II

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

Pension costs

The College participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The College is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the accounting period.

The College also participates in the Cambridge Colleges Federated Pension Scheme (CCFPS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee administered fund. The funds are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuary. In the intervening years, the actuary reviews the progress of the schemes. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the scheme, and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services.

The College also participates in the Church of England Funded Pensions Scheme (CEFPS) in respect of its Chaplain. The CEFPS is a defined benefit scheme but the College is unable to identify its share of the underlying assets and liabilities; each employer in the scheme pays a common contribution rate. Under paragraph 9(b) of the accounting standard on Retirement Benefits, Financial Reporting Standard 17, the College is required to account for pension costs for schemes such as the CEFPS on the basis of contributions actually payable to the scheme in the year.

Consolidated Income & Expenditure Account
For the year ended 30 June 2013

	Note	**2013**		2012
		£		£
INCOME				
Academic fees and charges	1	1,907,955		1,840,747
Residences, catering and conferences	2	3,351,791		3,454,400
Endowment and investment income	3	1,426,879		1,312,775
Donations	4	577,801		570,509
Other income	5	161,727		203,855
Total income		7,426,153		7,382,286
EXPENDITURE				
Education	6	2,803,434		2,676,198
Residences, catering and conferences	7	4,515,130		4,338,152
Interest payments		216,832		25,000
Other expenditure	8	17,786		380
Total expenditure	9a	7,553,182		7,039,730
(Deficit)/surplus on continuing operations before Contribution under Statute G,II		(127,029)		342,556
Contribution under Statute G,II		-		-
		(127,029)		342,556
Surplus for the year transferred to accumulated income in endowment funds	21	(184,219)		(152,629)
(Deficit)/surplus for the year retained within general reserves	**£**	**(311,248)**	£	189,927

Consolidated Statement of Total Recognised Gains and Losses for the year ended 30 June 2013

	Note	Restricted Funds £	Un-restricted Funds £	2013 Total £		2012 Total £
(Deficit)/surplus on income and expenditure account		184,219	(311,248)	(127,029)		342,556
Increase/(decrease) in market value of investments						
Endowment assets	21	1,103,336	1,694,445	2,797,781		(772,547)
Fixed asset investments	22	-	362,494	362,494		(101,138)
New endowments	21	886,673	-	886,673		851,189
Reclassification		549,918	(549,918)	-		-
Bursary compensation payment		-	8,001	8,001		36,505
Capital grant from the Colleges Fund		-	182,000	182,000		221,000
Actuarial loss in respect of pension schemes	24	-	(658,317)	(658,317)		(1,064,575)
Total recognised gains/(losses) relating to the year	**£**	**2,724,146**	**727,457**	**3,451,603**	£	(487,010)
Reconciliation						
Opening reserves and endowments		12,729,049	57,238,604	69,967,653		70,454,663
Total recognised gains/(losses) for the year		2,724,146	727,457	3,451,603		(487,010)
Closing reserves and endowments	**£**	**15,453,195**	**57,966,061**	**73,419,256**	£	69,967,653

Consolidated Balance Sheet as at 30 June 2013

	Note	30 June 2013 £	30 June 2012 £
Fixed assets			
Tangible assets	11	56,541,101	52,494,877
Investments	12	11,148,768	13,251,864
Endowment assets	13	30,828,072	26,769,398
Current assets			
Stocks	14	220,111	204,115
Debtors	15	669,586	411,778
Cash	16	367,384	593,501
		1,257,081	1,209,394
Creditors: amounts falling due within one year	17	2,714,320	1,885,664
Net current liabilities		(1,457,239)	(676,270)
Total assets less current liabilities		97,060,702	91,839,869
Creditors: amounts falling due after more than one year	18	6,670,000	7,635,000
Net assets excluding pension liability		90,390,702	84,204,869
Pension liability	19	2,173,441	1,404,313
Net assets including pension liability		£ **88,217,261**	£ 82,800,556

