

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

2011



FITZWILLIAM COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS 2011

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REFERENCE AND ADMINISTRATIVE DETAILS

Fitzwilliam College

Storey's Way
Cambridge
CB3 0DG

Charity Registration number: 1137496

Charity Trustees (Members of the Governing Body):

Members of the Governing Body receive no remuneration for acting in that capacity.
However remuneration is paid to those members holding specific positions as College officers.

Members of the Governing Body during the year were as follows:

Master: Professor R D Lethbridge*
Bursar: Mr R A Powell*
Senior Tutor: Dr P A Chirico*

Other Members:

Professor N K H Slater*	Dr D R E Abayasekara*
Dr J R A Cleaver*	Dr J A Elliott
Dr G G Pooley	Dr A E H Wheatley
Professor G I Davies	Dr K Saeb-Parsy
Dr W Allison	Dr J I Alcantara
Dr A Clark	Dr P Lio (retired 30/09/10)
Dr M D Potter	Professor D M Glover
Dr D M Scott	Dr M J Arends
Professor R J A Hooley	Dr S S Owen
Mrs N M Padfield	Dr A S Tavernor*
Dr D J Cole	Dr P J Rentfrow*
Professor D A Cardwell	Dr D P Nally*
Dr R E Horrox*	Mr R J Moules (retired 30/09/10)
Dr J D Leigh	Dr S J Gathercole
Professor K M Brindle	Dr N Bukhari
Dr K W Platts	Dr N Grigorian (retired 30/09/10)
Dr D Keown	Dr M B Wingate
Dr M J S Holly*	Ms M C Young*
Dr B Vira*	Dr N MacSweeney
Professor R S Langley	Dr J Tankebe
Dr R E Ansorge	Dr A Y Chau
Dr I Moller	Dr I Reid
Professor R P Haining	Dr J L G Chamarette
Professor E Mastorakos	Dr C L Crouch
Dr D A Coomes	Dr J M Cullen
Professor M J Millett*	Dr S K Larsen
Dr R D Camina*	Mr F Knights
Dr A G Kovalev	Dr C Nic Dhaibheid (appointed 01/10/10)

*Also served on the College Committee.

REFERENCE AND ADMINISTRATIVE DETAILS

(Continued)

Senior officers

Master: Professor R D Lethbridge
Senior Tutor: Dr P A Chirico
Senior Bursar: Mr R A Powell

Principal advisers

Auditors

Peters Elworthy & Moore
Chartered Accountants and Statutory Auditors
Salisbury House
Station Road
Cambridge
CB1 2LA

Bankers

Barclays Bank plc
9-11 St Andrews Street
Cambridge
CB2 3AA

Property Managers

Bidwells
Trumpington Road
Cambridge
CB2 9LD

Investment Managers

Sarasin & Partners LLP
Juxon House
100 St. Paul's Churchyard
London
EC4M 8BU

Legal Advisers

Hewitsons
Shakespeare House
42 Newmarket Road
Cambridge
CB5 8EP

ORGANISATION AND GOVERNANCE

The following statement is provided by the Trustees to enable readers of the financial statements to obtain a better understanding of the arrangements in the College for the management of its resources and for audit.

Fitzwilliam College is an independent College of the University of Cambridge and was formed under Royal Charter granted on 9 September 1966.

Having previously held exempt charitable status, the College became a Registered Charity (registered number 1137496) subject to regulation by the Charity Commission for England and Wales, on 16th August 2010.

The Fellows of the College comprise the Governing Body, which is responsible for the government of the College in accordance with its Statutes. The Fellows are the Trustees of the Registered Charity and are responsible for ensuring compliance with charity law. New Fellows are made aware of their duties and responsibilities as Trustees as part of their induction to the College, including being provided with a copy of the Charity Commission document "The Essential Trustee".

The College has a policy for the registration and declaration of interests for the purpose of managing any conflicts that might arise in the conduct of the College's business. Declarations of interest are made systematically at meetings; at the discretion of the chair, members may be required to absent themselves from the meeting during discussion of the matter in respect of which they have an interest.

The members of the Governing Body during the year ended 31ST July 2011, including the senior officers, are listed on page 1.

Corporate Governance

The College statutes require that at least one Ordinary College Meeting of the Governing Body be held in each University term and a Special College Meeting (called the Audit Meeting) takes place every year. At the Audit meeting the Governing Body reviews the Annual Report and Financial Statements and satisfies itself that they present a balanced and understandable assessment of the College's position and prospects. During the year the Governing Body met on seven occasions, including the Audit Meeting.

There is an internal Audit Committee made up of two elected members of the Governing Body, with the remit to report to the Governing Body on the Annual Accounts of the College and any matters arising therefrom, including strategic issues, management of the College and its finances, and the content of the Bursar's Report on the Accounts. The members of the Audit Committee meet with the external auditors and have full independent access to them. The Audit Committee is also responsible for advising the Governing Body on the adequacy of the College's risk management arrangements.

