

Pembroke College, Cambridge

Recommended Cambridge College Accounts (RCCA)

For the year ended 30th June 2021

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Pembroke College Contact Information

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Key officers

Master - Rt. Hon. Lord Smith of Finsbury
Treasurer and Bursar – Dr. A. Cates
Senior Tutor – Dr. A. W. Tucker (to 31st August 2021); Dr R Mayhew (from 1st September 2021)

Registered charity number

1137492

VAT number

214 2442 08

Professional advisors:

Actuaries

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Auditors

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CB1 2LA

Bankers

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Cambridge
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Principal solicitors

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Principal property managers

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Cambridge CB2 2LD

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Pembroke College Trustees of the charity

Rt Hon Lord Smith of Finsbury	Dr P Cavill
Professor NA Fleck	Professor J Durrell
Professor MC Payne	Dr MJ Sternberg
Professor TRS Allan	Dr HGM Diemberger
Professor JP Parry	Dr S Cottaar
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Dr T Mølsner	Professor P Warde
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Professor CJ Young	Dr A Madhavapeddy
Professor SS Cardoso	Dr G Hennequin
Mr NJ McBride	Dr D Passolt
Professor N Cooper	Dr R Laemmle
Professor KGC Smith	Dr N Burton
Professor L Kassell (paused 30 th September 2021)	Professor G Hayward
Professor V Deshpande	Professor N Jones
Dr DN Tambakis	Dr J Bausch (left 31 st March 2021)
Professor N Datta	Dr A Fryxell (left 31 st March 2021)
Professor AC Ferrari	Dr M Arbabzadah
Professor RP Blakesley	Professor M Hulme
Professor AW Tucker	Dr J Kromdijk
Dr S Learmount	Dr A Ashraf
Professor S Barrett	Dr A Prorok
Dr A Shadrin	Dr J Maratsos
Revd Dr J Gardom	Dr M Halliday (left 30 th September 2021)
Dr K Ettenhuber	Ms C Tonooka (paused 3 rd February 2021)
Mr M Mellor	Dr L Magri (left 31 st March 2021)
Professor Sir S O'Rahilly	Professor A Cardona
Professor G Csanyi	Professor H Bronstein
Professor M Clatworthy	Dr A-M Pappa (left 15 th August 2021)
Professor CM Lizieri	Dr A Asseraf
Dr A Houen	Professor R Kilner
Professor R Gagne	Dr H Elsis Ashmawi
Dr M Gorji	Dr R Mayhew (start 1 st September 2021)
Professor C Loch	Dr C Kamal (start 1 st October 2021)
Professor C Grey	Dr S Mohamed (start 1 st October 2021)
Dr M Abreu	Dr N Morelli (start 1 st October 2021)
Dr S John	Dr S Ward (start 1 st October 2021)
Dr C Burt	Professor X Wei (start 1 st October 2021)
Professor R Johnson	Professor R Morieux (start 1 st October 2021)
Dr A Cates	Dr M Colla (start 1 st October 2021)

Pembroke College

Operating and Financial Review

For the financial year ended 30 June 2021

Status

Marie de St. Pol founded the College or Hall of Valence-Mary in the University of Cambridge, more commonly known as Pembroke College, in 1347. The College is an autonomous, self-governing community of scholars, and one of the thirty one Colleges within the University of Cambridge. The College is a registered charity and its registered charity number is 1137492.

Aims and objectives

The College is an institution of higher education. Its purposes are the promotion of education, religion, learning, research and scholarship, and the personal and intellectual development of its members. The College admits (as junior members) undergraduate and postgraduate students matriculated in the University of Cambridge. It provides financial and other support to those of its members who require it in order to achieve its purposes, and it supports teaching and research in the University. In furtherance of its objectives, the College maintains and manages an investment portfolio, including properties. Besides financial and tutorial support, it provides accommodation, catering, and other services to its members and to others. Governance arrangements for the College are set out on page 11.

Overview of the Year

On page 25, the College Statement of Comprehensive Income and Expenditure (SOCIE) shows a surplus of £20.7m (2020 surplus £1.1m). The SOCIE is a statement of all movements of the net assets of the College between one year and the next. Therefore, it reports all operating income and expenditure, investment gains and losses and other adjustments, e.g. total return and pension adjustments. Investment gains were £12.7m (2020 £0.9m). Mill Lane restricted gifts were £13.1m (2020 £2.4m). In the year, the USS pension provision fell by £0.2m (2020 provision fell £1.1m) and the CCFPS actuarial deficit fell by £0.9m (2020 deficit rose by £0.04m). The boxed section on page 25 is, in effect, the operating result as reported for the year. Therefore, the College reported a deficit of £4.3m for 2020/21 compared to £0.9m for 2019/20, an increased deficit principally because of the loss of all International Programmes activity, lower student rental income in Lent Term and greatly reduced Catering/event activity.

The College management accounts for the year reported a deficit of £2.3m (2020 surplus £40k). The difference between that and the RCCA deficit of £4.3m is as follows:

	£m
Management accounts deficit	(2.3)
Add:	
Capital additions	0.4
Less:	
Depreciation	(2.2)
Other	(0.2)
Deficit Included in SOCIE	(4.3)

The College aims for a balanced budget in its management accounts, which in the past year was not possible due to the pandemic. After a planned smaller deficit of £0.5m in 2021/22, expectations are for a return to surplus in 2022/23. The College will then assess how to manage the impact of the 2020-2022 deficit over the longer term.

The Balance Sheet shows net assets of £280.9m (2020 £260.3m), including investments of £110.8m (2020 £99.5m), where £97.2m relates to endowment assets. Total assets include short-term investments of £25.1m which consist of gifts (net of expenditure) to fund the Mill Lane project. There is also a payment of £6.3m in process in July 2021 from the Dolby family.

Total return for the year was 13.4% (2020 2.4%). Total return includes income and capital growth but excludes donations to the endowment.

Students

During the year, the College educated 481 (2020 459) undergraduate students and 283 (2020 256) postgraduate students. This includes all students up to the time they complete their studies, regardless of the time spent at the College.

Pembroke College

Operating and Financial Review (continued)

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

The previous year has been exceptional with regard to admissions, due to the COVID-19 pandemic. Various national lockdowns meant that the decision was made by the University to move the entire undergraduate selection process online, including interviews and both the Summer and Winter Pools. The number of students accepted by Pembroke in 2020 was higher than usual, as more students than anticipated met their offers.

Undergraduate student applications are shown below, showing the level of diversity of students attending Pembroke. About 29.6% of undergraduate applications are from overseas (including EU) backgrounds:

Applicants

- Number of applicants 891 (2020 903)
- Arts 443 or 50% (2020 43%); Science 448 or 50% (2020 57%)
- Male 53% (2020 52%), female 47% (2020 48%)
- Home 70% or 627; EU 7% or 66 (2020 Home/EU 84%); Overseas 22% or 198 (2020 16%)
- State school applicants – maintained sector 421 or 68% (2020 493 or 73%); independent sector 201 or 33% (2020 184 or 27%)

Offers

- Number of offers made for 2021 entry 154 (17% of applicants) (2020 174 or 19%)
- State educated 69%, independent educated 31% (of home offers)
- Male 58%, female 42%

The College charges the following fees:

- College fees at externally regulated rates to undergraduates entitled to Student Support and to graduate students (with those undergraduate fees being paid by grant funding through arrangements approved by the Government), and a fee determined by the College annually to overseas undergraduates and any Home undergraduates not entitled to Student Support. Accommodation and meals are charged at reasonable rates.

Widening Participation

The College's work in the area of widening participation helps young people from backgrounds which are traditionally under-represented at Cambridge to have confidence in their ability and to consider applying to top universities, including Cambridge. It equips the students with information relevant to their stage in the student life cycle, and how to understand the additional elements of the application process at Cambridge. In particular we work to debunk myths about what we are looking for in successful applicants. The events that we deliver are targeted according to the stage participants are at; for example, sixth formers benefit from sessions targeted at the application process and super curricular exploration, whilst key stage 4 students receive support on A level selection and early preparation. In addition, we work with teachers to help them more fully understand what we are looking for in applicants, and how our application process works, enabling them to better advise the students they are working with. Our programme includes both events that work with school groups, and those with a focus on individual applicants.

The COVID-19 pandemic has necessitated changes to the ways in which the Schools Liaison Team has delivered its work over the last year. All in person events were cancelled, with provision moving online as far as possible. This included online personal statement sessions, teachers' Q&As, interview workshops, and provision for the University and College open days – both live, and in the format of pre-recorded videos. Engagements with schools have been rarer than previously, due both to the fact that the School Liaison Team was temporarily without one member of staff, as well as schools and colleges being closed and needing to make provision for online teaching.

Our event programme is frequently reviewed and updated as appropriate; in the coming year it will include masterclasses, personal statement workshops, visit days, open days, remote interview sessions, and online residential events – amongst other activities. Within total admissions and access costs of £0.9m shown on page 30, £0.5m was spent on Access and Widening Participation activity in the year.

Pembroke College Operating and Financial Review (continued)

Student Support

In order to assist undergraduates entitled to Student Support, the College provides, through the Cambridge Bursary Scheme operated in common with the University and other Colleges, bursary support for those of limited financial means. That scheme was approved by the Office of Fair Access (OFFA) and provides benefits at a substantially higher level than the minimum OFFA requirement. In total £1m has been provided to students through this and other College provision over the last three years as detailed in the table. The majority of bursary support is provided through the Cambridge Bursary Scheme. In addition, undergraduate studentships have been supported over the same period with £56k of funding.

The College also provides substantial financial support to its postgraduate students. This has amounted to £1.4m over the past three years and includes scholarships to fund fees and living costs, as well as 'top-up' funding to fill shortfalls in students' funding packages.

The College supports all students through a grant scheme to assist with the purchase of books and equipment, attendance at conferences, childcare support, vacation study, counselling and travel grants. In the period June 2018 to June 2021, this support amounted to £0.4m. Additional counselling support has increased of late, in addition to the other support offered to students such as via the University/College counselling services. Prizes and scholarships of £0.3m have also been awarded over the same 3-year period. Awards were greatly reduced in 2019/20 due to the effects of the pandemic on the Easter Term.