Represented by:		**Restricted Funds £**	**Un-restricted Funds £**	**30 June 2013 £**	30 June 2012 £
Deferred capital grants	20	14,798,005	-	14,798,005	12,832,903
Endowments					
Expendable endowments	21	95,704	-	95,704	105,676
Permanent endowments	21	15,357,491	15,374,877	30,732,368	26,663,722
		15,453,195	15,374,877	30,828,072	26,769,398
Reserves					
General reserves excluding pension reserve	22	-	44,764,625	44,764,625	44,602,568
Pension reserve	22	-	(2,173,441)	(2,173,441)	(1,404,313)
		-	42,591,184	42,591,184	43,198,255
Total Endowments and Reserves		15,453,195	57,966,061	73,419,256	69,967,653
Total funds		30,251,200	57,966,061	£ **88,217,261**	£ 82,800,556

Approved by the Governing Body on 19 November 2013 and signed on their behalf by:

NJA Downer

N J A Downer
Bursar

Consolidated Cash Flow Statement for the year ended 30 June 2013

	Note	**2013** £	2012 £
Operating activities			
(Deficit)/surplus on continuing operations before Contribution under Statute G,II		(127,029)	342,556
Depreciation of tangible fixed assets	11	1,508,737	1,482,662
Loss on disposal of tangible fixed assets	8	563	380
Deferred capital grants released to income	20	(355,265)	(312,879)
Investment income	3	(1,426,879)	(1,312,775)
Interest payable		216,832	25,000
Movement in pension deficit	19	110,811	(60,939)
		(72,230)	164,005
Increase in stocks	14	(15,996)	(38,369)
Increase in debtors	15	(257,808)	(76,086)
Increase in creditors	17	828,656	1,195,068
Net cash inflow from operating activities		**482,622**	1,244,618
Returns on investments and servicing of finance			
Endowment and Investment income received	3	1,426,879	1,312,775
Interest paid		(216,832)	(25,000)
Net cash inflow from returns on investment and servicing of finance		**1,210,047**	1,287,775
Contribution to the Colleges Fund		**-**	-
Capital transactions and financial investment			
Sales/(purchases) of investment assets		1,204,696	(10,174,376)
Payments to acquire tangible fixed assets	11	(5,555,523)	(918,189)
Donations for buildings and other capital grants received	20	2,320,367	2,420,214
New endowments received	21	886,673	851,189
Grants received from Colleges Fund		182,000	221,000
Bursary compensation payment		8,001	36,505
Net cash outflow from capital transactions		**(953,786)**	(7,563,657)
Financing			
Long term loans received		325,000	5,135,000
Long term loans repaid		(1,290,000)	-
Net (decrease)/increase in long term loans		**(965,000)**	5,135,000
(Decrease)/increase in cash in the year	**£**	**(226,117)**	£ 103,736
Reconciliation of net cash flow to movement in net liquid assets			
(Decrease)/increase in cash in the year		(226,117)	103,736
Net funds at beginning of year		593,501	489,765
Net funds at end of year	16 **£**	**367,384**	£ 593,501

Notes to the Accounts for the year ended 30 June 2013

1	**ACADEMIC FEES AND CHARGES**	**2013**	2012
	COLLEGE FEES	**£**	£
	Fee income paid on behalf of undergraduates at the Publicly-funded Undergraduate rate (per capita fee from £3,951 to £4,500)	1,442,990	1,437,408
	Privately-funded undergraduate fee income (per capita fee from £5,701 to £6,164)	168,663	119,437
	Fee income received at the Graduate fee rate (per capita fee £2,349)	296,302	283,902
		£1,907,955	£1,840,747

2	**INCOME FROM RESIDENCES, CATERING AND CONFERENCES**		**2013**	2012
			£	£
	Accommodation:	College members	1,726,607	1,740,614
		Conferences	595,864	607,133
	Catering:	College members	710,627	741,551
		Conferences	318,693	365,102
			£3,351,791	£3,454,400

3	**ENDOWMENT AND INVESTMENT INCOME**	**2013**	2012
	Income from:	**£**	£
	Freehold land and buildings	8,844	71,879
	Quoted securities		
	Equities	1,085,808	1,029,317
	Fixed interest	237,135	198,656
	Cash	95,092	12,923
		£1,426,879	£1,312,775

Investment Management fees paid to J. M. Finn & Co. were £14,400 (2012: £14,400) and are included in Other Operating Expenses (Note 9a).