The Governing Body has delegated some duties to the College Committee so that it can control key issues and monitor the overall performance of the College. The Governing Body decides on organisational strategy and authority is delegated to the College Officers for implementing that strategy and for managing the College.

It is the duty of the College Committee to keep under review the effectiveness of the College's internal systems of financial and other controls, to advise the Governing Body on the appointment of auditors, to monitor the implementation of recommendations made by the auditors, and to approve the Bursar's annual report to the Governing Body.

The College Committee is chaired by the Master, and its membership comprises the President, the Senior Tutor, the Bursar, the Secretary of the Governing Body and 7 Fellows elected to serve for 2 years at a time.

The work of the Governing Body and the College Committee is supported and informed by a number of Committees, the most important of which are the Education Committee, the Tutorial Committee, the Investment Advisory Committee, the Estates Committee and the Development Committee.

ORGANISATION AND GOVERNANCE (continued)

Principal Policies

Risk Management

During the year the College reviewed its approach to risk management, and put in place a new risk management policy and framework. Major corporate risks are identified by the Governing Body and responsibility for their management is passed to nominated risk owners under the oversight of the appropriate College committee. The Audit Committee reports annually to the Governing Body on the management of risks. The major risks (prior to mitigation) identified by the Governing Body relate to the governance of the College, the employment and performance of academic staff, maintaining the real value of the College's endowment and ensuring the health and safety of members, employees of and visitors to the College.

The College has a strong system of financial and management controls. The financial cycle begins with the approval by the Governing Body of the annual budget. Monthly management accounts, incorporating budget comparisons and forecasts are prepared and are scrutinised by the College Committee, which also reviews five-year projections. Budget responsibility is devolved to heads of department, and the Bursar undertakes regular reviews of performance at this level.

Investment

In view of the relatively small endowment of Fitzwilliam College, a highly prudential approach is taken towards investment. The investment objective is to protect the real value of the capital base and the income generated from it.

The investment policy is focussed on producing a total return that is consistent with being able to meet a cash withdrawal requirement over a stock market cycle expressed as 4% of the value of the stock market portfolio. The amount is reviewed annually by the Investment Advisory Committee. The Investment Advisory Committee has signalled that the College is income conscious and anticipates that two thirds or more of the annual cash withdrawal requirement will be produced by income generated from the portfolio.

The College's investment managers have been appointed within the terms of a discretionary portfolio management agreement. Investment performance is assessed against a standard asset allocation structure which is anticipated to meet the overall investment objective, including the necessary income generation.

The College adheres to Charity Commission guidance on ethical investments, and the Investment Advisory Committee may from time to time, where it is consistent with that advice, direct the investment managers not to invest in specific companies. Such companies shall include tobacco companies, arms companies trading with terrorists or with countries with which the UK government does not permit them to trade and those dependant upon pornography or child labour.

Employment

The College consults with its non-academic staff through staff team meetings, Head of Department meetings and an annual all-staff meeting held by the Bursar. Training needs are identified on an individual basis through regular appraisals and are addressed through both external and internal provision. The College is committed to the principle and practice of equal opportunities and aims to be an equal opportunities employer.

Employees of the College are offered the opportunity to join the Universities Superannuation Scheme (USS). Since the closure of the Fitzwilliam College Assistant Staff Superannuation scheme to new contributions in 2004, members of the non academic staff have also been offered the opportunity to join USS upon completion of a satisfactory probationary period. There remains a significant number of current and former staff who have accrued benefits in the closed scheme.

Environmental Management

Fitzwilliam College has an active Environmental Committee, composed of students, Fellows and staff, working together to implement green initiatives and increase awareness of environmental issues.

The College signed the Cambridge Climate Change Charter in November 2008 and has put in place an Environmental Action Plan covering energy efficiency, carbon emissions, water consumption, waste management and minimisation, purchasing, transport, chemical pollutants and new developments and construction. The Fairtrade Foundation has certified Fitzwilliam as a Fairtrade College since June 2009.

The College is a member of the Cambridge Colleges' CRC Consortium through which the Colleges work together to meet their obligations under the Government's CRC Energy Efficiency scheme.

ANNUAL REPORT OF THE GOVERNING BODY

Introduction

Fitzwilliam College has its origin in the Non-Collegiate Students Board, established by the University in 1869; subsequently the name “Fitzwilliam Hall” was adopted, later changed to “Fitzwilliam House”. In 1966 Fitzwilliam became a full College by Royal Charter, an event which coincided with the move from the original premises in Trumpington Street, to the present site between Huntingdon Road and Storey’s Way.

Fitzwilliam today is one of the larger Colleges in the University, comprising over 450 Undergraduate students, nearly 300 graduate students, 56 Fellows and over 100 staff. The incorporation of “The Grove” into the College in 1988 enabled the effective completion of new development on the College site, culminating in the opening of the new Library in 2010.