In addition to its other programmes, the College operates a maintenance/hardship scheme for students in financial hardship which has provided £0.4m of assistance in the past 3 years.

The following table shows the awards made to students over the three years:

Support	3 Year Total £k	2020/21 £k	2019/20 £k	2018/19 £k
Postgraduate studentships	1,390	467	495	428
Undergraduate studentships	56	19	16	21
Cambridge Bursaries	844	300	265	279
Other bursary/student support	131	19	54	58
Prizes and scholarships	256	96	33	127
Maintenance/rent rebates	362	136	131	95
Book grants	37	17	7	13
Research expenses	95	6	36	53
Counselling support (excluding University Counselling service and in-house counselling c £45k p.a.)	67	40	17	10
Vacation study	99	56	12	31
Other awards	82	24	30	28
Total awards	3,419	1,180	1,096	1,143

The College's aims in the area of student funding are to support academic excellence irrespective of financial background, in a diverse and interdisciplinary community. We wish to attract the most able students and enable them to reach their academic potential. This area is managed by the Student Finance Committee reflecting the growing complexity and budget of student funding. In order to achieve the greatest possible accountability, the committee shall: 1) support strategic and budgetary planning; 2) allow for adaptability in light of changes to University and national/external funding policy landscape; and 3) respond to the needs of other sections of the College including, for example, the Admissions, Postgraduate, and Development Offices. What is covered by the student funding policy falls into three broad areas: 1) Means tested undergraduate student support, in partnership and in addition to the Cambridge Bursary scheme; 2) non-means tested postgraduate studentships awarded at entry in partnership with the University complemented by a Pembroke MPhil Scheme; 3) General support available to all students. General support for undergraduates includes vacation study grants and academic enrichment, hardship funds, counselling and medical fee support, general travel awards as well as subject specific expenses. Postgraduates have the opportunity to apply for research specific travel and conference support, as well as support-in-kind for Pembroke student led symposia/conferences in Cambridge, academic enrichment and hardship funds; counselling and medical fee support.

Pembroke College

Operating and Financial Review (continued)

Academic performance

In 2020/21, Pembroke College continued its excellent performance for undergraduate examination results despite the difficult operating environment throughout the year.

Employees

In order to fulfil its charitable purposes, the College employs as Fellows: College Lecturers, Supervisors, Director of Studies, Tutors, Clergy and senior administrative officers, all of whom, along with the Master, serve as charity trustees through being members of the College's Governing Body. The employment of the Master and Fellows is undertaken with the intention of furthering the College's objectives and their employment directly contributes to the fulfilment of those aims (although paying Fellows who are trustees is allowed by the Charity Commission). The benefit accruing to the Master and Fellows through salaries, stipends and employment related benefits is objectively reasonable, measured against academic stipends generally; furthermore, annual pay increases normally follow national settlements applying to the university sector. Without the employment of Fellows, the College could not fulfil its charitable aims as a College in the University of Cambridge. The total number of Fellows in the year was 75 (2020 79) excluding Life Fellows. The College also employs 154 other FTE members of staff to provide the professional, academic and service support necessary to run the College. This figure compares with 185 in 2019/20. The reduction is due to no International Programmes activities in the year and a pause in some recruiting. No staff redundancies were made as a result of the pandemic and the College made use of the Government Job Retention Scheme. In addition, the College continued to pay a staff attendance bonus.

Internal Beneficiaries

The Master and Fellows of the College receive a number of benefits as beneficiaries. These include accommodation, loans, research grants, conference grants and book grants. These benefits are provided with the intention of furthering the College's aims and primarily that of advancing research. The amounts of the benefits provided are objectively reasonable, measured against the academic benefits made available to others in the sector.

Funding of the College

Pembroke College is funded from a series of sources. Including endowment gifts, the principal elements of income are as follows:

	2020-21	2019-20
Donations (including legacies but excluding capital gifts)	14%	10%
Income from investment drawdown	29%	21%
International Programmes and functions/events	0%	29%
Student fees	28%	19%
Student rooms	17%	11%
Other (including catering, properties)	12%	10%
Total	100%	100%

Financial performance

The College manages its finances through a set of management accounts. During the year, the College managed its budget with a deficit of £2.3m, higher than the budgeted deficit of £2.1m. The main variances were: student fees £0.3m higher; room rents £0.3m lower; International Programmes income £0.7m lower; Job Retention Scheme grant £0.3m higher; salaries £0.2m lower; Catering non-pay costs £0.3m lower; maintenance costs £0.2m higher. The College increased spend on maintenance by £0.2m. Maintenance projects included R staircase, 2 Pembroke Street and 10 Fitzwilliam Street. Despite the challenges posed by Government restrictions in the Lent Term and greatly reduced international travel affecting International Programmes, the overall deficit did not significantly differ from budget.

On the investment front markets were much improved in comparison to the previous year resulting in a 13.4% **total return** overall (higher than the long-term target of CPI + 4%) (2020 2.4%).

During the year, the College's net assets increased to £280.9m (see pages 25 and 27). Investment in the endowment of £0.8m was made in the year. Investment assets, including private placement funds invested, increased from £99.5m to £110.8m, a rise of 11.4% (page 32).

College income increased from £17.6m in 2019/20 to £23.2m in 2020/21, despite income from fees, room rents and IP falling by £4.7m, gifts rose by £10.9m. The Statement of Comprehensive Income and

Pembroke College

Operating and Financial Review (continued)

Expenditure (see page 25), in the boxed section, reports a net deficit of £4.3m (2019/20 deficit £0.9m). Depreciation accounted for £2.2m in both years and the USS pension provision exceptionally reduced by £1m in 2019/20 and £0.2m in 2020/21 (due to the change of assumptions regarding the past service deficit and the timing of that change).

Other financial issues of note from the RCCA are:

- Fees in note 1 include College fees from IP Semester students of £NIL (2020 £1.3m).
- Total income from accommodation, catering, International Programmes and conferences (note 2) fell to £2.5m (2020 £6.1m). Income from College Members accommodation increased to £2.1m (2020 £1.9m). Student weekly rents increased by c 7%. There was a significant rent reduction in Lent Term 2021 due to the pandemic restrictions in place.
- Investment drawdown was largely unchanged at £3.4m. Drawdown is calculated on a 4-year weighted average investment portfolio at 3.9%. Drawdown from actual investments at 30th June 2020 was 3.9% (2020 3.8%) in the year.
- Education costs were unchanged at £7.6m. Student numbers increased in the year as mentioned above. The education expenditure per student excluding research costs decreased in the year to £9,985 per undergraduate (2020 £10,301) and £6,662 per postgraduate student (2020 £7,135).
- The total costs of accommodation, catering and International Programmes (note 5) decreased to £6.0m (2020 £8.3m). This was mostly an effect of the pause in International Programmes and event activity.
- The contribution to the Colleges' Fund was £34k on page 25 (2020 £23k).

Development activity

The total income from donations received was £15.0m (2020 £4.2m). This includes income detailed on page 25 (donations, endowment gifts and capital donations). The breakdown is as follows:

	£m
Annual giving	0.5
Restricted fund annual gifts	1.1
Unrestricted endowment gifts	0.1
Corporate donations	0.1
Gift of heritage asset	0.1
Capital gifts – Mill Lane	13.1
Total	15.0

Within total College expenditure of £16.1m, a total of £0.7m was spent on fundraising, corporate partnerships and alumni relations, including £0.3m on general fundraising.

Staffing costs and pension schemes

The College makes pension-fund contributions on behalf of its employees to two defined-benefit schemes: the Cambridge Colleges Federated Pension Scheme (CCFPS) on behalf of some non-academic staff, and the Universities Superannuation Scheme (USS) on behalf of academic and other staff. Notes in respect of pension schemes are shown on pages 36 to 39 of the accounts. Most new staff are auto-enrolled into the NOW:Pension Scheme (a defined contribution scheme).

Payroll costs (academic and non-academic) in note 6 reduced to £7.4m (2020 £7.6m). The decrease occurred because of:

- A swing in USS pension provision of £0.9m between 2020 and 2021.
- Staff vacancies not always filled, e.g. Housekeeping and Catering.
- No agency/few casual staff used in Catering.
- No IP fixed term appointments.
- Fewer Research Fellows in the year.
- In 19/20, two fixed term appointments were required to cover CTOs on leave.
- The College continues to pay the Real Living Wage as a minimum to all staff, casual and permanent, and has continued to pay its' non-contractual attendance bonus (despite the difficult operating climate).

Pembroke College Operating and Financial Review (continued)

As part of a change to the RCCA last year, the reader's attention is drawn to note 29 and disclosure of payments to trustees for their teaching, tutorial and College Officer roles, shown in bands of £10k. We can see that over 80% of all Fellow Trustees are paid less than £30k p.a. by the College for these roles. No Fellow is paid for being a Trustee. There has been little change since last year.

Capital projects 2020/21 and future works/discretionary projects

During the year, the main projects were to refurbish several student hostels and R staircase. Expenditure on the Mill Lane project in the year totalled £3m which mainly related to the development of plans for Phase 1 and 2 of the building project (£1.2m) and the purchase from Queens' College of their share of Millers Yard (£1.8m). 1 Little St Mary's Lane was transferred from operational to investment properties (£0.8m).

The major projects planned in 2021/22 include: Continued work to develop Mill Lane site – the renovation under Phase 1 of the Church building, new entrance to the site and 4/6 Mill Lane. Budgets for 2021/22 include work to renovate T/U Staircases and three student hostels.