4	**DONATIONS**	**2013**	2012
		£	£
	Unrestricted donations	222,536	257,630
	Released from deferred capital grants (see note 20)	355,265	312,879
		£577,801	£570,509

5	**OTHER INCOME**	**2013**	2012
		£	£
	From Isaac Newton Trust for Cambridge Bursaries	161,727	186,494
	Net return on pension scheme assets less liabilities	-	17,361
		£161,727	£203,855

Notes to the Accounts for the year ended 30 June 2013

6	EDUCATION EXPENDITURE	2013 £	2012 £
	Teaching	1,677,192	1,576,621
	Tutorial	339,655	330,621
	Admissions	137,335	123,522
	Access	104,921	115,424
	Research	129,480	126,326
	Scholarships and awards	90,932	68,990
	Cambridge Bursaries (see note 5)	197,325	227,644
	Other educational facilities	126,594	107,050
	Total	£2,803,434	£2,676,198

7	RESIDENCES, CATERING AND CONFERENCE EXPENDITURE		2013 £	2012 £
	Accommodation	- College members	2,058,887	1,959,645
		- Conferences	915,061	870,953
	Catering	- College members	1,066,972	1,043,691
		- Conferences	474,210	463,863
	Total		£4,515,130	£4,338,152

8	OTHER EXPENDITURE	2013 £	2012 £
	Net return on pension scheme assets less liabilities	17,223	-
	Loss on disposal of tangible fixed assets	563	380
		£17,786	£380

9a	ANALYSIS OF 2012-13 EXPENDITURE BY ACTIVITY	Staff costs (note 10) £	Other Operating Expenses £	Depreciation £	Total £
	Education (note 6)	1,339,885	1,218,262	245,287	2,803,434
	Residences, catering and conferences (note 7)	1,937,535	1,314,145	1,263,450	4,515,130
	Interest payments	-	216,832	-	216,832
	Other expenditure (note 8)	-	17,786	-	17,786
		£3,277,420	£2,767,025	£1,508,737	£7,553,182

Other Operating Expenses includes £288,771 as costs of fundraising (2012: £278,843). This expenditure includes the cost of alumni relations.

9b	ANALYSIS OF 2011-12 EXPENDITURE BY ACTIVITY	Staff costs (note 10) £	Other Operating Expenses £	Depreciation £	Total £
	Education (note 6)	1,264,281	1,156,045	255,872	2,676,198
	Residences, catering and conferences (note 7)	1,916,122	1,195,240	1,226,790	4,338,152
	Interest payments	-	25,000	-	25,000
	Other expenditure (note 8)	-	380	-	380
		£3,180,403	£2,376,665	£1,482,662	£7,039,730

9c	AUDITORS' REMUNERATION	2013	2012
	Other operating expenses include:	£	£
	Audit fees payable to the College's external auditors	14,146	13,970
	Other fees payable to the College's external auditors	6,708	1,663
		£20,854	£15,633

Notes to the Accounts for the year ended 30 June 2013

10 STAFF	**2013 College Fellows £**	**2013 Non-academic £**	**2013 Total £**	2012 Total £
Staff costs:				
Emoluments	638,112	2,072,779	2,710,891	2,632,088
Social Security costs	43,613	131,474	175,087	176,272
Other pension costs (see note 24)	100,040	291,402	391,442	372,043
	£781,765	£2,495,655	£3,277,420	£3,180,403

	Average staff nos.			Average staff nos.		
	Number of Fellows	Full-time equivalents	**2013 Total**	Number of Fellows	Full-time equivalents	2012 Total
Academic	51	-	51	50	-	50
Non-academic	1	95	96	1	96	97
	52	95	147	51	96	147

There are 58 Fellows in the Governing Body, of which the 52 declared above receive a stipend from the College.