In 2009 the College adopted a medium term plan, aimed at determining priorities and providing a framework for operation through to 2019. This plan is regularly reviewed both to ensure that its framework accommodates changing external imperatives and to measure progress towards specific targets.

Aims and objectives of the College

The principal charitable objectives of the College, set out in the College’s Charter and application for Charity registration, are:

- (a) To advance education, religion, learning and research in the University.
- (b) To provide a College wherein members of the University may work for Degrees in the University or may carry out postgraduate or other special studies at Cambridge.

Academic Review

In 2010-11 the College comprised approximately 466 undergraduates and 292 postgraduate students. Directors of Studies in 31 subject areas organised academic supervision by 934 specialists for our undergraduates. Undergraduate examination results in each Cambridge College are ranked in a publicly available form as the Tompkins Table, in which Fitzwilliam College rose this year to 21st position. Each October the Governing Body considers a report containing detailed analysis of the results and recommended actions to ensure that all students are fully supported in fulfilling their academic potential. Fitzwilliam undergraduates achieved 95 firsts, the highest number since 2007. Eleven students achieved the distinction of winning University prizes, and a number topped their respective classlists. The performance of our first year undergraduates was particularly encouraging for the future.

The College offers postgraduate students a base from which to conduct their studies, and provides social, sporting and extra-curricular facilities, as well as financial, pastoral and additional academic support. Academic interaction takes place through occasions such as graduate conferences, academic societies and regular social gatherings. Postgraduate student numbers have continued to grow, particularly those undertaking one year Masters courses, to the point where post graduates make up almost 40% of the student population. This is a consequence of continuing growth in such courses offered by University Departments. In 2010-11 103 students of the College studied on Masters courses and 158 on research towards PhDs; during the year 20 PhD students graduated after completing their doctoral dissertations.

Those graduating during the year were able to benefit from the superb facilities offered by the new Library and IT Centre (opened in 2010), and the indications are that this has made a very positive impact on their academic development. The Centre’s resources are available, by arrangement, to members of other Colleges in the University of Cambridge, external scholars and researchers.

The College has funded five stipendiary and two non stipendiary Research Fellows during the year, supporting them in diverse projects at an early stage in their academic careers; even in these straightened times, with severe limits on academic recruitment, our Research Fellows have been very successful in moving on to permanent positions, underlining the importance of this research opportunity in fostering academic careers which will flourish over the coming decades.

ANNUAL REPORT OF THE GOVERNING BODY (continued)**Academic Review (continued)**

In 2010-11 the College directly employed five College Lecturers, each of whom took a major teaching role and a leading responsibility for the academic development of undergraduates in their subject, while also developing their own academic research, supported through a research fund and an entitlement to sabbatical leave. In the case of Fellows, whether or not they hold lectureships or research positions in various departments of the University, the College provided the opportunity to pass on the benefits of their knowledge and research, through annual teaching contracts and offices such as that of Director of Studies. The College's academic ethos was embodied in a senior membership which included the Heads of three University Departments – Professor Nigel Slater (Chemical Engineering), Professor Martin Millett (Classics) and Professor Ieuan Hughes (Paediatrics) – 9 other Professors, and a 2011 winner of a prestigious Pilkington Teaching Prize, Dr David Scott.

Pastoral support and general academic and personal guidance were offered to all students by the College's dedicated team of Tutors supported by others including the Chaplain, Nurse, Porters and trained student peer supporters. Facilities and financial support have been provided for a wide range of extra-curricular activities, including for example sporting fixtures, dramatic performances and around 40 musical events, which were open to the public.

Access and Public Benefit

At a time of major changes to the Higher Education funding arrangements the College has worked particularly hard to ensure that the benefits of the education we provide are understood to be open to talented applicants from every background. We have continued, and further developed, an extensive programme of open days, school visits, teacher conferences, shadowing schemes and other initiatives. In April 2011 we appointed, for the first time, a full-time Schools Liaison Officer to drive these activities in the coming years. Admissions Tutors, Directors of Studies and a large team of interviewers, sought to identify those with the strongest academic potential from a large and diverse field of candidates in August, December and January.

The College provides through a scheme operated in common with the University, other Colleges and the Isaac Newton Trust, bursary support for undergraduates of limited financial means. For the academic year 2010-11 the number of awards made was 119 (2009-10: 118), out of a home/EU undergraduate population of 395. 52 of the awards were at the maximum value of £3,400, and the average value of the awards was £2,139 (2009-10: £1,862). The scheme is approved by the Office of Fair Access and provides benefits at a substantially higher level than the minimum OFFA requirement. A further 11 students received support from the Access to Learning Fund, the average level of support being £728. In addition, 117 (2009-10: 116) College bursaries, averaging £291, were awarded to undergraduates and 31 (2009-10: 26), averaging £435, to postgraduate students in need of additional financial support. The College has remained active in securing substantial new funding from alumni and others to meet the needs of present-day students, addressing issues of hardship while providing opportunity funds to enable engagement in all areas of university life, academic and extra-curricular.

