

**HOMERTON COLLEGE**

**BURSAR'S REPORT, CONSOLIDATED ACCOUNTS AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2010**

**DRAFT OF 1 NOVEMBER 2010**

# HOMERTON COLLEGE

## CONTENTS

	<b>PAGE</b>
Bursar's report	1
Statement of responsibilities of the College Council	5
Independent auditors' report to the Governing Body of Homerton College	6
Consolidated income and expenditure account	8
Consolidated balance sheet	9
College balance sheet	10
Consolidated statement of total recognised gains and losses	11
Consolidated cash flow statement	12
Notes to the consolidated cash flow statement	13
Notes to the financial statements	14

# **HOMERTON COLLEGE**

## **BURSAR'S REPORT**

### **FOR THE YEAR ENDED 31 JULY 2010**

The Bursar's report and the audited financial statements for the year ended 31 July 2010 cover the combined operation of Homerton College and Colophon Limited. They reflect a satisfactory outcome for the year ended 31 July 2010.

#### **Constitution and Governance**

The College received its Royal Charter on 11 March 2010. Since that date, the Governing Body of the new charter corporation constituted under the Oxford and Cambridge Act 1923 has been the Principal and Fellows of Homerton College. The Business and Assets of the College were transferred by Deed from the retiring Trustees, who were provided with a Deed of Indemnity.

The College is governed by its Statutes which were approved by the Queen in Privy Council on 18 November 2009 and its Ordinances which were approved by the Principal and Fellows of Homerton College on 16 June 2010.

The College became a registered charity on 16 August 2010 in accordance with Commencement Order No 7 of the Charities Act 2006, at which time the Charity Commission became its Regulator. Article 10 of the Charities Act 2006 (Changes in Exempt Charities) Order 2010 authorises its annual accounts to be presented in the form of Recommended Cambridge College Accounts prescribed under Statute G,III of the University of Cambridge.

The college officers during the year comprised the Principal, the Vice-Principal, the Senior Tutor, the Bursar, the Admissions Tutor, the Graduate Tutor and the Secretary to the Council.

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

#### **Staffing**

The College academic programme is delivered by a team of directors of studies, tutors, supervisors and college teaching officers. There were 10 College Teaching Fellows and 7 Junior Research Fellows during the year ended 31 July 2010.

In addition, the College is supported by 111 administrative and support staff.

#### **Students**

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

## HOMERTON COLLEGE

### BURSAR'S REPORT (continued)

#### FOR THE YEAR ENDED 31 JULY 2010

#### Operational and Financial Review

*Education Account* - The College Education Account performed satisfactorily during the year. Income from college fees amounted to £3,238,900 (2009: £3,156,885). The student population was as follows:

Academic year ending 31 July	2008/09 (Final)	2009/10 (Final)	2010/11 (Actual Oct 2010)
Undergraduates (incl JYA/ERASMUS)	589	596	588
Postgraduate Certificate in Education (PGCE) incl retakes	338	325	320
Higher Degree (full time equivalent (fte))	96	115	142
<b>Total (fte) Students</b>	<b>1,023</b>	<b>1,040</b>	<b>1,050</b>
M Ed (Part-time) Numbers (not FTE)	107	142	119

- **Undergraduates** - The College admitted undergraduates for 22 of the Cambridge Triposes. The average year group is estimated to be 180 (185), excluding year abroad students, Year 4 and Junior Year Abroad students. The College has a target undergraduate membership of 600.
- **Higher degree and PGCE students** - The College had 115 (96) fte students undertaking higher and research postgraduate degree courses in the University during 2009-2010 and 142 (107) undertaking part-time M Ed courses. The college recruited 325 (338) PGCE students.
- **Fees** - The per capita rate applicable to the undergraduate college fee for home and EU students was increased by 3.6% to £3,744. The graduate and PGCE fee was increased by 2.6% to £2,184.
- **Academic staff** - The college supported 7 Junior Research Fellowships (JRFs) ; 8 (fte) College Teaching Officer (CTOs) in addition to 0.5 UG Admission Tutor & 0.5 Graduate Tutor and three Officers during the year.

*Residence Account* – The residence account income was £2,103,931 (2009: £1,990,833). Occupancy was maintained at 98%.

*Catering Account* – Term time students, staff and college function catering produced a turnover of £686,826 (2009: £651,177). After allowing for pay expenditure of £462,459 (2009: £464,728) and non-pay and overheads of £424,760 (2009 £395,174), the account was in deficit by £200,393 (2009: deficit £208,725).

*Conference income* – Conference income from the provision of catering and accommodation services to residential and day conferences (including Colophon Ltd) was £1,855,607 (2009: £1,645,469). Direct expenditure amounted to £583,090 (2009: £492,638). Overheads were £727,832 (2009: £771,068) based on an area and time basis, leaving a net contribution to reserves of £544,685 (2009: £381,763).

*Telephone service* – ‘FlexiFone’, Colophon Limited’s telephone service provides Voice over Internet Protocol (VOIP) telephone lines to residences for student and conference use. The net surplus on this operation for 2010 was £3,180 (2009: £4,339).

*Conference Cambridge* – Conference Cambridge and its personnel, which were administered financially by the College in a ring-fenced account for the Cambridge Bursars’ Committee until 30 June 2009 were transferred under TUPE to the Cambridge Venue Company Limited.

## **HOMERTON COLLEGE**

### **BURSAR'S REPORT (continued)**

#### **FOR THE YEAR ENDED 31 JULY 2010**

##### **Investment performance**

The College Portfolio has shown an increase in market value of £3,351,679 (2009: decrease of £2,906,471) together with cash injection and movements providing a balance of £41,734,260 (2009: £27,878,188). Asset allocation reflected the strategy re-adopted in 2009. UBS Wealth Management is the appointed fund manager. Its appointment was continued into 2011-12 following consideration of UBS's performance by the Investment Committee. The College uses total return and risk assessment to guide its investment policy.

##### **Land and Property - Estate Strategy**

The formal transfer of title in the property to the Principal, Fellows and Scholars of Homerton College in the University of Cambridge is nearing completion.

##### *Leases*

The Northern Site is the subject of a 99 year lease from 9 January 2005 to the University of Cambridge for which a premium has been received and accounted for as a deferred credit. The deferred credit is released in equal annual instalments over the lease term.

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

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

##### *Valuation*

Bidwells, Surveyors conducted a valuation at 31 July 2007 of College land and properties. Land with planning consent, which had been part of this valuation was separately valued on assignment as investment land on 31 July 2009 at £10,700,000. Bidwells conducted a desk top valuation on 31<sup>st</sup> July, 2010 and revalued the investment land at £11,000,000.; College houses & College Buildings for domus use were revalued (desktop) at £62,481,500 (wdv £63,870,556) giving a drop in value of £1,389,056.

