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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

8/P TnC32TO80T

OPERATING AND FINANCIAL REVIEW (continued)

5 Reserves (continued)

Total reserves at 30 June 2023 were £81.30m, of which £45.57m were classed as 'unrestricted reserves'. However, as these reserves are mainly represented by the College's operational estate and therefore not available as funds to be spent, a more practical reserves policy has been implemented. The aim is to have realisable unrestricted
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OPERATING AND FINANCIAL REVIEW (continued)

7 Principal Risks and Uncertainties

The College has a detailed risk register which the College Council reviews regularly. In this register the risks are set out in the following areas: Students; Finance, Funding & Fundraising; College Estate & Infrastructure; Staff, Fellowship, Membership & Governance; The Changing Landscape of Cambridge; Government & Legislation; and Reputation. A number of risks are analysed in each area. As well as setting out the likelihood of occurrence and

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OPERATING AND FINANCIAL REVIEW (continued)

7 Principal Risks and Uncertainties (continued)

Staff pension costs: The College has a number of staff in two defined benefit schemes – USS and CCFPS – both of which are in deficit (see Note 20), although in the case of the USS, it appears the next valuation may provide a more positive picture. As at 30 June 2023 there were 38

CORPORATE GOVERNANCE

1 The following statement is provided by the Trustees to enable readers of the financial statements to obtain a

INDEPENDENT AUDITOR'S REPORT (continued)

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

In our opinion based on the work undertaken in the course of the audit:

The contribution due from the College to the University has been 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

In the light of the knowledge and understanding of the Group and College and its environment obtained in the course of the audit, we have not identified material misstatements in the Operating and Financial Review.

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

sufficient accounting records have not been kept; or
the financial statements are not in agreement with the accounting records; or
we have not received all the information and explanations we require for our audit.

Responsibilities of the Governing Body

As explained more fully in the responsibilities of the Governing Body statement set out on page 14, the Governing Body are responsible for the preparation of the financial statements and for being satisfied that they give a true and

INDEPENDENT AUDITOR'S REPORT (continued)

in addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the Group's and College's ability to operate or to avoid material penalty; and
identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Group's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we;

tested journal entries to identify unusual transactions;
assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policy were indicative of potential bias; and
investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

agreeing financial statement disclosures to underlying supporting documentation;
reviewing minutes of meetings of those charged with governance;
enquiring of management as to actual and potential litigation and claims; and
reviewing correspondence with relevant regulators and the College's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-

PART 2: FINANCIAL STATEMENTS **Page**

Statement of Principal Accounting Policies 19

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with the provisions of the Statutes of the College and of the University of Cambridge, using the Recommended Cambridge College Accounts (RCCA) format, and applicable U-1 (iT-6.3 (,).9 (ca)-3.9fd0.07 Tw 1-2 (NC1 27.010 T)-6.lu8S.337 0 T3pi)9 (ca-0.9 (ca7 0 l)-2 (NCl)Tw 9 T3pi21 (u)4.8 (br-6.4 Acc(u)4.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Investment income and changes in value of investment assets
Investment income

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities

Basic financial liabilities include trade and other payables, bank loans and intergroup loans. These liabilities are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest rate method.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at the reporting date. Changes in the fair value of derivatives are recognised in the Statement of Comprehensive Income in finance costs or finance income as appropriate unless they are included in a hedging arrangement.

To the extent that the College enters into forward foreign exchange contracts which remain unsettled at the reporting date the fair value of the contracts is reviewed at that date. The initial fair value is measured as the transaction price on the date of inception of the contracts. Subsequent valuations are considered on the basis of the fo œal-6.4 (lu011.6 (i)5.7 e1v)-2.9

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Pension costs (continued)

The USS is a hybrid pension scheme, providing defined benefits (for all members) as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the College's accounts requires management to make judgements, estimates and assumptions that affect about the application of accounting policies and reported amounts of assets and liabilities and income and expenses that are not readily apparent from other sources. These judgements, estimates and associated assumptions are based on historical experience and other factors