We have welcomed a wide range of visitors during the year, to lectures, conferences, concert programmes and music events, and open days. With its many award-winning buildings, Fitzwilliam receives regular visits from members of the public interested in 20th- and 21st- century architecture. Many visitors have come to enjoy the fine gardens with their historical significance (having been part of Emma Darwin's garden during the last part of the 19th century). Over 200 people visited the gardens and the new Library and IT Centre, during "Open Cambridge" weekend in September 2010. The auditorium, used by internal and external groups for musical concerts and theatrical productions, provides a well-used resource for the local community in West Cambridge.

The College playing fields at Oxford Road have once again been enjoyed by a wide range of local sporting clubs and societies.

Development of College facilities

The major capital investment of the year was the purchase in August 2010 of 139 Huntingdon Road, formerly the Cambridge Lodge Hotel, at a total cost (including refurbishment) of £2.3m. The position of this property, on the corner of Huntingdon Road and Storey's Way, a short walk from College, and the extent of the facilities made this an excellent home for a new graduate student hostel. The purchase was timely, given the need to accommodate rising numbers of graduate students admitted by the University, and 15 students were able to take up residence at the beginning of the Michaelmas term. Since the financial year end, internal alterations have been made to provide five additional bedrooms and new cooking, dining and social facilities.

ANNUAL REPORT OF THE GOVERNING BODY (continued)

Development of College facilities (continued)

The College is in the fortunate position of being able to accommodate all of its undergraduates in College-owned accommodation, and all who so wish can be housed on the College site. However the graduate population continues to expand and a review was therefore undertaken during the year of the College's medium term accommodation needs. The resulting plan recognises the need both to upgrade some of the existing housing stock and to expand by some 20 units.

The completion of the new Library and IT Centre, opened in 2010, marked the effective completion of the College site, the construction of New Court, the Chapel, Wilson Court, the Auditorium and Gatehouse Court having provided a range of high quality new buildings. However the original buildings, constructed in the early 1960's, are now coming to the point where they require significant refurbishment, and plans for this are in the process of being drawn up. In the meantime temporary refurbishments of the old Library and Law Library rooms in the Hall building, together with the installation of a platform lift giving assisted access to the first floor rooms, have significantly improved the provision of meeting space for College and conference use. Further improvements have been made since the year end in the older accommodation blocks.

Expenditure has also been incurred at the Master's Lodge to provide guest accommodation and catering facilities that better serve the needs of the College.

With the rising cost of fuel, environmental considerations play an increasingly important part in our capital expenditure planning. During the course of the year an environmental survey was undertaken of the older College buildings and a series of recommendations made which will be factored into our plans going forward. Throughout the year we have been working to set up the systems necessary to comply with the requirements of the CRC Energy Efficiency Scheme. Whilst we are fully committed to the aims espoused by the Government's scheme, as constructed it represents a further, and significant, tax on the College's charitable activities which, alongside the administrative burdens imposed, absorbs resources that could otherwise be used to support our educational activities.

The College employs its own maintenance team which, supported by external contractors, is equipped to undertake routine maintenance and refurbishment work, to ensure that the main fabric of the buildings is maintained in a sound condition. Major projects are contracted to competent suppliers operating under the direction of professional project managers overseen by the Bursar and members of the Estates Committee.

Financial Review

The financial statements represent the activities of the College itself and its two wholly owned operating subsidiaries - Fitzwilliam College Services Ltd, which provides conference management services, and Kawakawa Bay Ltd which provides launderette services.

Funding

The income of the College is made up of academic fees, charges to students for accommodation, meals and other services, together with any surplus from conference activity and the income from the College's investment assets. In addition the College receives grants from the Colleges' Committee, financial support from other Colleges and Trusts within the University of Cambridge, and donations which may be restricted in accordance with the expressed wish of the donors or unrestricted. Unrestricted donations are treated as income.

Income and cost trends

After two successive years of deficits it is pleasing to be able to report a small surplus for the year of £32k (2010: deficit of £0.40m), after depreciation of £0.76 million (2010: £0.80 million). This was a better outcome than budgeted, with measures initiated by the review of costs and income conducted by the Governing Body in 2010 contributing to the result for the year. The major factor behind the income growth of 8.3% was a record level of conference income. Overall expenditure growth was well controlled at 2.4%. The surplus was achieved after taking account of bank interest costs of £492k, but also relied upon unrestricted donations of £67k.

Staff costs, which represented 44% of total expenditure (2010: 43%), grew by 3.6%. This increase was due mainly to increased activity in the conference area, partly offset by unfilled posts. Another factor was an increase in the annual deficit payment to the closed staff pension fund to £200,000 which maintains the College's commitment to the funding of this scheme (see note 28).