##### *College Building Fund*

The Governing Body, cognizant that historic provision for building depreciation understates the real cost of refurbishment have designated a part of the General Reserve as a Building Refurbishment Fund. The designated fund comprises the initial difference between real (insurance) costs and the depreciated replacement cost value of the building. A formulaic adjustment will then be made each year to align the value of the designated fund to compensate.

## **HOMERTON COLLEGE**

### **BURSAR'S REPORT (continued)**

#### **FOR THE YEAR ENDED 31 JULY 2010**

##### **Pensions**

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

The LGPS share of deficit, calculated to meet the requirements of FRS17, attributable to existing and former staff was £3,972,000 (2009: £4,285,000). The Employers' contribution rate was 18.9% as of 31 July 2010. A triennial actuarial review is currently taking place.

The year end FRS 17 deficit has been reduced by £794,000 as a result of statements made in the Chancellor's Statement that the Consumer Price Index, and not the Retail Price Index (RPI), would now be the basis for allowing for inflation on public sector pension schemes. The Institute of Chartered Accountants in England and Wales' Urgent Issues Task Force (UITF) issued a draft abstract in October 2010 on whether the effect of this change on FRS 17 pension scheme valuations should be recognised in the Statement of Total Recognised Gains and Losses (STRGL) as a change in assumption, or in the Income and Expenditure Account as a past service cost.

The College's accounts have recognised this gain in the STRGL in accordance with the UITF as there is no stipulation in the scheme rules and hence no constructive obligation, that pension increases must be based on RPI.

##### **Cashflow**

Net cash inflow from operating activities was £2,027,966 (2009: £2,461,318). Cash approved for investment over four years (£10,000,000) which had not been called was transferred from College deposits (cash balances) to the UBS investment account during the year.

##### **Creditors Payment Policy**

The College seeks to meet government guidelines on settlement with creditors with payment of creditors meeting a twenty-day cycle.

##### **Risk assessment**

The College's Governing Body and the Directors of Colophon Limited continued with their policy of formal risk assessment. A review and re-assessment of the risk was conducted during the year.

##### **Auditors**

Mazars LLP, Chartered Accountants have been re-appointed as Auditors.

##### **R G Bryan**

Bursar and Fellow

Date: 2 December 2010

## **HOMERTON COLLEGE**

### **STATEMENT OF RESPONSIBILITIES OF THE COLLEGE COUNCIL**

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

The Council is responsible for preparing the Bursar's Report in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law. The Council must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the College and of the surplus or deficit of the Group for that period. In preparing those financial statements, the Council:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and College will continue in operation.

The Council is responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and College's transactions and disclose with reasonable accuracy at any time the financial position of the Group and College and enable them to ensure that the financial statements comply with the Statutes of the University of Cambridge. They are also responsible for safeguarding the assets of the Group and College and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY OF HOMERTON COLLEGE**

We have audited the financial statements of Homerton College for the year ended 31 July 2010 which comprise the Consolidated Income and Expenditure Account, the Consolidated and College Balance Sheets, the Consolidated Statement of Recognised Gains and Losses, the Consolidated Cash Flow Statement and related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of investments and certain properties and the accounting policies set out therein.

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

### **Respective responsibilities of the College's Council and auditors**

As described in the Statement of Responsibilities, the College Council is responsible for the preparation of the financial statements in accordance United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the statutes of the College and the University of Cambridge.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the accounting policies set out therein, with the provision of the Statutes of the College and with the Statutes of the University of Cambridge. We also report to you if, in our opinion, the Bursar's Report is not consistent with the financial statements, if the Group or College has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Bursar's Report and consider the implications for our report if we become aware of any apparent misstatement within it.

### **Basis of audit opinion**

We conducted our audit in accordance with the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the College and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

- 6 -

Mazars LLP – The Atrium - Park Street West - Luton - Bedfordshire - LU1 3BE  
Tel: +44 (0) 1582 700700 – Fax: +44 (0) 1582 700701 – [www.mazars.co.uk](http://www.mazars.co.uk)

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at Tower Bridge House, St Katharine's Way, London E1W 1DD.

Registered by the Institute of Chartered Accountants in England and Wales to carry out audit work.



INVESTOR IN PEOPLE





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

**Opinion**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and College's affairs as at 31 July 2010 and of the Group's surplus for the year then ended and have been properly prepared in accordance with the accounting policies set out therein and the Statutes of the College and the University of Cambridge.

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

Date:  
15 December 2010

**HOMERTON COLLEGE****CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT****FOR THE YEAR ENDED 31 JULY 2010**

	<b>Notes</b>	<b>2010 £</b>	<b>2009 £</b>
<b>Income</b>			
Academic fees and charges	2	3,238,900	3,156,885
Residences, catering and conferences	3	4,729,969	4,362,333
Endowment income	4	805,337	1,019,826
Release of deferred capital grant		79,284	83,419
Other income	5	813,665	1,115,589
Total income		<u>9,667,155</u>	<u>9,738,052</u>
<b>Expenditure</b>			
Education	6	(3,280,717)	(3,242,147)
Residences, catering and conferences	7	(3,535,203)	(3,432,531)
Other	8	(1,360,948)	(1,168,665)
Total expenditure		<u>(8,176,868)</u>	<u>(7,843,343)</u>
<b>Retained surplus for the year</b>	19	<u>1,490,287</u>	<u>1,894,709</u>
<b>Transfer to designated funds</b>	19	<u>22,811</u>	<u>13,046,853</u>

All activities relate to continuing operations.

HOMERTON COLLEGE

CONSOLIDATED BALANCE SHEET

AS AT 31 JULY 2010

	Notes	2010 £	2009 £
<b>Fixed assets</b>			
Tangible assets	10	63,053,749	65,813,228
Investment land	10	11,000,000	10,700,000
Investments	12	41,734,260	27,878,188
		<u>115,788,009</u>	<u>104,391,416</u>
<b>Current assets</b>			
Stock		39,513	33,980
Debtors	13	979,144	1,589,225
Cash	14	2,746,585	10,053,365
		<u>3,765,242</u>	<u>11,676,570</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(849,746)</u>	<u>(1,681,463)</u>
<b>Net current assets</b>		<u>2,915,496</u>	<u>9,995,107</u>
<b>Total assets less current liabilities</b>		118,703,505	114,386,523
<b>Creditors: amounts falling due after more than one year</b>	16	<u>(2,927,855)</u>	<u>(2,959,536)</u>
<b>Provisions for liabilities and charges</b>	17	<u>(349,717)</u>	<u>(450,510)</u>
<b>Net assets excluding pension liability</b>		115,425,933	110,976,477
Pension liability	22	<u>(3,972,000)</u>	<u>(4,285,000)</u>
<b>Net assets including pension liability</b>		<u><u>111,453,933</u></u>	<u><u>106,691,477</u></u>