No officer or employee of the College, including the Head of House, received emoluments of over £100,000 (2012: none).

Trustees' remuneration included above: £638,112 (2012: £566,211). The trustees receive no remuneration in their role as trustees of the charity.

Notes to the Accounts for the year ended 30 June 2013

11 TANGIBLE FIXED ASSETS

	2013 Land and buildings £	2013 Equipment £	2013 Total £	2012 Total £
Cost or valuation				
At beginning of year	59,775,693	4,705,707	64,481,400	63,615,756
Additions at cost	5,144,170	411,353	5,555,523	918,189
Disposals at cost/valuation	-	(97,150)	(97,150)	(52,545)
At end of year	64,919,863	5,019,910	69,939,773	64,481,400
Depreciation				
At beginning of year	10,080,970	1,905,553	11,986,523	10,556,026
Charge for the year	1,195,299	313,438	1,508,737	1,482,662
Eliminated on disposals	-	(96,588)	(96,588)	(52,165)
At end of year	11,276,269	2,122,403	13,398,672	11,986,523
Net book value				
At end of year	**£53,643,594**	**£2,897,507**	**£56,541,101**	£52,494,877
At beginning of year	£49,694,723	£2,800,154	£52,494,877	£53,059,730

The insured value of freehold land and buildings as at 30 June 2013 was £82,512,500 (2012: £82,247,876).

12 FIXED ASSET AND ENDOWMENT INVESTMENTS

	2013 £	2012 £
Balance at beginning of year	40,021,263	30,720,571
Additions at cost	5,372,510	6,300,260
Disposals at opening market value	(3,520,414)	(3,689,716)
Appreciation/(depreciation) on disposals/revaluation	3,137,431	(550,282)
(Decrease)/increase in cash balances held by fund managers	(3,033,950)	7,240,429
Balance at end of year	£41,976,840	£40,021,262
Represented by:		
Quoted securities – equities	30,150,444	24,971,705
Quoted securities – fixed interest	6,150,600	6,339,811
Cash held for reinvestment	5,675,796	8,709,746
	£41,976,840	£40,021,262
Fixed asset investments	11,148,768	13,251,864
Endowment investments	30,828,072	26,769,398
	£41,976,840	£40,021,262

13 ENDOWMENT ASSETS

	2013 £	2012 £
Long-term investments:		
Quoted securities – equities	22,144,235	16,709,245
Quoted securities – fixed interest	4,513,403	4,240,807
Cash held for reinvestment	4,170,434	5,819,346
	£30,828,072	£26,769,398

14 STOCKS

	2013 £	2012 £
Goods for resale	£220,111	£204,115

Notes to the Accounts for the year ended 30 June 2013

15 DEBTORS

	2013	2012
	£	£
Members of the College	139,661	120,950
Trade debtors	77,068	68,816
Taxation recoverable	95,891	86,819
Sundry debtors	258,598	74,561
Prepayments	98,368	60,632
	£669,586	£411,778

16 CASH

	2013	2012
	£	£
Current accounts	345,586	561,941
Cash in hand	21,798	31,560
	£367,384	£593,501

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013	2012
	£	£
Loan repayable 30th March 2014	1,240,000	1,240,000
Trade creditors and accruals	702,705	336,784
PAYE and Social Security	107,257	102,244
Students' deposits	107,657	122,197
Other creditors	556,701	84,439
	£2,714,320	£1,885,664

18 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2013	2012
	£	£
Loans repayable	£6,670,000	£7,635,000