ANNUAL REPORT OF THE GOVERNING BODY (continued)**Financial Review (continued)***Income and cost trends (continued)*

In the year under review, academic fees and charges amounted to £2.39 million (2010: £2.23 million) and academic expenditure to £3.03 million (2010: £3.04 million). The deficit of £0.64 million (2010: £0.81 million) in respect of academic activity was met from endowment and other income. Student numbers were 3% higher than in the previous year, a slight fall in undergraduate student numbers being more than compensated by a further rise in the number of full time graduates. The College has continued to receive funding support from Trinity College, the Isaac Newton Trust and The Leathersellers' Company for its teaching activities during the year for which it is most grateful.

Income from rents, catering and conference activity was £4.34m (2010: 3.77m) and costs were £4.44m (2010: 4.14m) with a resulting deficit of £0.10m (2010: £0.37m). Income from rents was boosted by the expansion of student accommodation as a result of the acquisition of 139 Huntingdon Road. Conference income, which helps to mitigate the overhead costs of providing the College infrastructure and thus reduce the costs to students, grew strongly, enabled by improvements in the accommodation provision over recent years; however with the uncertainty in the wider economic outlook the College will do well to sustain this level in the years ahead. The increase in the conference catering activity has masked the effect of a continuing large deficit on the College Members' catering account which remains a major challenge for many Colleges including Fitzwilliam.

The College benefitted from lower fuel prices negotiated in 2010. Unfortunately this looks to be the low point in energy costs, which have subsequently increased by more than 20%. These increases, along with the new 'Carbon Tax' created by the Government's CRC Energy Efficiency scheme, will affect 2011-12 performance.

Income from investments was boosted by a lease premium from a commercial property transaction. Income from stock market investments fell slightly as a consequence of the purchase of 139 Huntingdon Road, the income now showing in rents instead of investment income. The underlying income performance for the portfolio was broadly in line with that achieved in 2009-10. Loan interest costs have been apportioned between 'other expenditure' and 'Residences, catering and conferences' according to the underlying asset.

Maintenance of buildings and capital expenditure

Expenditure on maintenance of College buildings was £553k during the year, and capital expenditure on improvements (excluding the purchase of 139 Huntingdon Road) was a further £570k, well within the level of cash generation. Taken together the expenditure is 3% of the total value of tangible fixed assets. Because of the extent of relatively new buildings and the programme of maintenance undertaken over recent years this level of expenditure is considered sufficient to maintain the value of the College estate, whilst noting that expenditure will need to increase as refurbishment plans for the older buildings on the main College site are developed.

Endowment and investment performance

The total return on investments was 6.7% (2010: 14.75%), as reduction in property values (mainly commercial property) partially offset gains in the stock market investment portfolio. The valuation of the commercial investment property in Portsmouth has been reduced, taking account of independent market advice. The year to 31st July 2011 showed a similar pattern of returns on stock market investments to the previous year, with both equity markets and sterling government bonds producing positive absolute and real returns, and dividend income being broadly flat. During the year the Investment Advisory Committee took the view that hedge fund investments were not consistent with the College's income objective. The College's investment of £1.14m was therefore liquidated and reinvested in the stock market portfolio.

Reserves and Financing

As a result of donations and a change of accounting policy described in note 22 to the accounts, the College's endowment has strengthened to £42.5m. The Endowment comprises restricted funds, which may only be used for purposes specified by the donors, and unrestricted funds from which the College can use the income, but not the capital, for general expenditure. Despite the increase, Fitzwilliam remains one of the less well endowed of the Cambridge Colleges, needing to continue to grow its reserves in order to provide assurance that it has sufficient resources to be able to ensure its academic mission in the long term.

Reserves, which are available to meet general expenditure needs, have decreased slightly on a restated basis from £11.1m to 10.9m due to a slight fall in the value of investments.

ANNUAL REPORT OF THE GOVERNING BODY (continued)

Financial Review (continued)

Reserves and Financing (continued)

In 2008 the College took out a long term loan intended to assist in the financing of construction projects and the management of its long term investment. The loan was initially used to fund completion of the Library, and new student accommodation, with the balance being invested to defray interest costs. The College has given certain general and financial covenants in connection with this loan, which have been met at all relevant times during the year.

The Appeal

The College's 150th Anniversary Campaign, 'Sustaining Excellence', was launched in September 2008, with a target to raise £20m by 2019. The College is delighted to report that during the year donations of £3.46m were received, including two individual gifts of £1m +, which bring the total for the appeal so far to £7.30m. The College is extremely grateful to all of these donors, without whom we would not be able to offer the high standard of teaching, support and amenities available to students.

In addition to these large single donations the College is very grateful to the many alumni, and friends, who contribute regularly. This was Fitzwilliam's third year of telephone fundraising: £139k was pledged during a two-week campaign in March undertaken by 14 of our undergraduates, the money being used to meet immediate student needs and to fund student opportunities. The College was gratified that many alumni showed their support for the supervision system by directing their gifts towards the teaching fund.