		Income/ Expendable Capital funds £	Permanent capital funds £	Total 2010 £	Total 2009 £
<b>Capital and reserves</b>					
Restricted funds held for collegiate purposes	18a	2,872,118	-	2,872,118	2,947,048
Unrestricted funds	18a	42,997,092	65,584,723	108,581,815	103,744,429
<b>Total funds</b>		<u><u>45,869,210</u></u>	<u><u>65,584,723</u></u>	<u><u>111,453,933</u></u>	<u><u>106,691,477</u></u>

The financial statements were approved by the Governing Body on 2 December 2010 and were signed on their behalf by:

**R G Bryan**  
Bursar

**K Pretty**  
Principal

**HOMERTON COLLEGE**

**COLLEGE BALANCE SHEET**

**AS AT 31 JULY 2010**

	Notes	2010 £	2009 £
<b>Fixed assets</b>			
Tangible assets	10	62,982,172	65,712,083
Investment land	10	11,000,000	10,700,000
Investments in subordinated company	11	40,000	40,000
Investments	12	41,734,260	27,878,188
		<u>115,756,432</u>	<u>104,330,271</u>
<b>Current assets</b>			
Stock		16,956	15,992
Debtors	13	1,481,460	1,898,675
Cash	14	2,147,622	9,524,480
		<u>3,646,038</u>	<u>11,439,147</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(672,517)</u>	<u>(1,364,960)</u>
<b>Net current assets</b>		<u>2,973,521</u>	<u>10,074,187</u>
<b>Total assets less current liabilities</b>		118,729,953	114,404,458
<b>Creditors: amounts falling due after more than one year</b>	16	(2,927,855)	(2,959,536)
<b>Provisions for liabilities and charges</b>	17	(349,717)	(450,510)
<b>Net assets excluding pension liability</b>		115,452,381	110,994,412
Pension liability	22	(3,972,000)	(4,285,000)
<b>Net assets including pension liability</b>		<u><u>111,480,381</u></u>	<u><u>106,709,412</u></u>

		Income/ Expendable Capital funds £	Permanent capital funds £	Total 2010 £	Total 2009 £
<b>Capital and reserves</b>					
Restricted funds held for collegiate purposes	18b	2,872,118	-	2,872,118	2,947,048
Unrestricted funds	18b	43,023,540	65,584,723	108,608,263	103,762,364
<b>Total funds</b>		<u><u>45,895,658</u></u>	<u><u>65,584,723</u></u>	<u><u>111,480,381</u></u>	<u><u>106,709,412</u></u>

The financial statements were approved by the Governing Body on 2 December 2010 and were signed on their behalf by

**R G Bryan**  
Bursar

**K Pretty**  
Principal

**HOMERTON COLLEGE**

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

**FOR THE YEAR ENDED 31 JULY 2010**

	Restricted funds	Unrestricted funds		Total 2010 £	Total 2009 £
	Deferred capital grant and donations £	Designated funds £	Undesignated funds £		
Balance brought forward	2,947,048	14,543,335	89,201,094	106,691,477	111,534,738
Investment revaluation surplus /(deficit)	-	-	3,351,679	3,351,679	(2,906,471)
Investment land revaluation surplus/(deficit)	-	-	300,000	300,000	(900,000)
Buildings revaluation deficit	-	-	(1,389,056)	(1,389,056)	-
Retained surplus for the year	-	-	1,490,287	1,490,287	1,894,709
Profit/(loss) on sale of investments	-	-	484,265	484,265	(984,601)
Transfer of deferred grant to income and expenditure account	(79,284)	-	-	(79,284)	(83,419)
Designation of bequests and legacies	-	-	-	-	-
Transfer of appreciation of investment assets held by funds	3,599	57,277	(60,876)	-	-
Transfer of designated and restricted funds investment income	755	7,351	(8,106)	-	-
Transfer of education deficit to designated funds	-	(41,817)	41,817	-	-
Actuarial gains and losses arising on pension scheme assets	-	-	529,000	529,000	(893,000)
Actuarial gains and losses arising on pension scheme liabilities	-	-	(781,000)	(781,000)	(1,135,000)
Changes in assumptions arising on teachers' pension obligation	-	-	62,565	62,565	164,521
Gain on change in basis of LGPS pension benefits arising from move to Consumer Price Index from RPI	-	-	794,000	794,000	-
<b>Total recognised (losses)/gains relating to the year</b>	<b>(74,930)</b>	<b>22,811</b>	<b>4,814,575</b>	<b>4,762,456</b>	<b>(4,843,261)</b>
<b>Balance carried forward</b>	<b>2,872,118</b>	<b>14,566,146</b>	<b>94,015,669</b>	<b>111,453,933</b>	<b>106,691,477</b>

**HOMERTON COLLEGE**

**CONSOLIDATED CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 JULY 2010**

	Notes	2010 £	2009 £
<b>Net cash inflow from operating activities</b>	A	2,027,966	2,461,318
<b>Return on investments and servicing of finance</b>	B	805,337	1,019,826
<b>Net cash outflow from capital transactions</b>	C	(10,797,976)	(3,041,293)
<b>Cash inflow before use of liquid resources and financing</b>		(7,964,673)	439,851
<b>Management of liquid resources</b>	D	657,893	(247,986)
<b>(Decrease)/increase in cash</b>		(7,306,780)	191,865
<b>Reconciliation of net cash flow to movement in net liquid funds</b>		2010 £	2009 £
(Decrease)/increase in cash in the period		(7,306,780)	191,865
(Decrease)/increase in cash (inflow)/outflow from liquid resources		(657,893)	247,986
Change in net funds resulting from cash flows		(7,964,673)	439,851
Net funds brought forward		11,516,196	11,076,345
Net funds carried forward		3,551,523	11,516,196
Cash and short term deposits		2,746,585	10,053,365
Cash held with fund managers for reinvestment		804,938	1,462,831
		3,551,523	11,516,196