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

For the year ended 30 June		2023				2022			
	Note	Unrestricted £'000	Restricted £'000	Endowment £'000	Total £'000	Unrestricted £'000	Restricted £'000	Endowment £'000	Total £'000
Income									
Academic fees and charges	1	4,155	270	-	4,425	3,880	327	-	4,207
Accommodation,									

CONSOLIDATED AND COLLEGE BALANCE SHEETS

As at 30 June	Note	2023 Group £'000	2023 College £'000	2022 Group £'000	2022 College £'000
Non-current assets					
Fixed assets	9	38,544	38,544	38,441	38,441
Investments	10	49,276	49,276	48,824	48,824
Total non-current assets		**87,820**	**87,820**	**87,265**	**87,265**
Current assets					
Stocks		47	47	55	55
Trade and other receivables	11	1,320	1,346	988	1,012
Cash and cash equivalents	12	6,789	6,729	4,441	4,406
Total current assets		**8,156**	**8,122**	**5,484**	**5,473**
Creditors: amounts falling due within one year	13	(1,321)	(1,287)	(1,067)	(1,056)
Net current assets		**6,835**	**6,835**	**4,417**	**4,417**
Total assets less current liabilities		**94,655**	**94,655**	**91,682**	**91,682**
Creditors: amounts falling due after more than one year	14	(11,123)	(11,123)	(11,120)	(11,120)
Provisions					
Pension provisions	15	(2,232)			

NOTES TO THE ACCOUNTS

NOTES TO THE ACCOUNTS
For the year ended 30 June

4	**Education expenditure**	**2023 £'000**	**2022 £'000**
	Teaching	1,189	1,124
	Tutorial	1,047	950
	Admissions	371	319
	Research	378	411

NOTES TO THE ACCOUNTS
For the year ended 30 June

9 Tangible fixed assets

Group and College	Freehold land and buildings £'000	Fixtures and equipment £'000	Assets in the course of construction £'000	Total 2023 £'000	Total 2022 £'000
Cost or valuation					
At beginning of year	50,720	5,328	-	56,048	56,041
Additions at cost	434	362	422	1,218	275
Disposals	-	(53)	-	(53)	(268)
At end of year	**51,154**	**5,637**	**422**	**57,213**	**56,048**

NOTES TO THE ACCOUNTS
For the year ended 30 June

16 Permanent endowments

	Unrestricted permanent £'000	Restricted permanent £'000	Group and College Total 2023 £'000	Total 2022 £'000
Balance at beginning of year	25,329	4,954	30,283	31,214
New endowments	1	1,635	1,636	20
Transfers	-	-	-	-
Gain / (loss) on investments	82	23	105	(951)
Balance at end of year	**25,412**	**6,612**	**32,024**	**30,283**
Analysis by purpose:				

NOTES TO THE ACCOUNTS
For the year ended 30 June

20a Cambridge Colleges Federated Pension Scheme (continued)

The underlying mortality assumption is based upon the standard table known as S3PA on a year of birth usage with CMI 2022 future improvement factors and a long term rate of future improvement of 1.25% p.a., a standard smoothing factor (7.0) and no allowance for additional improvements (2022: S3PA with CMI 2021 future improvement factors and a long term future improvement rate of 1.25% p.a., a standard smoothing factor (7.0) and no allowance for additional improvements). This results in the following life expectancies:

Males aged 65 now have a life expectancy of 21.4 years (previously 21.9 years);
Females aged 65 now have a life expectancy of 23.9 years (previously 24.3 years);
Males aged 45 now and retiring in 20 years have a life expectancy of 8 of 9

NOTES TO THE ACCOUNTS
For the year ended 30 June

20a Cambridge Colleges Federated Pension Scheme (continued)

Changes in the fair value of the plan assets for the year ending 30 June are:

	2023	2022
	£'000	£'000
Market value of plan assets at beginning of year	4,901	5,951
Contributions paid by the College	175	174
Employee contributions	10	10
Benefits paid	(265)	(389)
Administrative expenses paid	(20)	(19)
Interest on plan assets	183	105
Return on assets, less interest included in income and expenditure	(815)	(931)
Market value of plan assets at end of year	**4,169**	**4,901**
Actual return on plan assets	(632)	(826)