19 PENSION LIABILITY

	2013	2012
	£	£
Balance at beginning of year	1,404,313	400,677
Movement in year:		
Current service cost including life assurance	367,059	355,335
Contributions	(273,471)	(398,913)
Other finance cost/(income)	17,223	(17,361)
Actuarial loss recognised in statement of total recognised gains and losses	658,317	1,064,575
Balance at end of year	£2,173,441	£1,404,313

Notes to the Accounts for the year ended 30 June 2013

20 DEFERRED CAPITAL GRANTS

	2013 Donations £	2012 Donations £
Balance at beginning of year:		
Buildings	12,498,475	10,418,469
Equipment	334,428	307,099
	£12,832,903	£10,725,568
Grants and donations received:		
Buildings	2,313,998	2,375,851
Equipment	6,369	44,363
Released to income and expenditure account:		
Buildings	(338,731)	(295,845)
Equipment	(16,534)	(17,034)
Balance at end of year:		
Buildings	14,473,742	12,498,475
Equipment	324,263	334,428
	£14,798,005	£12,832,903

Notes to the Accounts for the year ended 30 June 2013

21 ENDOWMENTS

	2013 Unrestricted Permanent	2013 Restricted Permanent	2013 Total Permanent	2013 Restricted Expendable	2013 Total	2012 Total
Balance at beginning of year:	**£**	**£**	**£**	**£**	**£**	£
Capital	14,040,349	11,749,599	25,789,948	105,676	25,895,624	25,574,550
Unspent income	-	873,774	873,774	-	873,774	706,072
	£14,040,349	**£12,623,373**	**£26,663,722**	**£105,676**	**£26,769,398**	£26,280,622
New endowments received	-	886,673	886,673	-	886,673	851,189
Reclassification	(549,918)	549,918	-	-	-	-
Income from endowment asset investments	689,065	531,964	1,221,029	3,855	1,224,884	1,058,187
Expenditure	(689,065)	(355,167)	(1,044,232)	(15,398)	(1,059,630)	(940,491)
Net transfer from income and expenditure account	-	18,965	18,965	-	18,965	34,933
Bursary Compensation payment	8,001	-	8,001	-	8,001	36,505
Capital grant from Colleges Fund	182,000	-	182,000	-	182,000	221,000
Increase/(decrease) in market value of investments	1,694,445	1,101,765	2,796,211	1,570	2,797,781	(772,547)
Balance at end of year:						
Capital	15,374,877	14,246,145	29,621,022	96,417	29,717,439	25,895,624
Unspent income	-	1,111,346	1,111,346	(713)	1,110,633	873,774
	£15,374,877	**£15,357,491**	**£30,732,368**	**£95,704**	**£30,828,072**	£26,769,398
Representing:						
Fellowship Funds	-	5,975,759	5,975,759	-	5,975,759	4,784,321
Scholarship Funds	-	2,255,910	2,255,910	-	2,255,910	2,046,112
Prize Funds	-	349,738	349,738	-	349,738	292,898
Hardship Funds	-	3,586,567	3,586,567	-	3,586,567	3,177,770
Travel Grant Funds	-	475,720	475,720	-	475,720	433,837
Other Funds	-	2,713,797	2,713,797	95,704	2,809,501	1,994,111
General Endowments	15,374,877	-	15,374,877	-	15,374,877	14,040,349
	£15,374,877	**£15,357,491**	**£30,732,368**	**£95,704**	**£30,828,072**	£26,769,398

Notes to the Accounts for the year ended 30 June 2013

22 RESERVES

	2013 General reserves	**2013 Pension reserve**	**2013 Total**	2012 Total
	£	**£**	**£**	£
Balance at beginning of year	44,602,568	(1,404,313)	43,198,255	44,174,041
(Deficit)/surplus retained for the year	(200,437)	(110,811)	(311,248)	189,927
Actuarial loss	-	(658,317)	(658,317)	(1,064,575)
Increase/(decrease) in market value of investments	362,494	-	362,494	(101,138)
Balance at end of year	£44,764,625	£(2,173,441)	£42,591,184	£43,198,255