**HOMERTON COLLEGE**

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 JULY 2010**

<b>A</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<b>Net cash flow from operating activities</b>		
<b>Operating surplus</b>	1,490,287	1,894,709
Depreciation	1,490,378	1,526,708
Release of capital grant	(79,284)	(83,419)
Endowment income receivable	(805,337)	(1,019,826)
FRS 17 charge – non cash flow	229,000	96,000
(Increase)/decrease in stock	(5,533)	2,811
Decrease/(increase) in debtors	610,081	(366,849)
(Decrease)/increase in creditors	(863,398)	401,616
Movement in provisions	(38,228)	9,568
	<u>2,027,966</u>	<u>2,461,318</u>
<b>Net cash inflow from operating activities</b>	<u>2,027,966</u>	<u>2,461,318</u>
<b>B</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Endowment income	737,571	716,095
Interest received	67,806	303,731
	<u>805,337</u>	<u>1,019,826</u>
<b>Net cash inflow from returns on investments and servicing of income</b>	<u>805,337</u>	<u>1,019,826</u>
<b>C</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Receipts from sales of investment assets	3,295,095	3,044,483
	<u>3,295,095</u>	<u>3,044,483</u>
<b>Total capital receipts</b>	<u>3,295,095</u>	<u>3,044,483</u>
Payments to acquire investment assets	(13,973,116)	(5,794,952)
Payments to acquire tangible fixed assets	(119,955)	(290,824)
	<u>(14,093,071)</u>	<u>(6,085,776)</u>
<b>Total capital expenditure</b>	<u>(14,093,071)</u>	<u>(6,085,776)</u>
<b>Net cash outflow from capital transactions</b>	<u>(10,797,976)</u>	<u>(3,041,293)</u>
<b>D</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Decrease/(increase) in cash for investment	657,893	(247,986)
	<u>657,893</u>	<u>(247,986)</u>
<b>Net cash inflow/(outflow) from liquid resources</b>	<u>657,893</u>	<u>(247,986)</u>

# HOMERTON COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 JULY 2010

#### 1 Accounting policies

##### a) Basis of preparation

The accounts have been prepared in accordance with the provisions of the Statutes of the College and applicable accounting standards including the Guidelines for the Preparation of Recommended Cambridge College Accounts (RCCA).

In addition, the accounts comply with the Statement of Recommended Practice for Accounting in Further and Higher Education (the SORP) with the exception of the balance sheet which has been presented in the different format set out in the relevant section of Statutes and Ordinances of the University of Cambridge (RCCA). The provisions of the SORP require Endowments, Deferred Grants and Revaluation Reserves to be disclosed on the face of the balance sheet whereas RCCA requires that part of this information be disclosed in the notes to the accounts.

##### b) Basis of accounting

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

##### c) Basis of consolidation

The consolidated financial statements consolidate the income and expenditure and the state of affairs of the College and its subordinate company, Colophon Limited for the year ended 31 July 2010.

The accounts of the Students' Union are not consolidated.

##### d) Recognition of income

Income is recognised under the accruals concept.

Income from the investment of restricted funds is included in the Income and Expenditure Account to the extent of the expenditure incurred during the year, together with any related contributions to overhead costs. All income from short term deposits and the investment of unrestricted funds is credited to the Income and Expenditure Account on a receivable basis. Income from contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

##### e) Pension schemes

The College, at 31 July 2010, participated in the Universities Superannuation Scheme (USS) and the Local Government Pension Scheme (LGPS), both of which are defined benefit schemes which are externally funded. The funds are valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the schemes.

The College has adopted the full requirements of FRS 17 Retirement Benefits. The pension scheme service cost for the LGPS has been measured using the projected unit method and the resulting pension scheme liabilities, discounted at an AA corporate bond rate. The pension scheme assets deficit is recognised in full on the balance sheet. Pension costs for the USS scheme represent the contributions payable to the scheme in respect of the accounting period.



# HOMERTON COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 JULY 2010

#### 1 Accounting policies (continued)

##### g) Tangible fixed assets

###### *Land and buildings*

The College has adopted a policy of revaluation. Details of the latest valuation of the College's operational site and premises are given in note 10. Investment land is valued annually.

Freehold buildings are depreciated on a straight line basis over their expected useful economic life of 50 years. Freehold land is not depreciated.

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

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

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

###### *Furniture, fittings and equipment*

In accordance with the College's capitalisation policy furniture, fittings and equipment costing more than £5,000 (2009: £1,150) are capitalised and depreciated over their expected useful life as follows:

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

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

##### h) Investments

Investments are included in the balance sheet at market value. Investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value.

Increases in value arising on the revaluation of fixed asset investments are taken to a revaluation reserve via the statement of total recognised gains and losses.

Profit or losses on sale of investments are taken to the statement of total recognised gains and losses. The College has adopted this accounting policy to accord with the principles that are required to be followed in the application of the RCCA accounting guidelines.

# HOMERTON COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 JULY 2010

#### 1 Accounting policies (continued)

##### i) Stocks

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

##### j) Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, 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.

##### k) Taxation

The College is a registered charity and is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the College is exempt from taxation in respect of income or capital gains received within the categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of Value Added Tax.

2	Academic fees and charges	2010 £	2009 £
	<b>College fees</b>		
	Fee income paid on behalf of Undergraduates at the Publically-funded		
	Undergraduate rate per Capita fee : £3,744 (2008/09: £3,612)	1,954,536	1,886,983
	Privately-funded Undergraduate fee income		
	per Capita fee: £4,142 (2008/09: £3,825)	262,008	282,415
	Fee income received at the Graduate fee rate (including PGCE's)		
	per Capita fee : £2,184 (2008/09: £2,127)	1,022,356	987,487
		<u>3,238,900</u>	<u>3,156,885</u>
3	Income from residences, catering and conferences income	2010 £	2009 £
	Accommodation - College members	2,103,931	1,990,833
	- Conferences	645,360	535,185
	Catering - College members	686,826	651,177
	- Conferences	237,368	198,163
	Colophon Conferences - Accommodation	497,223	455,436
	- Catering	475,656	456,685
	College bar	83,605	74,854
		<u>4,729,969</u>	<u>4,362,333</u>

**HOMERTON COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2010**

**4 Endowment income**

**4a Analysis of endowment income**

	<b>Income from Restricted Funds £</b>	<b>Unrestricted Funds £</b>	<b>2010 Total £</b>	<b>2009 Total £</b>
Income from funds:				
Quoted securities	755	736,776	737,531	716,095
Cash deposits	-	67,806	67,806	303,731
	<u>755</u>	<u>804,582</u>	<u>805,337</u>	<u>1,019,826</u>

**4b Summary of total investment return**

	<b>2010 £</b>	<b>2009 £</b>
Income from quoted and other securities and cash	805,337	1,019,826
Gains/(losses) on Endowment Assets:		
Land	300,000	(900,000)
Quoted and other securities and cash	3,351,679	(3,891,072)
	<u>4,457,016</u>	<u>(3,771,246)</u>
Total return for year	4,457,016	(3,771,246)
Total return transferred to income and expenditure account (see note 4a)	(805,337)	(1,019,826)
	<u>3,651,679</u>	<u>(4,791,072)</u>

**5 Other income**

	<b>2010 £</b>	<b>2009 £</b>
Services and recharges to the University of Cambridge	547,049	607,433
Finance, administration and contribution towards central overhead	10,089	22,787
Gifts and legacies	54,942	122,807
Miscellaneous income	201,585	362,562
	<u>813,665</u>	<u>1,115,589</u>