General investment performance and cash management

The College holds a well-diversified portfolio covering most asset classes. The breakdown of assets in the investments portfolio at 30 June 2021 and 30 June 2020 is as follows:

General Investments	Amount 2021 £m	% Of total	Amount 2020 £m	% Of total
Investment assets (note 9)	97.2		88.0	
Managed cash (other than operating balance)	9.0	9.4	9.5	10.8
Equities	37.4	38.6	33.2	37.7
Alternative investments (hedge funds, derivatives)	3.3	3.4	3.3	3.8
Property funds	10.8	11.1	8.1	9.2
College property – shops, land and commercially held properties	31.1	32.1	29.5	33.5
Private equity, venture capital	4.6	4.7	3.5	4.0
Other investments	0.7	0.7	0.9	1.0
Total endowment Investments	97.2	100.0	88.0	100.0
Overall investment growth	10.4%		-1.2%	
New investment	-0.9%		-0.2%	
Drawdown for spending	3.9%		3.8%	
Total return	13.4%		2.4%	
Private placement investments (note 9)				
Managed cash	2.5	18.3	4.1	35.7
Equities	11.2	81.7	7.4	64.3
Total other investments	13.7	100.0	11.5	100.0
Total investment portfolio (note 9)	110.9	100.0	99.5	100.0

The College general investments are reviewed at two meetings a year by the Investments Committee. External managers are employed to manage specific elements of the investment portfolio. The College has a challenging long-term target total return of CPI plus 4%, i.e. to support investment drawdown plus educational inflation. During 2020/21, the endowment investments rose by £9.2m to £97.2m and generated a total return of 13.4%. This figure is as adjusted for the new investment of £0.8m and the £3.4m drawn down to fund expenditure. In addition, the College holds £13.7m of investments in respect of private placement loan proceeds invested (with a further £1.4m still to invest). The loan repayment terms are described on page 33 (total loans £12.9m).

Pembroke College

Operating and Financial Review (continued)

The College has a target of ensuring the investment portfolio has at least 5% invested in liquid funds (realisable in 0-10 days) and 9% in semi-liquid (realisable in 11 days to 6 weeks). The level of drawdown in 2020/21 was 3.9% of the 4-year weighted average investment level (or 3.9% of the actual investments at 30 June 2020).

The College's current investment approach, last updated in October 2019, is that the College has no direct investments in businesses which are predominantly involved in tobacco, arms, or fossil fuels. When considering whether to invest in pooled funds, where it is often impossible to specify exceptions, the level and materiality of investment is carefully considered. All College investment holdings (and the investment policy) are declared at 6-monthly intervals on its website here: <https://www.pem.cam.ac.uk/college/about-pembroke/legal-information/investment-statement>

A divestment statement was also made here: <https://www.pem.cam.ac.uk/college/news/statement-divestment>. The College is also committed to regularly challenging its bankers and investment managers in respect of such areas as fossil fuel lending, exercise of voting rights and other ESG matters.

Reserves policy

The College unrestricted reserves total £152.2m (2020 £151.7m) (page 26). This total excludes £43.5m of unrestricted endowment reserves in note 16. These reserves exist to support future generations of students, both through the provision of operational buildings and also income to partially support educational services. Reserves of £43.5m are insufficient to meet the income needs of the College and as such are supplemented by other income such as from International Programmes and fundraising. As the College is a long-term institution, reserves are held with a long-term view but an element of the unrestricted reserves could be spent as permissible by Statute and Ordinances. The Governing Body has set a minimum level of unrestricted endowment reserves of £35m that it would prefer to remain above, notwithstanding short-term stock market fluctuations. The College has an aim to repay from future surpluses any annual deficits incurred during the pandemic, but that the timing of this repayment will be assessed as more normal conditions return over the next two or three years.

Restricted reserves total an additional £85.2m (excluding £43.5m above), which includes unspent Mill Lane gifts. The restricted reserves can only be spent on purposes set down by the donor.

Challenges Ahead

Due to the COVID-19 pandemic, the financial implications for the coming few years are likely to be significant and far-reaching. The College's budget of a £0.5m deficit for 2021/22 was set with a provisional target of a £0.5m surplus in 2022/23 as summer International Programmes hopefully are able to return in 2022.

(a) There will be no summer programmes in 2021 but it is hoped that semester programmes will return in September 21 and January 22. Currently, a reduction in semester student numbers poses the largest financial risk to achieving the budget set in 21/22.

(b) Student weekly rents to increase by 7% and the move away from Kitchen Fixed Charge to a facilities charge.

(c) Student fee income would be largely unchanged from previous years. The main area of uncertainty is the impact on overseas students and their desire/ability to travel, which might reduce overseas student fee income as in 20/21.

(d) The Government Job Retention Scheme ends in September. Recruitment to fill vacant posts has begun. It is assumed that activity levels will increase without the need for further support or action.

(e) Building refurbishment programmes would continue as planned.

(f) Catering activity is expected to return in October 21, restrictions permitting. There will be a gradual return to a full programme of College events through 2021/22.


The College will continue to review how the financial deficits for 2020-2022 (and potentially beyond if there is no return to normal IP activity levels) will be managed. The deficit is likely to be funded over a number of years, in particular to ensure that the College is not borrowing operating cash for longer than necessary so as to spread the deficit recovery over several generations of members. The College has sufficient cash reserves to fund the deficit for at least the next two years as it decides how to manage the longer-term implications of the deficit and is therefore considered by the Trustees as a going concern. However, it will be important to ensure sufficient unrestricted, i.e. non-Mill Lane and endowment cash, exists to avoid the need for external borrowing. There appears to be no immediate need to change reserves policy and the drawdown policy remains broadly the same, although the College is reducing the percentage drawdown to 3.5% of the

Pembroke College
Operating and Financial Review (continued)

weighted average endowment over a 5-year period (from 4%).

A further area of risk and uncertainty is the impact on the USS pension deficit and employer covenants. As we can see, the position at 30th June 2021 is relatively benign but funding discussions are still on-going and it is likely that the USS pension scheme contribution rates (and perhaps benefits) will need to change again soon.

Following the 2017 Campaign Launch ("The Time and the Place"), fundraising to develop the Mill Lane site is a priority to build on the generous Dolby bequest and other gifts. The main Mill Lane site Phase 1 redevelopment has now started and will be completed before 2023, Phase 2 will include the creation of a new student courtyard and accommodation and be complete in 2024/25. The greatest challenge the College faces continues to be creating the vision of the Mill Lane site in a cost-effective way, managing expectations and doing so within the funds available from gifts and other sources.

Approved by:  Dr A Cates (Treasurer and Bursar)

Date of approval: 9th November 2021

Pembroke College Corporate Governance and Public Benefit Statement

Governance

The Master and Fellows constitute the Governing Body of the College, to whose meetings are invited Junior Member representatives (for open business). The Governing Body is constituted and regulated in accordance with the College Statutes. The body is responsible for the strategic direction of the College, for its on-going administration, and for the management of its finances and assets. Meetings are held ten times a year under the chairmanship of the Master. Supporting the Governing Body is a range of committees including: Finance, Development, Planning, Fellowship, Investment, Consultative, Teaching, Buildings, International Programmes and General Policy. Responsibilities of the Governing Body are more fully described on page 14.

The Governing Body members are also the Trustees of the charity and are listed on page 2. The principal officers are listed on page 1. There are Registers of Interests of Trustees and declarations of interest are made systematically at meetings.

Risk assessment

The major risks to which the College is exposed are reviewed regularly by the various College committees named above and reported to the Governing Body. Systems are in place, or are in the process of being established, to mitigate identified risks. The College Health & Safety Policy Statement is reviewed regularly and endorsed by the Governing Body and is displayed throughout the College. As part of this policy, the process for reporting accidents at work is described. The College maintains a general risk register which is updated and reviewed regularly with consideration of the necessary controls to mitigate those risks. The College also carries insurance against key business and financial risks. College departments have also carried out their own risk analysis with assistance from an outside consultant, which includes a review of critical systems and allowable recovery times. Furthermore, the project management of the Mill Lane project also includes a detailed risk register. Aside from the Mill Lane project, examples of (among many) key risk areas include:

- For the foreseeable future, the College is attempting to identify, assess, record and manage the risks associated with the COVID-19 pandemic. The College has followed Government and University guidelines in terms of this risk assessment exercise; is currently documenting its processes and procedures in different areas; participating fully in collegiate and University discussions and groups; communicating as effectively as possible with its' key stakeholders; ensuring that all financial controls are at least as robust as they were before the changed working environment.
- Poor academic performance – investment in educational resources and people to deliver high quality education; recruitment of high-quality students regardless of background.
- Future of home/EU tuition fees – continue to work with the University and other organisations to achieve the fairest allocation of resources.
- Attracting the best, most able students – ensuring Widening Participation and Admissions processes are well resourced and thorough.
- The degree of reliance on International Programmes income – ensuring the College diversifies IP and other College activities; forward planning to protect this valuable source of income.
- Recruitment and retention of staff and Fellows – investment in staff salaries and other benefits which are competitive in our market; investment in training for career development and support whilst in post.
- Pension provision for staff and Fellows – ensuring the long-term viability of pension provision across all three schemes.
- Availability of accommodation – maintaining and investing in buildings to ensure they are of suitable quality and house all Pembroke students who wish to be housed.
- Building projects being completed on time – ensure all major building projects have robust plans and budgets which are monitored over the project life.
- Success of fundraising and alumni relations – investment in the Development Office to enable a comprehensive programme of activities and fundraising to take place.
- There is a risk that the government may introduce changes to the undergraduate tuition fees cap, following the recommendations of the Augar review of 2019 to reduce the cap to £7,500 (from the current £9,250), possibly applying to arts and humanities subjects only. The impact on College finances will vary depending on the details of how such a reduction in fees is shared between the University and the Colleges, and on whether tuition fee levels in the sciences remain the same, or additional funding is made available to support science courses

Pembroke College

Corporate Governance and Public Benefit Statement (continued)

Environmental policy

In achieving excellence in teaching and research, Pembroke College manages its activities, buildings and estates to promote environmental sustainability, conserves and enhances natural resources and prevents environmental pollution to bring about a continual improvement in its environmental performance.

The College has an environmental policy statement which is reviewed regularly and endorsed by the Governing Body and is displayed in the College. The College has a Consultative Committee for Sustainability and the Environment which meets twice termly to discuss related issues.

Equal opportunities

Many matters relating to recruitment and employment matters are covered in the Staff Handbook. The College is committed to the principle and practice of equal opportunities and aims to be an equal opportunities employer. The College's employment policy seeks to ensure that no job applicant or employee receives less favourable treatment on any grounds that are unjustified in terms of equality of opportunities for all.