23 CAPITAL COMMITMENTS

	2013	2012
	£	£
Commitments contracted for at 30th June:	5,934,844	-
Morgan Sindall Plc for refurbishment of Cripps Court		

Notes to the Accounts for the year ended 30 June 2013

24 PENSION SCHEMES

The College participates in three defined benefit schemes: the Universities Superannuation Scheme (USS), the Cambridge Colleges Federated Pension Scheme (CCFPS) and the Church of England Funded Pension Scheme (CEFPS), as follows:

Universities Superannuation Scheme

The Universities Superannuation Scheme is a defined benefit scheme that is externally funded and 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. At 31 March 2013, USS had over 148,000 active members and the College had 43 active members participating in the scheme.

The latest triennial valuation of the scheme was at 31 March 2011. This was the second 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 2013 are also included in this note.

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and 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 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits that had accrued to members after allowing for expected future increases in earnings.

Notes to the Accounts for the year ended 30 June 2013

24 PENSION SCHEMES (continued)

Universities Superannuation Scheme continued

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 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but 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.

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the valuation effective date there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

New Entrants

Other than in specific, limited circumstances, new entrants are now provided benefits on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Notes to the Accounts for the year ended 30 June 2013

24 PENSION SCHEMES (continued)

Universities Superannuation Scheme continued

Normal Pension Age

The Normal Pension Age was increased for future service and new entrants, to age 65.

Flexible Retirement

Flexible retirement options were introduced.

Member contributions increased

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

Cost Sharing

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

Pension Increase Cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

The actuary has estimated that the funding level as at 31 March 2013 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are cited as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2013 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.2% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on an historic gilts basis at that date was approximately 55%.

Surpluses or deficits that arise at future valuations may impact on the College's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, whereas a surplus could, perhaps, be used to similarly reduce contribution requirements.

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 total pension cost for the College was £92,648 (2012: £92,597). The contribution rate payable by the College was 16% of pensionable salaries.

Notes to the Accounts for the year ended 30 June 2013

24 PENSION SCHEMES (continued)

Cambridge Colleges Federated Pension Scheme

The College is also a member of another multi-employer defined benefits scheme: the Cambridge Colleges' Federated Pension Scheme. A full valuation was undertaken as at 31 March 2011 and updated to 30 June 2013 by a qualified independent actuary. The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) were as follows:

	2013	2012
	% p.a.	% p.a.
Discount rate	4.6	4.7
Expected long-term rate of return on scheme assets	6.2	5.6
Salary inflation assumption	2.8*	2.2**
Retail Prices Index (RPI) assumption	3.3	2.7
Consumer Prices Index (CPI) assumption	2.3	1.7
Pension increases (RPI linked)	3.3	2.7
Pension increases (RPI linked capped at 5% p.a.)	3.1	2.5

*** 1.5% in 2013; 2.8% thereafter**
****1.5% in 2012 and 2013; 2.2% 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 2012 projection and a target long-term improvement rate of 0.75% p.a. The allowance for improvements has been updated from 2012 when the CMI 2011 projection table was adopted. This results in the following life expectancies:

- Male age 65 now has a life expectancy of 22.0 years (previously 21.9).
- Female age 65 now has a life expectancy of 24.2 years (previously 24.1 years).
- Male age 45 now and retiring in 20 years would have a life expectancy then of 22.9 years (previously 22.8 years).
- Female age 45 now and retiring in 20 years would have a life expectancy then of 25.3 years (previously 25.3).