**HOMERTON COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2010**

<b>6 Education expenditure</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Teaching	1,725,867	1,748,904
Tutorial	573,776	557,748
Admissions	421,296	412,365
Research	252,422	249,305
Scholarships and awards	57,648	52,972
Other educational facilities	249,708	220,853
	<u>3,280,717</u>	<u>3,242,147</u>
<b>7 Residences, catering and conferences expenditure</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Accommodation - College Members	1,657,145	1,680,813
- Conferences	391,525	343,837
Catering - College Members	887,219	859,903
- Conferences	116,311	97,099
Colophon Conferences - Accommodation	188,750	171,764
- Catering	233,071	223,775
College bar	61,182	55,340
	<u>3,535,203</u>	<u>3,432,531</u>
<b>8 Other expenses</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<b>College administration</b>		
<b>Pay expenditure:</b>		
Directorate	16,506	13,422
Administrative staff	497,510	500,427
	<u>514,016</u>	<u>513,849</u>
<b>Non-pay expenditure:</b>		
Building repairs and maintenance	142,340	111,047
Building feasibility study	2,294	301
Fuel and light	127,151	145,659
Rates	36,353	14,672
Depreciation: buildings	404,831	393,109
Depreciation: furniture and equipment	104,030	114,688
Other expenses	167,501	117,217
Reclassification of costs to residence	(346,568)	(343,877)
Interest on pension scheme liabilities	669,000	621,000
Expected return on pension scheme assets	(460,000)	(519,000)
	<u>1,360,948</u>	<u>1,168,665</u>

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

**HOMERTON COLLEGE****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 JULY 2010****9 Analysis of expenditure by activity**

<b>2009/10</b>	<b>Staff costs (note 21) £</b>	<b>Other operating expenses £</b>	<b>Depreciation £</b>	<b>Total £</b>
Education (note 6)	2,135,455	865,809	279,453	3,280,717
Residences, catering and conferences (note 7)	1,294,679	1,538,460	702,064	3,535,203
Other (note 8)	514,016	338,071	508,861	1,360,948
	<u>3,944,150</u>	<u>2,742,340</u>	<u>1,490,378</u>	<u>8,176,868</u>
	<u><u>3,944,150</u></u>	<u><u>2,742,340</u></u>	<u><u>1,490,378</u></u>	<u><u>8,176,868</u></u>
<b>2008/09</b>	<b>Staff costs (note 21) £</b>	<b>Other operating expenses £</b>	<b>Depreciation £</b>	<b>Total £</b>
Education (note 6)	2,094,859	845,532	301,756	3,242,147
Residences, catering and conferences (note 7)	1,289,616	1,425,760	717,155	3,432,531
Other (note 8)	513,849	45,019	507,797	1,066,665
	<u>3,898,324</u>	<u>2,316,311</u>	<u>1,526,708</u>	<u>7,741,343</u>
	<u><u>3,898,324</u></u>	<u><u>2,316,311</u></u>	<u><u>1,526,708</u></u>	<u><u>7,741,343</u></u>

HOMERTON COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010

10 Fixed assets

Tangible fixed assets

a) Consolidated

	College Buildings and site £	Furniture, fittings & equipment £	Sub-total Operational assets £	Investment land £	Total £
<b>Cost/valuation</b>					
At 1 August 2009	67,571,840	2,959,133	70,530,973	10,700,000	81,230,973
Additions	-	119,955	119,955	-	119,955
Revaluation	(5,090,340)	-	(5,090,340)	300,000	(4,790,340)
At 31 July 2010	62,481,500	3,079,088	65,560,588	11,000,000	76,560,588
<b>Depreciation</b>					
At 1 August 2009	2,467,419	2,250,326	4,717,745	-	4,717,745
Provided for the year	1,233,865	256,513	1,490,378	-	1,490,378
Eliminated on revaluation	(3,701,284)	-	(3,701,284)	-	(3,701,284)
At 31 July 2010	-	2,506,839	2,506,839	-	2,506,839
<b>Net book value</b>					
At 31 July 2010	62,481,500	572,249	63,053,749	11,000,000	74,053,749
At 31 July 2009	65,104,421	708,807	65,813,228	10,700,000	76,513,228

b) College

	College Buildings and site £	Furniture £	Sub-total Operational assets £	Investment land £	Total £
<b>Cost/valuation</b>					
At 1 August 2009	67,571,840	2,665,782	70,237,622	10,700,000	80,937,622
Additions	-	119,955	119,955	-	119,955
Revaluation	(5,090,340)	-	(5,090,340)	300,000	(4,790,340)
At 31 July 2010	62,481,500	2,785,737	65,267,237	11,000,000	76,267,237
<b>Depreciation</b>					
At 1 August 2009	2,467,419	2,058,120	4,525,539	-	4,525,539
Provided for the year	1,233,865	226,945	1,460,810	-	1,460,810
Eliminated on revaluation	(3,701,284)	-	(3,701,284)	-	(3,701,284)
At 31 July 2010	-	2,285,065	2,285,065	-	2,285,065
<b>Net book value</b>					
At 31 July 2010	62,481,500	500,672	62,982,172	11,000,000	73,982,172
At 31 July 2009	65,104,422	607,661	65,712,083	10,700,000	76,412,083

# HOMERTON COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 JULY 2010

#### 10 Fixed assets (continued)

##### c) Land and buildings

A desktop valuation of the College's operational site and premises was completed by Messrs Bidwells, Chartered Surveyors on 31 July 2010. This valuation, amounting to £62,481,500, has been incorporated in the accounts. The valuation was prepared adopting the following bases:

- College houses, generally used for student and staff accommodation, were valued at open market value for existing use.
- College site - Due to the specialised nature of the College's activities, the principal method of valuation of land and buildings was open market capital value for existing use on a depreciated replacement cost basis.

The valuation of the College's operational land and buildings gave rise to a deficit of £1,389,056 compared against carrying values and has been taken direct to undesignated reserves.

The investment land was valued by Messrs Bidwells, Chartered Surveyors, at £11,000,000 on 31 July 2010 on the basis of open market value taking account of the College's Estates Strategy for the future use of this land. This has given rise to a surplus of £300,000 on the previous valuation and this has also been taken direct to undesignated reserves.

The insured value of freehold buildings as at 31 July 2010 was £72,598,116 (2009: £72,598,116) including the costs of related professional fees.