Public benefit statement

In accordance with its Founding Charter and Statutes, the College's charitable purpose is to advance education, religion, learning and research for the public benefit by the provision, support and maintenance of a College in the University of Cambridge. A full statement of the public benefit it provides has been lodged with the Charity Commission. It is summarised as follows:

Education:

- The provision, in conjunction with the University of Cambridge, of an education for some 763 undergraduate and postgraduate students which is recognised internationally as being of the highest standard. This education develops students academically and advances their leadership qualities and interpersonal skills and so prepares them to play full and effective roles in Society.
- The provision of teaching facilities and individual or small group supervisions, as well as pastoral, administrative and academic support through its tutorial systems.
- Social, cultural, musical, recreational and sporting facilities to enable each of its students to realise as much as possible of their academic and personal potential whilst studying at the College.

Research:

- The provision of Research Fellowships to outstanding academics at an early stage of their careers, enabling them to focus on their research in this formative period before they undertake the full teaching and administrative duties of an academic post.
- Supporting the research work of its other Fellows by promoting interaction across disciplines, providing facilities and grants for conferences, research trips, and materials.
- Encouraging visits from outstanding academics from abroad.
- Encouraging the dissemination of research undertaken by members of the College through the publication of papers in academic journals or other suitable means.

The College also carries forward the tradition, continuous since its foundation, of being a place of spiritual and ethical reflection on the Christian faith and its implications for the individual and society. In particular, it maintains and supports a Chapel and holds services which are open to the general public and visitors. Through the College Dean of Chapel, it supports the emotional, mental and spiritual well-being of all members of the College whatever their faith tradition or none. It is also the Patron of 14 parishes and maintains its historic link with Pembroke House, in Walworth, South London, a Charity whose aims overlap with those of Pembroke College, working in an area of high deprivation.

The College maintains an extensive library, so providing a valuable resource for members of Pembroke, other Colleges, and the University of Cambridge more widely as well as external scholars and researchers and the public through regular exhibitions and the digitization of special collections materials.

The resident members of the College, both students and academic staff, are the primary beneficiaries and are directly engaged in education, learning or research. However, beneficiaries include students and

Pembroke College

Corporate Governance and Public Benefit Statement (continued)

academic staff from other Colleges in Cambridge and from Cambridge University more widely, visiting academic staff from other higher education institutions and visiting school children who have an opportunity to attend educational events at the College or use its academic facilities. The general public are also able to attend educational activities in the College such as exhibitions.

Development

The College has a Development and Corporate Partnership team of around 12 FTE which includes permanent staff and student telephone fundraisers. This team provides support for all fundraising, alumni relations and corporate partnership activities of the College. A Development Committee consisting of Fellows oversees Development activities and meets twice a term. There is also a Campaign Board which includes up to 20, mainly external, members and meets once per term. The College uses an external organisation to assist with the annual telephone fundraising campaign. On a less formal basis, the College also has a number of Alumni Chapters around the world which helps to support and promote the College. In addition, the College will soon create a number of Campaign Ambassadors to assist with networking and develop prospects around the world. During the year, there were no complaints. Pembroke College subscribes to the Fundraising Regulator's Code of Fundraising Practice.

Pembroke College Responsibilities of the Governing Body

The Governing Body is responsible for the administration and management of the College's affairs.

The Governing Body presents audited financial statements for each financial year. These are prepared in accordance with the provisions of the Statutes of the College and of the University of Cambridge and applicable United Kingdom Accounting Standards, including the Statement of Recommended Practice 'Accounting for Further and Higher Education Institutions', as interpreted by the University of Cambridge in their Recommended Cambridge College Accounts.

With reference to the above provisions, the Governing Body 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 sought to ensure 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.

The Governing Body is responsible for the maintenance and integrity of the corporate and financial information included on the College's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Pembroke College

Independent auditors' report to the Governing Body of Pembroke College, Cambridge

Opinion

We have audited the financial statements of Pembroke College (the 'College') for the year ended 30 June 2021 which comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 30 June 2021 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011 and the Statutes of the University of Cambridge.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the College's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The Governing Body are responsible for the other information. The other information comprises the information included in the Operating and Financial Review other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

Pembroke College

Independent auditors' report to the Governing Body of Pembroke College, Cambridge (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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 fair view, and for such internal control as the Governing Body determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governing Body are responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the College through discussions with Trustees and other management, and from our knowledge and experience of the education sector;
- we obtained an understanding of the legal and regulatory framework applicable to the College and how the College is complying with that framework;
- we obtained an understanding of the College's policies and procedures on compliance with laws and regulations, including documentation of any instances of non-compliance;
- we identified which laws and regulations were significant in the context of the College. The Laws and regulations we considered in this context were Charities Act 2011, the Statutes of the University of Cambridge and taxation legislation. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items;
- 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 College's and the Group'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 College'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;

Pembroke College
Independent auditors' report to the Governing Body of Pembroke College, Cambridge
(continued)

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 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-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Use of our report

This report is made solely to the College's Governing Body as a body, in accordance with College's statutes, the Statutes of the University of Cambridge and the Charities Act 2011. Our work has been undertaken so that we might state to the Governing Body those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the College's Governing Body as a body, for our audit work, for this report, or for the opinions we have formed.

Peters Elworthy & Moore

PETERS ELWORTHY & MOORE
Chartered Accountants and Statutory Auditors

Salisbury House
Station Road
Cambridge
CB1 2LA

Date: *25. November 2021.*

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

Pembroke College

Statement of Principal Accounting Policies

1. 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education issued in 2019.

The Statement of Comprehensive Income and Expenditure includes activity analysis in order to demonstrate that all fee income is spent for educational purposes. The analysis required by the SORP is set out in note 7.

The College is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable UK laws and accounting standards.

Going concern

The global health crisis caused by COVID-19 has had a significant impact on all businesses. Virtually all College activities ceased as the majority of students returned home in March 2020 and then were materially affected in Lent Term 2021 when significant restrictions were in place. Students are expected to return to the College at the start of the new academic year in October 2021 therefore the majority of College activities will resume. However, it is unlikely that the function and International Programmes activity will be able to resume until September 2021, and summer programmes to return in July 2022.

The Trustees have prepared forecasts for the period to 2023 which have been stress tested based on a number of scenarios and have considered the impact upon the College and its cash resources and unrestricted reserves. The College has reviewed its cost base in order to combat the reduction in revenues and to extend financial headroom. The College has made use of the Government Job Retention Scheme. The College also has significant investments which could be realised if required.

Based upon their review the Trustees believe that the College will have sufficient resources to meet its liabilities as they fall due for the foreseeable future and therefore have continued to adopt the going concern basis in preparing the financial statements.

2. Basis of accounting

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

3. Basis of consolidation

The activities of student societies have not been consolidated on the basis that the College does not have control over the operation of the societies.

4. Recognition of income

Donations and endowments

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

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

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

1. Restricted donations – the donor has specified that the donation must be used for a particular objective.

Pembroke College

Statement of Principal Accounting Policies (continued)

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

Donations with no restrictions are recorded within the Statement of Comprehensive Income and Expenditure when the College is entitled to the income.

Grant Income

Grants received from non-government sources (including research grants from non-government sources) are recognised within the Statement of Comprehensive Income and Expenditure when the College is entitled to the income and performance related conditions have been met.

Income received in advance of performance related conditions is deferred on the balance sheet and released to the Statement of Comprehensive Income and Expenditure in line with such conditions being met.

Investment Income and change in value of investment assets

Investment income and change in value of investment assets is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms or other restrictions applied to the individual endowment fund.

Total return

The College calculated its income requirements (based on a percentage of the 4-year weighted average investment value) and that amount was transferred to investment income in the Statement of Comprehensive Income and Expenditure. The income is stated net of investment management and property fees. All returns from cash or property held in respect of operating assets are treated as income as received.

Academic fees

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

Other income

Income is received from a range of activities including accommodation, catering conferences and other services rendered.

Cambridge Bursary Scheme

In 2020-21, payment of the Cambridge Bursaries to eligible students was made directly by the Student Loans Company (SLC). As a consequence, the College reimbursed the SLC for the full amount paid to their eligible students and the College subsequently received a contribution from the University of Cambridge towards this payment.

The net payment of £168k is shown within the Statement of Comprehensive Income and Expenditure as follows:

Income (see note 1)	£132k
Expenditure	£300k

5. Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates or, where there are forward foreign exchange contract, at contract rates. The resulting exchange differences are dealt with in the determination of the comprehensive income and expenditure for the financial year.

Pembroke College
Statement of Principal Accounting Policies (continued)

6. Fixed assets

a) Land and buildings

During 2018/19 the accounting policy for College land and buildings used for operational purposes changed. Following a review carried out by professional valuers Gerald Eve these land and buildings are now held at an updated depreciated replacement value. The valuation is reviewed annually with a full valuation at least every five years. Freehold buildings are depreciated on a straight-line basis over their expected useful economic lives with a range for the different buildings averaging between 30 to 55 years, where building structure is depreciated up to 150 years and fit-out/M&E services up to 40 years. Freehold land is shown separately and is not depreciated. Assets under construction are valued at cost, based on the value of architects' certificates and other direct costs incurred. They are not depreciated until they are brought into use.

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

When land and buildings are acquired with the aid of restricted bequests or donations, the policy for accounting for that income is described in accounting policy 4 above.

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.

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

b) Maintenance of buildings

The cost of routine maintenance is charged to the Statement of Comprehensive Income and Expenditure as it is incurred.

c) Furniture and equipment

Furniture and equipment is not capitalised if an individual item costs less than £5k. Such expenditure is written off in the year of acquisition. All other assets are capitalised and depreciated over their expected useful life as follows:

Computer equipment/photocopiers	33% p.a. (3 years)
Boats	7% p.a. (15 years)
Heating systems	5% p.a. (20 years)
Other furniture and equipment	10% p.a. (10 years)

When furniture and equipment is acquired with the aid of specific bequests or donations, the policy for accounting for that income is described in accounting policy 4 above.

d) Leased assets

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance leases are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Pembroke College

Statement of Principal Accounting Policies (continued)

e) Heritage assets

The College holds and conserves a number of collections, exhibits, artefacts and other assets of historical, artistic or scientific importance. Heritage assets acquired before 1st July 2003 or with a cost below £5k have not been capitalised since reliable estimates of cost or value are not available on a cost-benefit basis. Acquisitions since 1st July 2003 have been capitalised at cost or, in the case of donated assets, at expert valuation on receipt. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

7. Investments

Non-current investment assets are included in the balance sheet at market value. Investments that are not listed on a recognised stock exchange (except estate properties) are carried at net asset value.