£307,000 was also received from the Colleges' Fund (2010: £328,600), for which the College is also extremely grateful. Grants from the Colleges' Fund are added to the endowment (permanent capital), as is required by the terms of grant. The College is also appreciative of the assistance received from other academic institutions including St John's College.

Looking ahead

The College faces a series of major challenges generated by both the external Higher Education context and developments within the University. The Browne Review, and its impact in terms of shifting the financial burden of a university education from the State to individual students and their families, is likely to have far reaching consequences. Most obviously, the £9,000 tuition fee risks discouraging Fitzwilliam's applicants from the maintained sector and the University's OFFA agreement will require the College to work collaboratively across Cambridge to ensure that targets are met in admitting students from 'disadvantaged' educational and social categories. To address both these factors, the College will have to secure additional bursaries for undergraduates, and ensure that those from non-traditional backgrounds are provided with the pastoral and pedagogic support to fulfil their potential. At the same time, a fee-paying culture may modify the relationship between the institution and its students.

Within Cambridge, the University's explicit strategy for a 2% annual growth in postgraduate students also brings to the College a number of additional challenges. With some 40% of Fitzwilliam's student body already comprising postgraduates, issues of accommodation, social space and financial support will become acute. The intended development of West and North-West Cambridge, virtually adjacent to the College and altering its geographical positioning in relation to the centre of the University's science-based academic facilities, requires us to think strategically about the medium term future of the College. This thinking, now made more urgent, will embrace not only the provision of housing and facilities but also the size and balance of the Fellowship and the student body.

But Fitzwilliam is well placed to meet the above challenges. Its modernity of outlook, its record of successful development over a mere fifty years and a relatively young Fellowship with a stake in the College's future allows one to be confident that we can go from strength to strength.

R A Powell
Bursar

Prof R D Lethbridge
Master

Date: 25 November 2011

Date: 25 November 2011

STATEMENT OF INTERNAL CONTROL

The Governing Body is responsible for maintaining a sound system of internal control that supports the achievement of policy, aims and objectives while safeguarding the public and other funds and assets for which the Governing Body is responsible, in accordance with the College's Statutes.

The systems of internal control are designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it therefore provides reasonable but not absolute assurance of effectiveness.

The systems of internal control are designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process was in place for the year ended 31 July 2011 and up to the date of approval of the financial statements.

The Governing Body is responsible for reviewing the effectiveness of the system of internal control.

The Governing Body's review of the effectiveness of the system of internal control is informed by the work of the various Committees, Bursar, and College officers, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

STATEMENT OF RESPONSIBILITIES OF THE GOVERNING BODY

The Governing Body is responsible for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The College's Statutes and the Statutes and Ordinances of the University of Cambridge require the Governing Body to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the College and of the surplus or deficit of the College for that period. In preparing those financial statements the Governing Body is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the College will continue in operation.

The Governing Body is responsible for keeping accounting records which disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements comply with the Statutes of the University of Cambridge. It is also responsible for safeguarding the assets of the College and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY OF FITZWILLIAM COLLEGE

We have audited the financial statements of the Fitzwilliam College for the year ended 31 July 2011 which comprise the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the consolidated cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Governing Body and Auditors

As explained more fully in the Governing Body's Responsibilities Statement set out on page 11, the Governing Body is responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of financial statements

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

Qualified opinion arising on non-compliance with FRS17

Financial Reporting Standard 17 'Retirement Benefits' (FRS 17) requires disclosure of the cost of providing retirement benefits and the related gains, losses, assets and liabilities. As explained in note 28 the College has not obtained and disclosed the necessary information for the year ended 31 July 2011 and it is therefore not possible to quantify the effect of this departure.

Except for the effect of not complying with FRS 17, in our opinion:

- the financial statements give a true and fair view of the state of the group's affairs as at 31 July 2011 and of the group's income and expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Charities Act 1993, the College's Statutes and the Statutes of the University of Cambridge;
- the contribution due from the College to the University has been correctly computed as advised in the provisional assessment by the University of Cambridge and in accordance with the provisions of Statute G, II, of the University of Cambridge.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 1993 requires us to report to you if, in our opinion:

- the information given in the Governing Body's Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

PETERS ELWORTHY & MOORE
Chartered Accountants and
Statutory Auditors

CAMBRIDGE
Date: 30 November 2011

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 July 2011

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 and applicable United Kingdom Accounting Standards. In addition, the financial statements comply with the Statement of Recommended Practice: Accounting for Further and Higher Education (The SORP).

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

Basis of accounting

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

Basis of consolidation

These financial statements consolidate the financial statements of the College and its two subsidiaries, Fitzwilliam College Services Limited and Kawakawa Bay Limited for the year ended 31 July 2011. The two companies are wholly owned subsidiaries of the College. Intra-group balances are eliminated on consolidation.

A separate balance sheet and related notes for the College only are not included because all profits of the subsidiaries are gift aided to the College and the balance sheet of the College would not be materially different to the one included in these accounts. Details of the subsidiary undertaking are given in note 29.