#### 11 Investments in subordinated company

College  
£

Shares at cost

At 1 August 2009 and 31 July 2010

40,000

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

**HOMERTON COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2010**

<b>12 Investments</b>	<b>Consolidated and College</b>	
	<b>2010</b>	<b>2009</b>
	£	£
Balance at 1 August	27,878,188	28,770,805
Additions	13,973,116	5,794,952
Disposals	(2,810,830)	(4,029,084)
Revaluation/(devaluation) in year (Decrease)/Increase in cash balances and deposits held at fund managers	3,351,679	(2,906,471)
	(657,893)	247,986
Balance at 31 July	<u>41,734,260</u>	<u>27,878,188</u>
Represented by:		
Quoted securities - equities	36,809,255	25,568,459
Quoted securities - fixed interest including convertibles	4,120,067	846,898
Cash held for reinvestment	804,938	1,462,831
Total	<u>41,734,260</u>	<u>27,878,188</u>

<b>13 Debtors</b>	<b>Consolidated</b>		<b>College</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	£	£	£	£
Debtors falling due within one year:				
Trade debtors	418,577	1,075,753	289,288	923,543
Amounts due from related undertakings	-	-	748,258	591,854
Other debtors	560,567	513,472	443,914	383,278
	<u>979,144</u>	<u>1,589,225</u>	<u>1,481,460</u>	<u>1,898,675</u>

<b>14 Cash</b>	<b>Consolidated</b>		<b>College</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	£	£	£	£
Cash at bank - short term deposits	2,745,375	10,052,455	2,146,712	9,523,570
Cash in hand	1,210	910	910	910
	<u>2,746,585</u>	<u>10,053,365</u>	<u>2,147,622</u>	<u>9,524,480</u>



**HOMERTON COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2010**

15 Creditors: amounts falling due within one year	Consolidated		College	
	2010 £	2009 £	2010 £	2009 £
Trade creditors	245,324	240,369	157,170	99,482
Other taxation and social security	61,362	133,364	61,362	133,364
Other creditors and accruals	476,589	1,237,679	392,118	1,064,385
Deferred income	66,471	70,051	61,867	67,729
	<u>849,746</u>	<u>1,681,463</u>	<u>672,517</u>	<u>1,364,960</u>

Other creditors includes £nil (2009: £32,832) in respect of College external research grants.

16 Creditors: amounts falling due after one year	Consolidated and College	
	2010 £	2009 £
Accruals and deferred income	<u>2,927,855</u>	<u>2,959,536</u>

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

17 Provisions for liabilities and charges	Consolidated and College	
	2010 £	2009 £
Balance at 1 August	450,510	605,463
Increase/(reduction) in liability:		
Benefits paid	(66,108)	(69,554)
Charge for the period in the income and expenditure account	27,880	79,122
Changes in actuarial assumptions	(62,565)	(164,521)
Balance at 31 July	<u>349,717</u>	<u>450,510</u>

The provision represents the College's liability to enhance the pensions of teaching staff who have retired early. Actuarial gains and losses arising from changes to made to the assumptions used in determining the provision are recognised in the statement of total recognised gains and losses.

HOMERTON COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010

18 Capital and reserves

a) Consolidated

	Note	Income/ Expendable Capital funds 2010 £	Permanent capital funds 2010 £	Total 2010 £	Total 2009 £
<b>Restricted funds:</b>					
<i>Funds for Collegiate purposes</i>					
Deferred capital grant		2,821,898	-	2,821,898	2,901,182
Donations and benefactions		50,220	-	50,220	45,866
		<u>2,872,118</u>	<u>-</u>	<u>2,872,118</u>	<u>2,947,048</u>
<b>Unrestricted funds</b>					
<i>Designated funds</i>					
Building refurbishment fund		12,900,000	-	12,900,000	12,900,000
Donations and benefactions		1,666,146	-	1,666,146	1,643,335
		<u>14,566,146</u>	<u>-</u>	<u>14,566,146</u>	<u>14,543,335</u>
<i>Undesignated funds</i>					
Revenue reserves		15,468,183	23,416,884	38,885,067	35,574,491
Revaluation reserve	20	12,962,763	42,167,839	55,130,602	53,626,603
		<u>28,430,946</u>	<u>65,584,723</u>	<u>94,015,669</u>	<u>89,201,094</u>
Total		<u>45,869,210</u>	<u>65,584,723</u>	<u>111,453,933</u>	<u>106,691,477</u>

HOMERTON COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010

18 Capital and reserves (continued)

b) College

	Note	Income/ Expendable Capital funds 2010 £	Permanent capital funds 2010 £	Total 2010 £	Total 2009 £
<b>Restricted funds:</b>					
<i>Funds for Collegiate purposes</i>					
Deferred capital grant		2,821,898	-	2,821,898	2,901,182
Donations and benefactions		50,220	-	50,220	45,866
		<u>2,872,118</u>	<u>-</u>	<u>2,872,118</u>	<u>2,947,048</u>
<b>Unrestricted funds</b>					
<i>Designated funds</i>					
Building refurbishment fund		12,900,000	-	12,900,000	12,900,000
Donations and benefactions		1,666,146	-	1,666,146	1,643,335
		<u>14,566,146</u>	<u>-</u>	<u>14,566,146</u>	<u>14,543,335</u>
<i>Undesignated funds</i>					
Revenue reserves		15,700,248	23,416,884	39,117,132	35,798,043
Revaluation reserve	20	12,757,146	42,167,839	54,924,985	53,420,986
		<u>28,457,394</u>	<u>65,584,723</u>	<u>94,042,117</u>	<u>89,219,029</u>
Total		<u>45,895,658</u>	<u>65,584,723</u>	<u>111,480,381</u>	<u>106,709,412</u>

c) Explanation of fund balances

**Restricted funds** - funds, the income of which may only be used for a particular purpose i.e. subject to a legally binding restriction such as a trust deed or will.

**Unrestricted funds** - funds, the income of which may be used for any purpose.

**Designated funds** – funds, the income of which the Governing Body have decided to use for a particular purpose.

**Building refurbishment fund** – a fund that matches the estimated additional building reinstatement value between the College’s buildings insured value and the element of the building valuation attributed to permanent capital.

**Undesignated funds** - funds, the income of which may be used for any purpose.

**Reserve** - accumulated income.

**Revaluation reserve** - a reserve created by the revaluation of fixed assets and investments.

**Permanent capital** – capital which the Governing Body have no power to convert to income and apply as such (includes land held for charitable purposes).