While College hostels and other properties treated as operational assets are re-valued as stated in 6a) above, other properties and agricultural land held for their investment value are treated and valued as investment assets. Such investment assets are valued annually, at least by desktop valuation, by a professional valuer (Bidwells and Cheffins) and revalued on the balance sheet accordingly. Every five years, a full valuation is carried out.

8. Stocks

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

9. 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.

10. Taxation

The College is a registered charity (number 1137492) and also a charity within the meaning of Section 467 of the Corporation Tax Act 2010. Accordingly, the College is exempt from taxation in respect of income or capital gains received within the categories covered by Sections 478 to 488 of the Corporation Tax Act 2010 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.

11. 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.

12. Pension schemes

The College participates in Universities Superannuation Scheme. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The 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. As required by Section 28 of FRS 102 "Employee benefits", the College therefore accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme. Since the College has entered into an

Pembroke College

Statement of Principal Accounting Policies (continued)

agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the College recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) with related expenses being recognised through the Statement of Comprehensive Income and Expenditure.

The College participates in the Cambridge Colleges Federated Pension Scheme (CCFPS), a defined benefit scheme which is externally funded and until 31 March 2016 was contracted out of the State Second Pension (S2P). As CCFPS is a federated scheme and the College is able to identify its share of the underlying assets and liabilities, the College values the fund as required by Section 28 Employee Benefits of FRS 102 'Retirement Benefits'. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure represents the amount calculated under FRS102 guidelines.

The College operates a defined contribution pension scheme and the pension charge represents the amounts payable by the College to the fund in respect of the year.

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

13. Financial instruments

The College has elected to adopt Sections 11 and 12 of FRS 102 in respect of the recognition, measurement and disclosure of financial instruments. Financial assets and liabilities are recognised when the College becomes party to the contractual provision of the instrument and they are classified according to the substance of the contractual arrangements entered into.

A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

14. Financial assets

Basic financial assets include trade and other receivables, cash and cash equivalents and investments in commercial paper (i.e. deposits and bonds). These assets are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest rate method. Financial assets are assessed for indicators of impairment at each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets carried at amortised cost the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate.

Other financial assets, including investments in equity instruments, which are not subsidiaries or joint ventures, are initially measured at fair value which is typically the transaction price. These assets are subsequently carried at fair value and changes in fair value at the reporting date are recognised in the Statement of Comprehensive Income. Where the investment in equity instruments is not publicly traded and where the fair value cannot be reliably measured, the assets are measured at cost less impairment. Investments in property or other physical assets do not constitute a financial instrument and are not included.

Financial assets are de-recognised when the contractual rights to the cash flows from the asset expire or are settled or substantially all of the risks and rewards of ownership are transferred to another party.

15. 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.

Pembroke College

Statement of Principal Accounting Policies (continued)

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 forward rates for those unsettled contracts at the reporting date. The College does not apply any hedge accounting in respect of forward foreign exchange contracts held to manage cash flow exposures of forecast transactions denominated in foreign currencies.

Financial liabilities are de-recognised when the liability is discharged, cancelled, or expires.

16. Contingent liabilities and assets

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events, not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

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

17. Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

18. Reserves

Reserves are allocated between restricted and unrestricted reserves. Endowment reserves include balances which, in respect of endowment to the College, are held as permanent funds, which the College must hold to perpetuity.

Restricted reserves include balances in respect of which the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

19. Critical accounting judgements

The preparation of the College's accounts requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. These judgements, estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under

Pembroke College
Statement of Principal Accounting Policies (continued)

the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management consider the areas set out below to be those where critical accounting judgements have been applied and the resulting estimates and assumptions may lead to adjustments to the future carrying amounts of assets and liabilities.

Income recognition – Judgement is applied in determining the value and timing of certain income items to be recognised in the accounts. This includes determining when performance related conditions have been met and determining the appropriate recognition timing for donations, bequests and legacies. In general, the latter are recognised when at the probate stage.

Useful lives of property, plant and equipment – Property, plant and equipment represent a significant proportion of the College's total assets. Therefore, the estimated useful lives can have a significant impact on the depreciation charged and the College's reported performance. Useful lives are determined at the time the asset is acquired and reviewed regularly for appropriateness. The lives are based on historical experiences with similar assets, professional advice and anticipation of future events. Details of the carrying values of property, plant and equipment are shown in note 8.

Investment property – Properties are revalued to their fair value at the reporting date by Cheffins. The valuation is based on the assumptions and judgements which are impacted by a variety of factors including market and other economic conditions. Only those residential properties deemed to be out- with the core housing stock of the College are included in investment property. This status is regularly reviewed.

Recoverability of debtors – The provision for doubtful debts is based on the College's estimate of the expected recoverability of those debts. The provision is based on the current situation of the customer, the age profile of the debt and the nature of the amount due.

Retirement benefit obligations – The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 21.

Management are satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the accounts.

As the College is contractually bound to make deficit recovery payments to USS, this is recognised as a liability on the balance sheet. The provision is currently based on the USS deficit recovery plan agreed after the 2018 actuarial valuation, which defines the deficit payment required as a percentage of future salaries until 2028. These contributions will be reassessed within each triennial valuation of the scheme. The provision is based on management's estimate of expected future salary inflation, changes in staff numbers and the prevailing rate of discount. Further details are set out in note 21.

All other accounting judgements and estimates are detailed under the appropriate accounting policy.

Pembroke College
Statement of Comprehensive Income and Expenditure
Year ended 30th June 2021

	Note	2021			2020		
		Unrestricted £000	Restricted £000	Endowment £000	Total £000	Unrestricted £000	Total £000
Income							
Academic fees and charges	1	3,333	140	-	3,473	4,548	4,655
Accommodation, catering and conferences	2	2,474	0	-	2,474	6,069	6,078
Investment income	3a	17	138	1,536	1,691	182	2,302
Endowment return transferred	3a	1,546	1,870	(3,425)	(9)	1,553	(11)
Other income	3c	561	20	-	581	376	417
Total income before donations and endowments		7,931	2,168	(1,889)	8,210	12,728	13,441
Donations		689	775	-	1,464	855	1,610
New endowments		-	-	397	397	-	117
Other capital donations for Mill Lane project		-	13,125	-	13,125	-	2,421
Total income		8,620	16,068	(1,492)	23,196	13,583	17,589
Expenditure							
Education	4	5,275	2,328	-	7,603	5,281	7,616
Accommodation, catering and conferences	5	6,029	-	-	6,029	8,297	8,311
Other expenditure	7d	1,626	160	699	2,485	894	1,439
Contribution under Statute G,II		28	6	-	34	15	23
Total expenditure		12,958	2,494	699	16,151	14,487	17,389
(Deficit)/surplus before other gains and losses		(4,338)	13,574	(2,191)	7,045	(904)	200
Gain/(loss) on investments	3a	1,723	556	10,438	12,717	211	928
(Deficit)/surplus for the year		(2,615)	14,130	8,247	19,762	(693)	1,128
Other comprehensive income							
Actuarial profit/(loss) in respect of pension schemes	15	901	-	-	901	(40)	(40)
Total comprehensive income for the year		(1,714)	14,130	8,247	20,663	(733)	1,088

The notes on pages 29 to 41 form part of these accounts.

Pembroke College
Statement of Changes in Reserves
Year ended 30th June 2021

	Income and expenditure reserve				Total
	Unrestricted	Revaluation	Restricted	Endowment	
	£000	£000	£000	£000	£000
Balance at 1 July 2020	75,652	76,084	29,181	79,333	260,250
(Deficit)/surplus from income and expenditure statement	(2,615)	-	14,130	8,247	19,762
Other comprehensive income	901	-	-	-	901
Release of restricted capital funds spent in the year	2,172	-	(2,172)	-	-
Transfer from endowment to unrestricted funds	-	-	-	-	-
Balance at 30 June 2021	76,110	76,084	41,139	87,580	280,913
			(note 17)	(note 16)	

	Income and expenditure reserve				Restated
	Unrestricted	Revaluation	Restricted	Endowment	Total
	£000	£000	£000	£000	£000
Balance at 1 July 2019	73,582	76,084	29,051	80,445	259,162
(Deficit)/surplus from income and expenditure statement	(693)	-	2,933	(1,112)	1,128
Other comprehensive income	(40)	-	-	-	(40)
Release of restricted capital funds spent in the year	2,529	-	(2,529)	-	-
Transfer from restricted to unrestricted funds	274	-	(274)	-	-
Balance at 30 June 2020	75,652	76,084	29,181	79,333	260,250
			(note 17)	(note 16)	

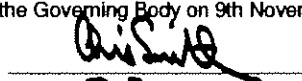
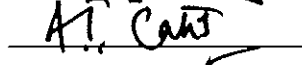
The notes on pages 29 to 41 form part of these accounts

Pembroke College
Balance Sheet
as at 30th June 2021

	Note	2021 £000	2020 £000
Non-current assets			
Fixed assets	8a	162,592	162,260
Heritage assets	8b	574	481
Investments	9	110,818	99,526
Total non-current assets		273,984	262,267
Current assets			
Stock	10	720	719
Trade and other receivables	11	7,746	2,515
Cash and cash equivalents	12	2,937	1,357
Short-term investments	13	25,072	19,068
Total current assets		36,475	23,659
Creditors: amounts falling due within one year	14a	(10,657)	(5,610)
Net current assets		25,818	18,049
Total assets less current liabilities		299,802	280,316
Creditors: amounts falling due after more than one year	14b	(14,556)	(14,695)
		285,246	265,621
Provisions			
Pension provisions	15	(4,333)	(5,371)
Total net assets		280,913	260,250
Restricted reserves			
Income and expenditure reserve - endowment reserve	16	87,580	79,333
Income and expenditure reserve - restricted reserve	17	41,139	29,181
		128,719	108,514
Unrestricted reserves			
Income and expenditure reserve - unrestricted reserve		76,110	75,652
Revaluation reserve		76,084	76,084
		152,194	151,736
Total reserves		280,913	260,250

The financial statements were approved by the Governing Body on 9th November 2021 and signed on its behalf by:

Approved by:

Rt Hon Lord Smith of Finsbury (Master)

Dr. A. Cates (Treasurer and Bursar)

The notes on pages 29 to 41 form part of these accounts.