The consolidated financial statements do not include the activities of student societies as these are separate bodies in which the College has no financial interest and over whose policy decisions it has no control.

Recognition of income

Academic fees

Academic fees are recognised in the period to which they relate and include all fees chargeable to students or their sponsors. The costs of any fees waived or written off by the College are included as expenditure.

Restricted grant income

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

Donations and benefactions

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

Capital grants and donations

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

Other income

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 July 2011

Recognition of income (continued)

Endowment and investment income

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

Endowment funds

Endowment funds are classified under three headings:

- Where the donor has specified that the fund is to be permanently invested to generate an income stream for the general purposes of the College, the fund is classified as an unrestricted permanent endowment.
- Where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied for a restricted purpose, the fund is classified as a restricted permanent endowment.
- Where the donor has specified a particular objective other than the acquisition or construction of tangible fixed assets, and that the College must or may convert the donated sum into income, the fund is classified as a restricted expendable endowment.

Foreign currency translation

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 income and expenditure for the financial year.

Tangible fixed assets

a. Land and buildings

Freehold buildings within the College main site are stated at depreciated replacement cost ascertained as at 31 July 2003 plus subsequent additions at historical cost and are depreciated on a straight line basis over their expected useful economic life of 50 years. Freehold land is not depreciated.

External properties are included at valuation and due to the College's policy and practise of regular maintenance and repair no depreciation is charged on these properties on the grounds that it would be immaterial as their estimated residual values are not materially different from their carrying amounts in these financial statements. A professional valuation is carried out every 5 years and interim valuations are carried out by the Bursar. The bursar's valuation method uses the values as per the latest professional valuation and adds an annual revaluation adjustment reflecting specific market values as published by financial institutions.

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

Finance costs which are directly attributable to the construction of buildings are not capitalised as part of the cost of those assets.

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

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

b. Maintenance of premises

The cost of major refurbishment is capitalised and depreciated over the expected useful economic life of the asset concerned. The cost of routine maintenance is charged to the Income and Expenditure account as it is incurred.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 July 2011

Tangible fixed assets (continued)

c. Furniture, fittings and equipment

Furniture, fittings and equipment are capitalised at cost. Depreciation is provided on a straight line basis over the expected useful life of the assets as follows:

Furniture, fittings and general equipment	10 years
Catering and conference equipment	5 years
Computer equipment	4 years

d. Heritage assets

The College does not hold any material heritage assets and as such no further disclosures are considered required in these financial statements.

Leases

Rental costs under operating leases are charged to the Income and Expenditure Account in equal amounts over the periods of the leases.

Investments

Fixed asset investment and endowment assets are included in the balance sheet at market value, except for investments in subsidiary undertakings which are stated in the College's balance sheet at cost and eliminated on consolidation. Investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value.

Securities

Securities are shown at their market value. This is for listed investments the middle market quotation ruling at the close of business on 31 July, translated for overseas investments into sterling at the rates of exchange ruling at that date.

Investment income is included as and when dividends and interest become payable. Interest on bank deposits is included on an accrual basis. Interest which forms part of the price of investments purchased or sold during the year is treated as revenue.

Properties

Investment properties are included at open market value. A professional valuation is carried out every 5 years and interim valuations are carried out by the Bursar. The bursar's valuation method uses the values as per the latest professional valuation and adds an annual revaluation adjustment reflecting specific market values as published by financial institutions. These properties form part of the College's investments and therefore any surplus or deficit on revaluation is reflected as part of each fund's value as at 31 July. In accordance with SSAP19, no depreciation is charged.

Stocks

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

Provisions

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 July 2011

Taxation

The College is a registered charity (number 1137496) and also a charity within the meaning of Section 506 (1) of the Taxes Act 1988. Accordingly, the College is exempt from taxation in respect of income or capital gains received within the categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

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

Contribution under Statute G,II

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

Pension schemes

The college pays contributions to two pension schemes which provide benefits to its members based on final pensionable salary. The assets of these schemes are held separately from those of the College.

Universities Superannuation Scheme

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

Fitzwilliam College Assistant Staff Superannuation Fund

The College also contributes to the Fitzwilliam College Assistant Staff Superannuation Fund, which is a similar defined benefit pension scheme. Pension costs are recognised on a systematic basis so that the costs of providing retirement benefits to employees are matched evenly, so far as possible, to the service lives of the employees concerned.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 July 2011

	Note	2011 £000	2010 £000
INCOME			
Academic fees and charges	1	2,388	2,227
Residences, catering and conferences	2	4,344	3,771
Endowment and investment income	3	1,206	1,050
Donations	4	248	478
Other income	5	186	199
Total income		8,372	7,725
EXPENDITURE			
Education	6	3,031	3,038
Residences, catering and conferences	7	4,440	4,136
Other expenditure	8	820	923
Total expenditure	9	8,291	8,097
Surplus on continuing operations before Contribution under Statute G, II		81	(372)
Contribution under Statute G,II		0	0
Surplus on continuing operations after Contribution under Statute G, II		81	(372)
Surplus for the year transferred to accumulated income in endowment funds	21	(49)	(29)
Surplus for the year retained within general reserves		32	(401)