**Expendable capital** – capital which the Governing Body have the power to convert to income and apply as such.

HOMERTON COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010

19 Reconciliation of movement in funds

Consolidated

	<u>Restricted Funds</u>		<u>Unrestricted Funds</u>				
	<i>Funds for Collegiate Purposes</i> Deferred capital grants and donations		<i>Designated Funds</i>	<i>Undesignated funds</i>			
	Income/ Expendable Capital funds £		Income/ Expendable Capital funds £	Income/ Expendable Capital funds £	Permanent Capital funds £	Total 2010 £	Total 2009 £
Balances at 1 August	2,947,048		14,543,335	23,616,371	65,584,723	106,691,477	111,534,738
Investment revaluation surplus/(deficit)	-		-	3,351,679	-	3,351,679	(2,906,471)
Investment land revaluation	-		-	300,000	-	300,000	(900,000)
Buildings revaluation deficit	-		-	(1,389,056)	-	(1,389,056)	-
Profit/(loss) on sale of investments	-		-	484,265	-	484,265	(984,601)
Transfer of deferred grant to Income & Expenditure account	(79,284)		-	-	-	(79,284)	(83,419)
Surplus for the year	-		-	1,490,287	-	1,490,287	1,894,709
Transfer from Income & Expenditure account of:							
Capital appreciation in year	3,599		57,277	(60,876)	-	-	-
Investment income	755		7,351	(8,106)	-	-	-
Transfer of Education Account deficit to designated fund	-		(41,817)	41,817	-	-	-
Changes in assumptions underlying the present value of teachers pension obligations	-		-	62,565	-	62,565	164,521
Pension scheme actuarial deficit for the year	-		-	(252,000)	-	(252,000)	(2,028,000)
Gain on change in basis of LGPS pension benefits to Consumer Price Index from RPI	-		-	794,000	-	794,000	-
Balances at 31 July	<u>2,872,118</u>		<u>14,566,146</u>	<u>28,430,946</u>	<u>65,584,723</u>	<u>111,453,933</u>	<u>106,691,477</u>

The value at 31 July 2007 of the College's main site land and buildings (excluding College houses and the Western and Northern sites) has been classified as Permanent Capital (as defined in the explanation of funds).

The restricted funds are funds for Collegiate purposes and represent HEFCE and other deferred capital grants amounting to £2,821,898 (2009: £2,901,182) together with £50,220 (2009: £45,866) relating to scholarship funds. Designated funds include £12,900,000 for the Building refurbishment fund, £1,206,397 (2009: £1,248,214) for the Education Reserve account and £459,749 (2009: £395,121) Other Funds.

HOMERTON COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010

19 Reconciliation of movement in funds (continued)

At 31 July 2010 funds are invested in the following categories of assets:

	<u>Restricted Funds</u>		<u>Unrestricted Funds</u>				
	<i>Funds for Collegiate Purposes</i> Deferred capital grants and donations		<i>Designated Funds</i>	<i>Undesignated funds</i>	Permanent Capital Funds	Total 2010	Total 2009
	Income/Expendable Capital funds		Income/Expendable Capital funds	Income/Expendable Capital funds			
	£		£	£	£	£	£
Tangible fixed assets	2,821,898	-	5,647,128	65,584,723	74,053,749	76,513,228	
Investment assets	38,398	373,612	41,322,250	-	41,734,260	27,878,188	
Net current assets	11,822	14,192,534	(11,288,860)	-	2,915,496	9,995,107	
Creditors over a year	-	-	(2,927,855)	-	(2,927,855)	(2,959,536)	
Provisions for liabilities and charges	-	-	(349,717)	-	(349,717)	(450,510)	
Pension liability	-	-	(3,972,000)	-	(3,972,000)	(4,285,000)	
Total	2,872,118	14,566,146	28,430,946	65,584,723	111,453,933	106,691,477	

College

	<u>Restricted Funds</u>		<u>Unrestricted Funds</u>				
	<i>Funds for Collegiate Purposes</i> Deferred capital grants and donations		<i>Designated Funds</i>	<i>Undesignated funds</i>	Permanent Capital funds	Total 2010	Total 2009
	Income/Expendable Capital funds		Income/Expendable Capital funds	Income/Expendable Capital funds			
	£		£	£	£	£	£
Balance at 1 August	2,947,048	14,543,335	23,634,306	65,584,723	106,709,412	111,546,938	
Surplus for the year	-	-	1,498,800	-	1,498,800	1,900,444	
Investment revaluation surplus/(deficit)	-	-	3,351,679	-	3,351,679	(2,906,471)	
Investment land revaluation	-	-	300,000	-	300,000	(900,000)	
Profit/(loss) on sale of investments	-	-	484,265	-	484,265	(984,601)	
Release of capital grant to income and expenditure account	(79,284)	-	-	-	(79,284)	(83,419)	
Buildings revaluation deficit	-	-	(1,389,056)	-	(1,389,056)	-	
Transfer from Income & Expenditure account of:							
Capital appreciation in year	3,599	57,277	(60,876)	-	-	-	
Investment income	755	7,351	(8,106)	-	-	-	
Transfer of Education Account deficit to designated fund	-	(41,817)	41,817	-	-	-	
Changes in assumptions underlying the present value of teachers pension obligations	-	-	62,565	-	62,565	164,521	
Pension scheme actuarial deficit for the year	-	-	(252,000)	-	(252,000)	(2,028,000)	
Gain on change in basis of LGPS pension benefits to Consumer Price Index from RPI	-	-	794,000	-	794,000	-	
Balance as at 31 July	2,872,118	14,566,146	28,457,394	65,584,723	111,480,381	106,709,412	

HOMERTON COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010

19 Reconciliation of movement in funds (continued)

At 31 July 2010 funds are invested in the following categories of assets:

	<u>Restricted Funds</u>		<u>Unrestricted Funds</u>			
	<i>Funds for Collegiate Purposes Deferred capital grants and donations</i>	<i>Designated Funds</i>	<i>Undesignated funds</i>			
	<b>Income/ Expendable Capital funds</b>	<b>Income/ Expendable Capital funds</b>	<b>Income/ Expendable Capital funds</b>	<b>Permanent Capital funds</b>	<b>Total 2010</b>	<b>Total 2009</b>
	£	£	£	£	£	£
Tangible fixed assets	2,821,898	-	5,575,551	65,584,723	73,982,172	76,412,082
Investment assets	38,398	373,612	41,362,250	-	41,774,260	27,918,188
Net current assets	11,822	14,192,539	(11,230,835)	-	2,973,521	10,074,188
Creditors over a year	-	-	(2,927,855)	-	(2,927,855)	(2,959,536)
Provisions for liabilities and charges	-	-	(349,717)	-	(349,717)	(450,510)
Pension liability	-	-	(3,972,000)	-	(3,972,000)	(4,285,000)
Total	<u>2,872,118</u>	<u>14,566,146</u>	<u>28,457,394</u>	<u>65,584,723</u>	<u>111,480,381</u>	<u>106,709,412</u>

20 Revaluation reserve

Revaluation reserves represent revaluation surpluses of tangible fixed assets and investments. Movements on the reserve are as follows:

	<u>Consolidated</u>		<u>College</u>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	£	£	£	£
Balance at 1 August	53,626,603	58,160,072	53,420,986	57,954,455
Investment revaluation surplus/(deficit)	3,351,679	(2,906,471)	3,351,679	(2,906,471)
Investment land revaluation	300,000	(900,000)	300,000	(900,000)
Buildings revaluation	(1,389,056)	-	(1,389,056)	-
Transfer to revenue reserves	(758,624)	(726,998)	(758,624)	(726,998)
Balance at 31 July	<u>55,130,602</u>	<u>53,626,603</u>	<u>54,924,985</u>	<u>53,420,986</u>

The revaluation reserve is included within the College's undesignated funds and is analysed between income expendable and permanent capital funds.