Pembroke College
Cash Flow Statement
for the Year Ended 30th June 2021

	Note	2021 £000	2020 £000
Cash flows from operating activities	21	(2,625)	(2,780)
Cash flows from investing activities	22	199	(703)
Cash flows from financing activities	23	(601)	(624)
(Decrease) in cash and cash equivalents in the year		<u>(3,027)</u>	<u>(4,107)</u>
Cash and cash equivalents at beginning of the year		(1,925)	2,182
Cash and cash equivalents at end of the year	24	<u>(4,952)</u>	<u>(1,925)</u>

The notes on pages 29 to 41 form part of these accounts.

Pembroke College
Notes to the accounts
For the year ended 30th June 2021

1. Academic fees and charges

	2021 £000	2020 £000
College fees		
Fee income received at the Regulated Undergraduate rate	1,967	1,898
Fee income received at the Unregulated Undergraduate rate	417	495
Fee income received at the Postgraduate rate	847	768
Fee income received at the International Programme rate	-	1,252
	<u>3,231</u>	<u>4,411</u>
Other Income	110	140
Cambridge Bursary Scheme	132	104
Total	<u>3,473</u>	<u>4,655</u>

2. Income from accommodation, catering and conferences income

	2021 £000	2020 £000
International Programmes	(1)	3,183
Accommodation		
College members	2,108	1,889
Conferences	9	89
Catering		
College members	355	746
Conferences	3	171
Total	<u>2,474</u>	<u>6,078</u>

3a. Endowment and investment income

	2021 £000	2020 £000
Income from investments and donations:		
Income drawdown from endowment	3,416	3,437
Freehold land and buildings	11	4
Other interest receivable	(14)	4
Private placement investment income	20	173
Mill Lane investment income	138	189
	<u>3,571</u>	<u>3,817</u>
Summary of total return:		
Income from:		
Land and buildings	492	598
Quoted and other securities and cash	1,045	1,320
Gains on endowment assets:		
Land and buildings	817	(118)
Quoted and other securities and cash	10,177	835
Investment management costs in respect of:		
Land and buildings	(320)	(177)
Quoted and other securities and cash	(433)	(374)
Total return for the year	<u>11,778</u>	<u>2,084</u>
Total return transferred to income and expenditure reserve (see above)	(3,425)	(3,445)
Unapplied total return for year included within Statement of Comprehensive Income and Expenditure (page 25)	<u>8,353</u>	<u>(1,361)</u>
Gains on other assets:		
Quoted and other securities and cash (page 25)	<u>1,723</u>	<u>211</u>

3b. Investment management costs

	2021 £000	2020 £000
Quoted securities - equities	273	278
Other investments	160	95
	<u>433</u>	<u>374</u>

3c. Other income

	2021 £000	2020 £000
Lease of operational buildings	-	0
Income from sports facilities and equipment	16	13
HMRC Job Retention Scheme grant	497	336
Other income	68	68
	<u>581</u>	<u>417</u>

All Job Retention Scheme grant income has been used for wages and salaries.

Pembroke College
Notes to the accounts
For the year ended 30th June 2021

4. Education expenditure

	2021 £000	2020 £000
Teaching	1,423	1,365
Tutorial	1,488	1,282
Admissions and Access	853	892
Scholarships and awards	608	514
Other educational facilities	1,586	1,637
Academic community	687	760
	<u>6,625</u>	<u>6,450</u>
Research	978	1,166
Total	<u>7,603</u>	<u>7,616</u>

Total expenditure on student support during the year included above was £1.2m (2020 £1.1m).

5. Accommodation, catering and conferences expenditure

	2021 £000	2020 £000
International Programmes	876	2,819
Accommodation	3,896	3,882
College Members		
Conferences	6	90
Catering	1,251	1,266
College Members		
Conferences	-	254
Total	<u>6,029</u>	<u>8,311</u>

6. Staff costs

	Academic 2021 £000	Non-academic 2021 £000	Total 2021 £000	Total 2020 £000
Staff costs				
Salaries	1,776	4,254	6,030	7,042
National Insurance	155	356	511	582
Other pension costs (see note 20 (d))	290	731	1,021	1,061
USS pension adjustment	-	(163)	(163)	(1,074)
	<u>2,221</u>	<u>5,178</u>	<u>7,399</u>	<u>7,611</u>
Average staff no.s (full time equivalent)				
	2021 Number of Fellows	2021 Full-time equivalents	2020 Number of Fellows	2020 Full-time equivalents
Academic	70	2	74	4
Non-academic	5	152	5	181
	<u>75</u>	<u>154</u>	<u>79</u>	<u>185</u>

The number of officers and employees of the College, including the Head of House, who received remuneration in the following ranges was:

	2021	2020
£110,000 - £119,999	1	1

Remuneration includes salary, employer's national insurance contributions, employer's pension contributions plus any taxable benefits either paid, payable or provided, gross of any salary sacrifice arrangements.

Of the 75 (2020 79) College Fellows and Trustees declared above who are members of the Governing Body, all 75 (2020 79) receive remuneration. The trustees receive no emoluments in their role as trustees of the charity.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. This includes aggregated remuneration paid to key management personnel.

During the year, remuneration paid to Trustees in their capacity as Key Management Personnel were:

	2021 £000	2020 £000
Aggregate remuneration	<u>1,796</u>	<u>2,037</u>

Pembroke College
Notes to the accounts
For the year ended 30th June 2021

7a. Analysis of expenditure by activity 2020/21

	Staff & Fellows payroll costs (note 6) £000	Other operating expenses £000	Depreciation £000	Total 2021 £000
Education (Note 4)	4,090	2,952	571	7,603
Accommodation, catering, and conferences (Note 5)	2,587	1,942	1,500	6,029
Other expenditure (Note 7d)	732	1,610	143	2,485
Contribution under Statute G,II	-	34	-	34
	7,399	6,538	2,214	16,161

Loan interest payable for the year to 30th June 2021 was £482k.

Other expenditure includes governance, investment management fees, fundraising and alumni relations expenditure.

Fundraising costs were £210k.

7b. Analysis of expenditure by activity 2019/20

	Staff & Fellows payroll costs (note 6) £000	Other operating expenses £000	Depreciation £000	Total 2020 £000
Education (Note 4)	4,173	3,014	429	7,616
Accommodation, catering, and conferences (Note 5)	3,542	3,164	1,605	8,311
Other expenditure (Note 7d)	(104)	1,420	123	1,439
Contribution under Statute G,II	-	23	-	23
	7,611	7,621	2,157	17,389

Loan interest payable for the year to 30th June 2020 was £512k.

Other expenditure includes governance, investment management fees, fundraising and alumni relations expenditure.

Fundraising costs were £253k.

7c. Auditors' remuneration

	2021 £000	2020 £000
Audit fees payable to the College's external auditors	21	19
Other fees payable to the College's external auditors	3	4

7d. Other expenditure

	2021 £000	2020 £000
Universities Superannuation Scheme - pension provision	(163)	(1,074)
Interest charges	482	512
Investment management fees	899	504
Other expenditure	1,467	1,497
	2,485	1,439

8a. Fixed assets

	College site Buildings £000	Assets in Course of Construction £000	College site Foundress Court £000	Houses for College Members £000	Sportground/ Boathouse £000	Land £000	Furniture & Equipment £000	Total 2021 £000
Cost/valuation								
At 1 July 2020	61,352	12,182	14,964	19,391	820	55,990	3,528	168,227
Additions	38	2,946	-	121	-	-	226	3,331
Disposals	-	-	-	-	-	-	(26)	(26)
Transfer to investments	4,500	(5,258)	-	-	-	-	-	(758)
Cost/valuation as at 30 June 2021	65,890	9,870	14,964	19,512	820	55,990	3,728	170,774
Depreciation								
At 1 July 2020	2,457	-	610	756	52	-	2,092	5,967
Provided for the year	1,320	-	305	379	27	-	184	2,215
Disposals	-	-	-	-	-	-	-	-
Depreciation at 30 June 2021	3,777	-	915	1,135	79	-	2,276	8,182
Net book value								
At 30 June 2021	62,113	9,870	14,049	18,377	741	55,990	1,452	162,592
At 30 June 2020	58,896	12,182	14,355	18,634	768	55,990	1,437	162,260

The insured value of freehold land and buildings as at 30 June 2021 was £191m (2020 £183m). All of the above assets are used for Collegiate purposes.

Pembroke College
Notes to the accounts
For the year ended 30th June 2021

8b. Heritage assets

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

As stated in the statement of principal accounting policies, heritage assets acquired since 1 July 2003 have been capitalised. However, the majority of assets held in the College's collections were acquired prior to this date. As reliable estimates of cost or valuation are not available for those on a cost-benefit basis, they have not been capitalised. As a result, the total cost included in the balance sheet is partial.