The major categories of plan assets as a percentage of total plan assets at 30 June are as follows:

	2023	2022
Equities	49%	52%
Bonds & Cash	38%	34%
Property	13%	14%
Total	**100%**	**100%**

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

Analysis of the re-measurement of the net defined benefit liability recognised in Other Comprehensive Income (OCI) for the year ending 30 June:

NOTES TO THE ACCOUNTS
For the year ended 30 June

20a Cambridge Colleges Federated Pension Scheme (continued)

The last such valuation was as at 31 March 2020. This showed that the plan's assets were insufficient to cover the liabilities on the funding basis. A Recovery Plan has been agreed with the College, which commits the College to paying contributions to fund the shortfall.

These deficit reduction contributions are incorporated into the plan's Schedule of Contributions dated 21 May 2021 and are as follows:

annual contributions of not less that £35,069 p.a. payable for the period to 30 November 2029.

These payments are subject to review following the next funding valuation, due as at 31 March 2023.

20b Universities Superannuation Scheme

The total amount included in the consolidated statement of comprehensive income and expenditure, including changes in the deficit provision, is a charge of £214,589 (2022: charge of £711,426).

Deficit recovery contributions due within one year for the institutions are £74,214 (2022: £60,212)

The latest available complete actuarial valuation of the Scheme is as at 31 March 2020 ('the valuation date') and was carried out using the projected unit method.

Since the College cannot identify its share of Retirement Income Builder (defined benefit) assets and

NOTES TO THE ACCOUNTS
For the year ended 30 June

20b Universities Superannuation Scheme (continued)

The current life expectancies (in years) on retirement at age 65 are:

	2023	2022
Males currently aged 65	24.0	23.9
Females currently aged 65	25.6	25.5
Males currently aged 45	26.0	25.9
Females currently aged 45	27.4	27.3

A deficit recovery plan was put in place as part of the 2020 valuation, which requires payment of 6.2% of salaries over the period 1 April 2022 to 31 March 2024

NOTES TO THE ACCOUNTS
For the year ended 30 June

22 Related party transactions (continued)

The salaries paid to Trustees in the year, for duties other than serving as a Trustee, are summarised in the table below:

From	To	2023

NOTES TO THE ACCOUNTS
For the year ended 30 June

23 US Department of Education Financial Responsibility Supplemental Schedule (continued)

Primary Reserve Ratio f

Page	Primary statement or note and line item		2023 £'000	2022 £'000
		Expendable Net Assets		
27	Balance Sheet – Unrestricted reserves	Net assets without donor restrictions	45,565	44,784
27	Balance Sheet – Restricted reserves	Net assets with donor restrictions	35,735	33,671
27	Balance Sheet – Restricted reserves	Net assets with donor restrictions restricted in perpetuity	(35,735)	(33,671)
27	Balance Sheet – Fixed assets	Property plant and equipment	(38,544)	(38,441)
27	Balance Sheet – Pension provisions	Post-employment and pension liabilities	2,232	2,107
27	Balance Sheet – Creditors falling due after one year	Long term debt for long term purposes	11,123	11,120
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NOTES TO THE ACCOUNTS
For the year ended 30 June

23 US Department of Education Financial Responsibility Supplemental Schedule (continued)

Net Income Ratio

Page	Primary statement / note and line item		2023 £'000	2022 £'000
		Change in Net Assets Without Donor Restrictions		
26	Statement of Changes in Reserves – Unrestricted reserves	Surplus / (deficit) from income and expenditure statement	924	(161)
26	Statement of Changes in Reserves – Unrestricted reserves	Other comprehensive income	(146)	999
26	Statement of Changes in Reserves – Unrestricted reserves	Release of restricted capital funds spent in the year	3	3
			781	**841**
		Total Revenue and Gains Without Donor Restrictions		
25	Statement of Comprehensive Income and Expenditure Unrestricted total income	Total operating revenue	10,726	9,679
25	Statement of Comprehensive Income and Expenditure – Unrestricted investment income	Investment return appropriated for spending	(1,712)	(1,421)
26	Statement of Changes in Reserves – Unrestricted reserves	Release of restricted capital funds spent in the year	3	3
			9,017	**8,261**