The amounts recognised in the balance sheet as at 30 June 2013 (with comparative figures as at 30 June 2012) are as follows:

	2013	2012
	£	£
Present value of Scheme liabilities	(8,115,579)	(6,613,442)
Market value of Scheme assets	5,942,138	5,209,129
Deficit in the Scheme	**(2,173,441)**	**(1,404,313)**

Notes to the Accounts for the year ended 30 June 2013

24 PENSION SCHEMES (continued)

Cambridge Colleges Federated Pension Scheme continued
The amounts to be recognised in income and expenditure for the year ending 30 June 2013 (with comparative figures for the year ending 30 June 2012) are as follows:

	2013	2012
	£	£
Current service cost	367,059	355,335
Interest on Scheme liabilities	314,959	335,697
Expected return on Scheme assets	(297,736)	(353,058)
Total	**384,282**	**337,974**
Actual return on Scheme assets	(635,247)	(633,597)

Changes in the present value of the Scheme liabilities for the year ending 30 June 2013 (with comparative figures for the year ending 30 June 2012) are as follows:

	2013	2012
	£	£
Present value of Scheme liabilities at beginning of period	6,613,442	6,050,631
Service cost (including Employee contributions)	386,945	376,696
Interest cost	314,959	335,697
Actuarial losses	995,828	77,920
Benefits paid	(195,595)	(227,502)
Present value of Scheme liabilities at end of period	**8,115,579**	**6,613,442**

Changes in the fair value of the Scheme assets for the year ending 30 June 2013 (with comparative figures for the year ending 30 June 2012) are as follows:

	2013	2012
	£	£
Market value of Scheme assets at beginning of period	5,209,129	5,649,954
Expected return	297,736	353,058
Actuarial gains/(losses)	337,511	(986,655)
Contributions paid by the College	273,471	398,913
Employee contributions	19,886	21,361
Benefits paid	(195,595)	(227,502)
Market value of Scheme assets at end of period	**5,942,138**	**5,209,129**

The agreed contributions to be paid by the College for the forthcoming year are 13.38% of Contribution Pay for non salary sacrifice members (19.73% of Contribution Pay for salary sacrifice members) plus £16,792 p.a. to cover expenses, subject to review at future actuarial valuations. These rates exclude PHI.

Notes to the Accounts for the year ended 30 June 2013

24 PENSION SCHEMES (continued)

Cambridge Colleges Federated Pension Scheme continued

The major categories of Scheme assets as a percentage of total Scheme assets at 30 June 2013 (with comparative figures at 30 June 2012) are as follows:

	2013	2012
Equities & Hedge Funds	68%	66%
Bonds & Cash	24%	25%
Properties	8%	9%

The expected long-term rate of return on the Scheme assets has been calculated based upon the major asset categories shown in the above table and an expected rate of return on equities and hedge funds of 7.0% (2012: 6.4%), an expected rate of return on properties of 6.0% (2012: 5.4%) and an expected rate of return on bonds and cash of 4.0% (2012: 3.7%).

Analysis of amount recognisable in statement of total recognised gains and losses (STRGL) for the 12 months ending 30 June 2013 (with comparative figures for the year ending 30 June 2012) are as follows:

	2013	2012
	£	£
Actual return less expected return on scheme assets	337,511	(986,655)
Experience (losses)/gains arising on scheme liabilities	(25,648)	12,584
Changes in assumptions underlying the present value of scheme liabilities	(970,180)	(90,504)
Actuarial loss recognised in STRGL	**(658,317)**	**(1,064,575)**

Cumulative amount of actuarial gains and losses recognised in STRGL for the year ending 30 June 2013 (with comparative figures for the year ending 30 June 2012) are as follows:

	2013	2012
	£	£
Cumulative actuarial loss at beginning of period	(1,230,459)	(165,884)
Recognised loss during the period	(658,317)	(1,064,575)
Cumulative actuarial loss at end of period	**(1,888,776)**	**(1,230,459)**

Notes to the Accounts for the year ended 30 June 2013

24 PENSION SCHEMES (continued)

Cambridge Colleges Federated Pension Scheme continued
Movements in deficit during the year ending 30 June 2013 (with comparative figures for the year ending 30 June 2012) are as follows:

	2013	2012
	£	£
Deficit in scheme at beginning of year	(1,404,313)	(400,677)
Service Cost (Employer only)	(367,059)	(355,335)
Contributions paid by the College	273,471	398,913
Finance (cost)/income	(17,223)	17,361
Actuarial loss	(658,317)	(1,064,575)
Deficit in scheme at end of period	**(2,173,441)**	**(1,404,313)**

Notes to the Accounts for the year ended 30 June 2013

24 PENSION SCHEMES (continued)

Cambridge Colleges Federated Pension Scheme continued

Amounts for the current and previous four accounting periods are as follows:	Year ended 30 June 2013 £	Year ended 30 June 2012 £	Year ended 30 June 2011 £	Year ended 30 June 2010 £	Year ended 30 June 2009 £
Present value of scheme liabilities	(8,115,579)	(6,613,442)	(6,050,631)	(6,269,650)	(5,052,341)
Market value of scheme assets	5,942,138	5,209,129	5,649,954	4,810,778	4,074,635
Deficit in the scheme	**(2,173,441)**	**(1,404,313)**	**(400,677)**	**(1,458,872)**	**(977,706)**
Actual return less expected return on scheme assets	337,511	(986,655)	373,823	288,222	(603,140)
Experience (loss)/gain arising on scheme liabilities	(25,648)	12,584	62,623	36,723	10,489
Change in assumptions underlying present value of scheme liabilities	(970,180)	(90,504)	695,042	(802,172)	296,648

Notes to the Accounts for the year ended 30 June 2013

24 PENSION SCHEMES (continued)

Church of England Funded Pension Scheme
The College participates in the Church of England Funded Pensions Scheme (CEFPS) and employs 1 member of the Scheme out of a total membership of approximately 9,000.

The CEFPS is a defined benefit scheme but the College is unable to identify its share of the underlying assets and liabilities – each employer in the Scheme pays a common contribution rate. A valuation of the Scheme was carried out as at 31 December 2009. This revealed a shortfall of £262m, with assets of £605m and a funding target of £867m, assessed using the following assumptions:

- An investment strategy of:
  - for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from nil at 31 December 2009 to 2/3 by 31 December 2029, with the balance in return-seeking assets; and
  - for investments backing liabilities prior to retirement, a 100% allocation to return-seeking assets.
- Investment returns of 4.4% p.a. on gilts and 5.9% on equities;
- RPI inflation of 3.8% p.a. (and pension increases consistent with this);
- Increase in pensionable stipends of 3.8% p.a.; and
- Post-retirement mortality in accordance with 80% of the S1NA tables, with allowance made for improvements in mortality rates from 2003 according to the "medium cohort" projections, and subject to a minimum annual improvement of 1.5% for males and 1.0% for females.

For schemes such as the CEFPS, paragraph 9(b) of FRS17 requires the College to account for pension costs on the basis of contributions actually payable to the Scheme in the year.

Following the results of the 2009 valuation, changes were made to benefits being built up in the Scheme from 1 January 2011 and the contribution rate was set at 38.2% of pensionable stipends (of which 14.7% is in respect of the £262m shortfall in the Scheme and 23.5% is in respect of accrual of future benefits and the day-to-day expenses of running the Scheme).

Contribution rates will be reviewed at the next valuation of the Scheme, due as at 31 December 2012.

The total pension cost, after personal health insurance contributions, for the year to 30 June 2013 (see note 10) was as follows:

	2013	2012
	£	£
USS: Contributions	92,648	92,597
CCFPS: Charged to income and expenditure account	291,402	272,147
CEFPS: Contributions	7,392	7,299
	£391,442	£372,043

Notes to the Accounts for the year ended 30 June 2013

25 RELATED PARTY TRANSACTIONS

Owing to the nature of the College's operations and the composition of its Governing Body, it is inevitable that transactions will take place with organisations in which a member of the Governing Body has an interest. All transactions involving organisations in which a member of the Governing Body may have an interest are conducted at arm's length and in accordance with the College's normal procedures.