HOMERTON COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010

<b>21 Staff</b>	<b>College Fellows- other academics</b>	<b>Non- academics</b>	<b>Total</b>	<b>Total</b>
<b>Consolidated</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Staff costs</b>				
Emoluments	1,059,453	2,247,712	3,307,165	3,308,924
Social security costs	74,050	148,979	223,029	222,848
Other pension costs	116,148	297,808	413,956	366,552
	<u>1,249,651</u>	<u>2,694,499</u>	<u>3,944,150</u>	<u>3,898,324</u>
<b>Average staff numbers</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
Academic (including library)	67	-	67	67
Non-academics	-	111	111	108
	<u>67</u>	<u>111</u>	<u>178</u>	<u>175</u>
Full time equivalents (non academics)				
Fellows – Full Time Stipendiary	17			
Fellows – Part Time Stipendiary	20			
Fellows – Non Stipendiary	13			
	<u>50</u>			
Other Academics (Non Fellows)	17			
	<u>67</u>			

The Principal, who was also a Pro Vice-Chancellor of the University of Cambridge until 31 December 2009, received part of her gross salary from the University during the year to 31 July 2010 and consequently the proportion charged in the College accounts is less than £100,000. There were no other officers or employees who received emoluments in excess of £100,000 in the year to 31 July 2010.

**22 College pension schemes**

The College participates in two schemes, Universities Superannuation Scheme (USS) and Cambridgeshire County Council Pension Fund (CCCPF). The CCCPF is part of the Local Government Pension Scheme (LGPS). All the schemes are defined benefit schemes that are externally funded and contracted out of the State Second Pension. The assets of the schemes are held in separate trustee-administered funds. The institution is unable to identify its share of the underlying assets and liabilities of the USS scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

CCCPF has been able to apportion a percentage of its funds assets and liabilities relating to the College and therefore the scheme has been treated as a defined benefit scheme in the accounts. The disclosure requirements of FRS17 in relation to these schemes are shown below.

# HOMERTON COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 JULY 2010

#### 22 College pension schemes (continued)

The total pension cost for the College and its subsidiaries for the year to 31 July 2010 was:

	2010 £	2009 £
Contributions USS	93,391	80,507
Current service cost of CCCPF (LGPS)	336,000	264,000
Payment to University of Cambridge for TPS	6,002	8,326
Total pension cost	<u>435,393</u>	<u>352,833</u>

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

The latest valuations of the schemes assets and liabilities for which results are available:

	USS	CCCPF (LGPS)
Date of valuation	31 March 2008	31 March 2007
Market valuation of assets	£28,843m	£1,390m
Past service liabilities	£28,136m	£1,609m
Surplus/(deficit) of assets	£707m	£(219)m

#### USS

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

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

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



# HOMERTON COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 JULY 2010

#### 22 College pension schemes (continued)

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation of USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2010 are also included in this note.

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

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

Standard mortality tables were used as follows:

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

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

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

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

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

## HOMERTON COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 JULY 2010

#### 22 College pension schemes (continued)

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

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

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065 million). This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using a AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

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

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 next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2010, USS had over 135,000 active members and the institution had 37 active members participating in the scheme.

The total pension cost for the institution was £93,391 (2009: £80,507). There were no outstanding or prepaid contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

#### **Cambridgeshire County Council Pension Fund (CCCPF (LGPS))**

The CCCPF is a defined benefit scheme based on final pensionable salary.

Liabilities are valued on an actuarial basis using the projected unit method which assess the future liabilities discounted to their present value.

HOMERTON COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010

22 College pension schemes (continued)

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

The main assumptions used for the purposes of FRS 17 are as follows:	<b>2010</b>	<b>2009</b>
Discount rate	5.4% pa	6.0% pa
Rate of increase of salaries	4.9% pa	5.2% pa
Rate of increase of pension in payment	2.9% pa	3.7% pa
Expected return on assets	6.6% pa	6.7% pa

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

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Equities	5,555	4,892
Bonds	1,270	1,087
Property	715	476
Other	397	339
	<hr/>	<hr/>
Total	7,937	6,794
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>2010</b>	<b>2009</b>
Current pensioners		
Males	20.8	19.6
Females	24.1	22.5
Future pensioners		
Males	22.3	20.7
Females	25.7	23.6

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

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Present value of funded obligations	(11,908)	(11,078)	(9,215)	(8,538)	(8,192)
Fair value of plan assets	7,937	6,794	7,055	6,980	5,788
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(3,971)	(4,284)	(2,160)	(1,558)	(2,404)
Present value of unfunded obligations	(1)	(1)	(1)	(1)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net liability recorded in the balance sheet	(3,972)	(4,285)	(2,161)	(1,559)	(2,404)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Experience gain / (loss) on assets	529	(893)	(488)	311	295
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Experience gain / (loss) on liabilities	(781)	(1,135)	(259)	1	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**HOMERTON COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2010**

**22 College pension schemes (continued)**

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

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts charged to income and expenditure account</b>		
Current service cost	336	264
Interest on obligation	669	621
Expected return on plan assets	(460)	(519)
Losses on curtailment and settlements	-	40
	<u>545</u>	<u>406</u>

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

Actuarial gains/(losses) on pension scheme assets	529	(893)
Actuarial losses on pension obligation	(781)	(1,135)
Actuarial gain on change to basis of LGPS pension benefits to Consumer Price Index from RPI	794	-
	<u>542</u>	<u>(2,028)</u>

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

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Opening defined benefit obligation	11,078	9,216
Current service cost	336	264
Interest cost	669	621
Contributions by members	113	104
Actuarial (gains)/losses	781	1,135
Losses on curtailments and settlements	-	40
Change in basis of pension benefits	(794)	-
Benefits paid	(275)	(302)
	<u>11,908</u>	<u>11,078</u>

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

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Opening fair value of plan assets	6,794	7,055
Expected return	460	519
Contributions by members and other bodies	113	137
Contributions by employer	316	278
Actuarial gains/(losses)	529	(893)
Benefits paid	(275)	(302)
	<u>7,937</u>	<u>6,794</u>

The College expects to contribute £321,084 to its defined benefit pension plans in the year ending 31 July 2011 (2009: expected to contribute £303,897 in the year to 31 July 2010).

The management bases required by FRS 17 are likely to give rise to significant fluctuations in the reported amounts of the defined benefit pension scheme assets and liabilities from year to year, and do not necessarily give rise to a change in the contributions payable into the scheme, which are recommended by independent actuaries based on the expected long term rate of return on the scheme assets.

# **HOMERTON COLLEGE**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 JULY 2010**

#### **23 Related Party Transactions**

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