Amounts for the current and previous four years were as follows:

	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000
Total value 1st July	481	206	136	136	103
Acquisitions purchased with specific donations	-	275	-	-	13
Acquisitions purchased with College funds	13	-	-	-	20
Total cost of acquisitions purchased	13	275	-	-	33
Value of acquisitions by donation	80	-	70	-	-
Total acquisitions capitalised in year	93	275	70	-	33
Total value 30th June	574	481	206	136	136

9. Investments

	2021 £000	2020 £000
Balance at 1 July	99,526	99,495
Additions	12,063	7,543
Disposals	(8,676)	(11,987)
Transfer from fixed assets	758	-
Gain	12,271	405
(Decrease)/increase in cash held by investment managers	(5,093)	4,075
Less: change in amount owed to Pembroke House	(31)	(5)
Balance at 30 June	110,818	99,526
General investments	97,165	87,996
Private placement investments	13,653	11,530
Balance at 30 June	110,818	99,526

Long-term investments:

	2021 £000	2020 £000
Commercial shops	2,550	2,510
Agricultural land	9,501	9,485
Residential property	19,075	17,555
Total investment properties	31,126	29,550
Equities	62,793	50,763
Other investments	10,403	7,503
Cash in hand and at investment managers	5,958	11,051
Loans to Fellows	791	882
Less: amount owed to Pembroke House	(253)	(223)
Total investments	110,818	99,526

10. Stock

	2021 £000	2020 £000
Kitchen	21	21
Cellar wine	693	691
Bar	2	3
Porters' Lodge	4	4
Total stock	720	719

Pembroke College
Notes to the accounts
For the year ended 30th June 2021

11. Trade and other receivables	2021 £000	2020 £000
Trade debtors	14	39
Members of the College	219	65
Debtors and prepayments - International Programmes	50	72
Debtors and prepayments - Other	7,463	2,339
Trade and other receivables due within one year	<u>7,746</u>	<u>2,515</u>

12. Cash and cash equivalents	2021 £000	2020 £000
Current accounts	-	-
Bank deposits	2,937	1,354
Cash	0	3
Less: amount owed to Pembroke House	(0)	(0)
	<u>2,937</u>	<u>1,357</u>

13. Short-term investments	2021 £000	2020 £000
Mill Lane deposits	25,072	19,068
	<u>25,072</u>	<u>19,068</u>

14a. Creditors: amounts falling due within one year	2021 £000	2020 £000
Bank overdrafts (see note below)	7,889	3,282
Bank loan	127	116
Trade creditors	363	518
Members of the College	838	848
Accruals and deferred income - International Programmes	298	157
Accruals and deferred income - Other	869	368
University fees	2	12
Contribution to Colleges Fund	34	23
Taxes and social security	117	143
Holiday pay accrual	85	119
Other creditors	35	24
	<u>10,657</u>	<u>5,610</u>

Note: The overdraft represents an 'internal' borrowing of £7.9m less bank deposits (note 12) of £3m, so net £4.9m. This is due to (a) no advance IP summer income of c £2.5m and (b) an operating deficit for the year of £2.3m (before depreciation).

14b. Creditors: amounts falling due after more than one year	2021 £000	2020 £000
Bank loan	1,303	1,434
Members of the College	353	361
Other loans	12,900	12,900
	<u>14,556</u>	<u>14,695</u>

The original unsecured bank loan was for £2.3 million repayable over 20 years, at a floating rate of interest for the two years until 30 January 2012 and a fixed rate of 6.21% p.a. thereafter.

During 2013-14, the College borrowed from institutional investors, collectively with other Colleges, with the College's share amounting to £2.9 million. The loans are unsecured and repayable during the period 2043-2053, and are at fixed interest rates of approximately 4.4%. The College has agreed a financial covenant of the ratio of Borrowings to Net Assets, and has been in compliance with the covenant at all times since incurring the debt.

During 2017-18, the College borrowed from institutional investors, collectively with other Colleges, with the College's share amounting to £10 million. The loans are unsecured and repayable during 2058, and are at a fixed interest rate of 2.62%. The College has agreed a financial covenant of the ratio of Borrowings to Net Assets, and has been in compliance with the covenant at all times since incurring the debt.

Pembroke College
Notes to the accounts
For the year ended 30th June 2021

15. Pension provisions

	CCFPS £000	USS £000	2021 £000	2020 £000
(Deficit) In schemes in beginning of the year	(4,180)	(1,191)	(5,371)	(6,333)
Movement in year:				
Recognised in income and expenditure	(282)	146	(136)	779
Contributions paid by the College	273	-	273	223
Actuarial (loss)/profit recognised in the Statement of Comprehensive Income and Expenditure	901	-	901	(40)
(Deficit) In schemes at end of the year	(3,288) note 20b	(1,045) note 20a	(4,333)	(5,371)

16. Endowment funds

	Restricted Permanent £000	Unrestricted Permanent £000	2021 £000 £000	2020 £000 £000
Balance at beginning of year:				
Capital	39,706	39,627	79,333	80,445
	<u>39,706</u>	<u>39,627</u>	<u>79,333</u>	<u>80,445</u>
New donations and endowments	346	51	397	117
Increase in market value of investments	4,075	3,775	7,850	(1,229)
Balance at end of year (page 26)	44,127	43,453	87,580	79,333
Representing:				
Fellowship Funds	12,336	-	12,336	11,229
Scholarship Funds	6,509	-	6,509	5,886
Prize Funds	1,011	-	1,011	914
Bursary/Hardship Funds	5,223	1,298	6,521	5,782
Travel Grant Funds	1,740	-	1,740	1,571
Graduate Funds	8,655	-	8,655	7,639
Other Funds	8,653	-	8,653	7,856
General endowments	-	42,155	42,155	38,456
Total	44,127	43,453	87,580	79,333
Analysis by asset:				
Property	12,394	12,205	24,599	23,555
Investments	29,361	28,912	58,273	46,970
Cash	2,372	2,336	4,708	8,808
	<u>44,127</u>	<u>43,453</u>	<u>87,580</u>	<u>79,333</u>

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17. Restricted reserves

	Capital grants unspent £000	Unspent Permanent £000	Restricted Expendable £000	2021 Total £000	2020 Total £000
Balance at beginning of year:					
Capital	-	-	5,243	5,243	5,501
Accumulated income	20,467	2,813	658	23,938	23,550
	<u>20,467</u>	<u>2,813</u>	<u>5,901</u>	<u>29,181</u>	<u>29,051</u>
Transfers between funds in year	-	-	-	-	(274)
Increase in market value of investments	-	-	556	556	(85)
Capital grants	13,124	-	-	13,124	2,421
Donations	-	143	632	775	756
Endowment return transferred	-	1,651	220	1,871	1,881
Other investment income	138	124	35	297	358
Expenditure	(75)	(1,751)	(667)	(2,493)	(2,398)
Capital grants utilised	(2,172)	-	-	(2,172)	(2,529)
Movement in the year	<u>11,015</u>	<u>167</u>	<u>776</u>	<u>11,958</u>	<u>130</u>
Balance at end of year	<u>31,482</u>	<u>2,980</u>	<u>6,677</u>	<u>41,139</u>	<u>29,181</u>
Balance at end of year:					
Capital	-	-	6,055	6,055	5,243
Accumulated income	31,482	2,980	622	35,084	23,938
	<u>31,482</u>	<u>2,980</u>	<u>6,677</u>	<u>41,139</u>	<u>29,181</u>
Representing:					
Fellowship Funds	-	644	2,348	2,992	2,592
Scholarship Funds	-	684	286	970	885
Prize Funds	-	88	-	88	88
Bursary/Hardship Funds	-	594	791	1,385	1,305
Travel Grant Funds	-	186	12	198	157
Graduate Funds	-	385	841	1,226	1,169
Other Funds	31,482	399	2,399	34,280	22,985
Total	<u>31,482</u>	<u>2,980</u>	<u>6,677</u>	<u>41,139</u>	<u>29,181</u>

18. Memorandum of unapplied total return

	2021 £000	2020 £000
Included within reserves the following amounts represent the unapplied total return of the College:		
Unapplied total return at the beginning of the year	40,036	41,397
Unapplied total return for the year (see note 3a)	8,353	(1,361)
Unapplied total return at end of year	<u>48,389</u>	<u>40,036</u>

19. Capital commitments

	2021 £000	2020 £000
Capital commitments contracted for at 30th June	<u>15,903</u>	<u>191</u>

Other commitments

The College has committed to invest in various private equity/venture capital funds over the next few years. Commitments, excluding distributions which may be made total \$290k (c £210k). This includes a commitment to invest in the Cambridge Associates Fund II up to a total \$1m.

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20. Pension schemes

(a) Universities Superannuation Scheme

As at the 30 June 2021, the latest available complete actuarial valuation of the Retirement Income Builder was at 31 March 2018 (the valuation date), which was carried out using the projected unit method. Since the year end the valuation as at 31 March 2020 was signed and filed with The Pensions Regulator with an effective date of 1 October 2021. As the new valuation was not in place at the financial year end, any adjustment in the deficit provision will be reflected in the financial statements for the year ended 30 June 2022. Since the College cannot identify its share of USS Retirement Income Builder (defined benefit) assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The total cost charged to the Statement of Comprehensive Income and Expenditure is £146k (2020 £(406k)) as shown in note 20d.

The latest available completed actuarial valuation of the Retirement Income Builder is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2020 is underway but not yet complete. Since the institution cannot identify its share of USS Retirement Income Builder (defined benefit) assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2018 valuation was the fifth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI + 0.14% reducing linearly to CPI – 0.73% Years 11-20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21 Years 21 +: CPI + 1.55%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018 valuation
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females Post retirement: 97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females
Future improvements to mortality	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females

The current life expectancies on retirement at age 65 are:

	2021	2020
Males currently aged 65 (years)	24.6	24.4
Females currently aged 65 (years)	26.1	25.9
Males currently aged 45 (years)	26.6	26.3
Females currently aged 45 (years)	27.9	27.7

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%. The 2021 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2021	2020
Discount rate	0.78%	1.45%
Pensionable salary growth	3.20%	2.70%

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20. Pension schemes

(b) Cambridge Colleges Federated Pension Scheme

The College operates a defined benefit pension plan for the College's employees of the Cambridge Colleges' Federated Pension Scheme. The liabilities of the plan have been calculated, at 30 June 2021, for the purposes of FRS102 using a valuation system designed for the Management Committee, acting as Trustee of the Cambridge Colleges' Federated Pension Scheme but allowing for the different assumptions required under FRS102 and taking fully into consideration changes in the plan benefit structure and membership since that date.

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

	30 June 2021	30 June 2020
Discount rate	1.80%	1.45%
Increase in salaries	3.10%	2.70%
RPI assumption	3.40%	3.10%
CPI assumption	2.60%	2.20%
Pension increases in payment (RPI Max 5% p.a.)	3.30%	3.00%
Pension increases in payment (CPI Max 2.5% p.a.)	1.95%	1.80%

The underlying mortality assumption is based upon the standard table known as S3PA on a year of birth usage with CMI_2020 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 (2020: S3PA with CMI_2019 future improvement factors and a long-term future improvement rate of 1.25% per annum, a standard smoothing factor (7.0) and no allowance for additional improvements). This results in the following life expectancies:

- Male age 65 now has a life expectancy of 21.9 years (previously 21.9 years).
- Female age 65 now has a life expectancy of 24.3 years (previously 24.2 years).
- Male age 45 now and retiring in 20 years has a life expectancy of 23.2 years (previously 23.2 years).
- Female age 45 now and retiring in 20 years has a life expectancy of 25.7 years (previously 25.8 years).

Members are assumed to retire at their normal retirement age (65) apart from in the following indicated cases:

	Male	Female
Active members - Option 1 benefits	64	64
Deferred members - Option 1 benefits	63	62

Allowance has been made at retirement for non-retired members to commute part of their pension for a lump sum on the basis of the current commutation factors in their calculations.

Employee Benefit Obligations

The amounts recognised in the balance sheet as at 30 June 2021 (with comparative figures as at 30 June 2020) are as follows.

	2021 £000	2020 £000
Total market value of assets	10,449	9,721
Present value of scheme liabilities	(13,737)	(13,901)
Net pension liability	(3,288)	(4,180)

The amounts to be recognised in the Statement of Comprehensive Income and Expenditure for the year ended 30 June 2021 (with comparative figures for the year ended 30 June 2020) are as follows:

	2021 £000	2020 £000
Current service cost	207	188
Administration expenses	15	15
Interest on net defined benefit liability	61	93
Loss on plan changes	-	-
Total	283	296

Changes in the present value of the Scheme liabilities for the year ending 30 June 2021 (with comparative figures for the year ended 30 June 2020) are as follows:

	2021 £000	2020 £000
Present value of plan liabilities at beginning of period	13,901	13,154
Current service cost	207	188
Employee contributions	8	9
Benefits paid	(298)	(313)
Interest on plan liabilities	201	295
Actuarial (profits)/losses	(283)	568
Loss on plan changes	-	-
Present value of plan liabilities at end of period	13,738	13,901

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20. Pension schemes

(b) Cambridge Colleges Federated Pension Scheme (continued)

Changes in the fair value of the plan assets for the year ending 30 June 2021 (with comparative figures for the year ending 30 June 2020) are as follows:

	2021 £000	2020 £000
Market value of plan assets at beginning of period	9,721	9,036
Contributions paid by the College	274	273
Employee contributions	8	9
Benefits paid	(298)	(313)
Administration expenses	(26)	(25)
Interest on plan assets	140	202
Return on assets, less interest included in Comprehensive Income and Expenditure	629	539
Market value of plan assets at end of period	10,448	9,721
Actual return on plan assets	769	741

The major categories of plan assets as a percentage of total plan assets for the year ending 30 June 2021 (with comparative figures for the year ended 30 June 2020) are as follows:

	2021 £000	2020 £000
Equities	48%	49%
Bonds and cash	42%	41%
Property	10%	10%
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 remeasurement of the net defined benefit liability recognised in Other Comprehensive Income (OCI) for the year ending 30 June 2021 (with comparative figures for the year ending 30 June 2020) are as follows:

	2021 £000	2020 £000
Return on assets, less interest included in Comprehensive Income and Expenditure	629	539
Expected less actual plan expenses	(11)	(10)
Experience gains and losses arising on plan liabilities	135	496
Changes in assumptions underlying the present value of plan liabilities	148	(1,065)
Actuarial gain/(loss) recognised in OCI (page 25)	901	(40)

Movement in (deficit) during the 12 months ending 30 June 2021 (with comparative figures for the year ended 30 June 2020) are as follows:

	2021 £000	2020 £000
(Deficit) in plan at beginning of year	(4,181)	(4,118)
Recognised in Statement of Comprehensive Income and Expenditure	(282)	(296)
Contributions paid by the College	274	273
Actuarial gain/(loss) recognised in OCI	901	(40)
(Deficit) in plan at the end of the year	(3,288)	(4,181)

Funding Policy

Actuarial valuations are carried out every three years on behalf of the Management Committee, acting as the Trustee of the Scheme, by a qualified independent actuary. The actuarial assumptions underlying the actuarial valuation are different to those adopted under FRS102. 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 than £120,220 p.a. payable for the period from 1 July 2021 to 31 March 2034.

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

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20. Pension schemes

(c) NOW:Pensions scheme

The College operates a defined contribution scheme in respect of certain employees. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the College amounting to £179k (2020 £165k) of which £22k (2020 £23k) was outstanding at the year end. It should be noted that most of the outstanding contributions have been collected by NOW since the 30th June 2021.

(d) Summary of pension costs

	2021 £000	2020 £000
Universities Superannuation Scheme	624	668
Universities Superannuation Scheme - pension provision	(163)	(1,074)
Cambridge Colleges Federated Pension Scheme	212	223
NOW:Pension Scheme	179	165
Death in service	6	5
Total pension costs (note 6)	858	(13)

21. Reconciliation of surplus for the year to cash flows from operating activities

	2021 £000	2020 £000
Surplus for the year	19,762	1,128
Adjustment for non-cash items:		
Depreciation (note 8)	2,215	2,157
(Gain) on endowments, donations and investment property	(12,717)	(928)
(Increase) in stocks	(1)	(3)
(Increase) in trade and other receivables	(5,231)	(816)
(Increase)/decrease in short-term investments	(6,004)	1,311
Increase/(decrease) in creditors	420	(3,271)
Pension costs less contributions payable	(137)	(1,002)
Adjustment for investing or financing activities		
Investment income	(1,691)	(2,302)
Investment costs	754	551
Interest payable	482	512
Endowment funds invested	(397)	(117)
Gift of heritage asset	(80)	-
Total cash flows from operating activities	(2,625)	(2,780)

22. Cash flows from investing activities

	2021 £000	2020 £000
Non-current investment disposal	3,425	3,445
Investment income	156	383
Endowment funds invested	397	117
Payments made to acquire non-current assets	(3,779)	(4,648)
Total cash flows from investing activities	199	(703)

23. Cash flows from financing activities

	2021 £000	2020 £000
Interest paid	(482)	(512)
Repayments of amounts borrowed	(119)	(112)
Total cash flows from financing activities	(601)	(624)

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24. Analysis of cash and cash equivalents

	At beginning of year £000	Cashflows £000	At end of year £000
Bank overdrafts	(3,282)	(4,607)	(7,889)
Cash at bank and in hand	1,357	1,580	2,937
Net Funds (page 28)	(1,925)	(3,027)	(4,952)

25. Lease obligations

At 30 June 2021 the College had commitments under non-cancellable operating leases as follows:

	2021 £000	2020 £000
Land and buildings:		
Expiring within one year	301	301
Expiring between two and five years	452	753
Expiring in over five years	-	-

26. Reconciliation and analysis of net debt

	At 1 July 2020 £000	Cashflows £000	New finance leases £001	Other non- cash changes £000	At 30 June 2021 £000
Cash and cash equivalents	1,357	1,580	-	-	2,937
Borrowings:					
Amounts falling due within one year:					
Bank overdraft	(3,282)	(4,607)	-	-	(7,889)
Unsecured loans	(116)	(11)	-	-	(127)
	(3,398)	(4,618)	-	-	(8,016)
Borrowings:					
Amounts falling due after more than one year:					
Unsecured loans	(14,334)	131	-	-	(14,203)
	(14,334)	131	-	-	(14,203)
Total net debt	(16,375)	(2,907)	-	-	(19,282)

27. Financial instruments

	2021 £000	2020 £000
Financial assets		
<i>Financial assets at fair value through Statement of Comprehensive Income</i>		
Listed equity investments (note 9)	62,540	50,540
Other investments (note 9)	10,403	7,503
<i>Financial assets that are debt instruments measured at amortised cost</i>		
Other investments (note 9)	791	882
Cash and cash equivalents (note 9, 12, 13)	33,966	31,476
Other debtors (note 11)	326	327
Financial liabilities		
<i>Financial liabilities measured at amortised cost</i>		
Bank overdraft (note 14a)	7,889	3,282
Loans (notes 14a, 14b)	14,330	14,450
Trade creditors (note 14a)	363	518
Other creditors (notes 14a, 14b)	1,368	1,411

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28. Related party transactions

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

The College maintains a register of interests for all College Council members and where any member of the College Council has a material interest in a College matter they are required to declare that fact.

During the current and preceding year no fees or expenses were paid to Fellows in respect of their duties as Trustees.

Fellows are remunerated for teaching, research and other duties within the College as permitted by the Statutes. Fellows are billed for any private catering. The Trustees remuneration is overseen by the Stipends Committee

In addition, the College has provided loans to its Fellows for personal use, and also as part of equity share arrangements. The following amounts are included in Investments in note 9:

	2021 £000	2020 £000
Loans to Fellows	791	882

The salaries paid to Trustees in the year are summarised in the table below:

From	To	2021 Number	2020 Number
£0	£10,000	44	49
£10,001	£20,000	12	10
£20,001	£30,000	6	10
£30,001	£40,000	0	1
£40,001	£50,000	0	0
£50,001	£60,000	5	5
£60,001	£70,000	2	2
£70,001	£80,000	1	0
£80,001	£90,000	2	2
£90,001	£100,000	2	2
£100,001	£110,000	0	0
£110,001	£120,000	1	1
Total		75	82

The total Trustee salaries were £1,420k for the year (2020 £1,535k).

The trustees were also paid other taxable benefits (including associated employer National Insurance contributions and employer contributions to pensions) which totalled £700k for the year (2020 £807k).

29. Post balance sheet event

Since the year end, following the completion of the 2020 actuarial valuation, a new deficit recovery plan has been agreed in respect of the USS pension scheme. A new Schedule of Contributions based on the 2020 actuarial valuation has been agreed, and become effective, post year end. This results in an increase of £1.8m in the provision for the obligation to fund the deficit on the USS pension which would instead be £2.9m. As the Schedule of Contributions was not in place at the financial year end this adjustment will be reflected in the Financial Statements for the year ended 30 June 2022. If the Joint Negotiating Committee (JNC) recommended deed on benefit changes has not been executed by 28 February 2022 then a different schedule of contributions would become applicable. If this were to happen then there would be an increase of £3.5m in the provision for the obligation to fund the deficit on the USS pension which would instead be £4.6m.