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

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 July 2011

	Note	Restricted Funds £000	Un-restricted Funds £000	2011 Total £000	2010 Total £000
Surplus/(deficit) on income and expenditure account		0	32	32	(401)
Prior year adjustment	22	0	0	0	61
Unspent endowment fund income		49	0	49	29
Increase in market value of investments:					
Endowment assets	21	254	682	936	3,054
Fixed assets	22	0	(99)	(99)	255
New endowments	21	3,235	3	3,238	573
Transfer donations towards Library		(1,451)	0	(1,451)	(305)
Transfer to Billygoats Society		(117)	0	(117)	0
Capital grant from Colleges Fund		0	307	307	329
		_____	_____	_____	_____
Total recognised gains for the year		1,970	925	2,895	3,595
		=====	=====	=====	=====
Reconciliation					
Opening reserves and endowments		7,229	43,355	50,584	41,074
Revaluation of external properties	22	0	0	0	5,915
Total recognised gains for the year		1,970	925	2,895	3,595
		_____	_____	_____	_____
Closing reserves and endowments		9,199	44,280	53,479	50,584
		=====	=====	=====	=====

CONSOLIDATED BALANCE SHEET

As at 31 July 2011

	Note		2011 £000	2010 £000	
FIXED ASSETS					
Tangible assets	12		20,267	20,307	
Investments	13		1,935	1,583	
			<u>22,202</u>	<u>21,890</u>	
ENDOWMENT ASSETS	14		<u>42,535</u>	<u>39,573</u>	
CURRENT ASSETS					
Stocks	15		56	55	
Debtors due within one year	16		1,938	1,753	
Debtors due after more than one year	16		2,364	2,855	
Cash at bank and in hand	17		1,317	26	
			<u>5,675</u>	<u>4,689</u>	
CREDITORS : amounts falling due within one year	18		<u>(3,250)</u>	<u>(1,871)</u>	
Net current assets			<u>2,425</u>	<u>2,818</u>	
Total assets less current liabilities			<u>67,162</u>	<u>64,281</u>	
CREDITORS: amounts falling due after more than one year	19		<u>(10,000)</u>	<u>(10,000)</u>	
TOTAL NET ASSETS			<u><u>57,162</u></u>	<u><u>54,281</u></u>	
Represented by:					
		Restricted funds	Un-restricted funds	2011 Total	2010 Total
DEFERRED CAPITAL GRANTS	20	<u>3,683</u>	<u>0</u>	<u>3,683</u>	<u>3,697</u>
ENDOWMENTS					
Expendable endowments	21	<u>1,533</u>	<u>0</u>	<u>1,533</u>	<u>1,020</u>
Permanent endowments	21	<u>7,666</u>	<u>33,336</u>	<u>41,002</u>	<u>38,553</u>
		<u>9,199</u>	<u>33,336</u>	<u>42,535</u>	<u>39,573</u>
RESERVES					
General reserves	22	<u>0</u>	<u>4,850</u>	<u>4,850</u>	<u>4,818</u>
Operational property revaluation reserve	22	<u>0</u>	<u>6,054</u>	<u>6,054</u>	<u>6,157</u>
Fixed asset investment revaluation reserve	22	<u>0</u>	<u>40</u>	<u>40</u>	<u>36</u>
		<u>0</u>	<u>10,944</u>	<u>10,944</u>	<u>11,011</u>
TOTAL FUNDS		<u><u>12,882</u></u>	<u><u>44,280</u></u>	<u><u>57,162</u></u>	<u><u>54,281</u></u>

The financial statements were approved by the Governing Body on 23 November 2011 and signed on its behalf by:

R A Powell
Bursar

R D Lethbridge
Master

The notes on pages 21 to 34 form part of these accounts

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 July 2011

	Note	2011 £000	2010 £000
Net cash inflow from operating activities	23	186	177
Returns on investments and servicing of finance	24	316	266
Capital expenditure and financial investment	24	2,197	(1,131)
Net cash inflow before management of liquid resources		2,699	(688)
Management of liquid resources	24	(1,462)	807
Increase in cash in the year		1,237	119
Reconciliation in net cash flow to movement in net funds			
Increase in cash in the year		1,237	119
Cash inflow from liquid resources		1,462	(807)
Change in net funds		2,699	(688)
Net funds at beginning of year		(9,317)	(8,629)
Net funds at end of year		(6,618)	(9,317)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2011

1. ACADEMIC FEES AND CHARGES

	2011	2010
	£000	£000
Colleges fees:		
Fee income paid on behalf of undergraduates at the publicly-funded undergraduate rate (per capita fee £3,861)	1,502	1,476
Privately-funded undergraduate fee income (per capita fee (£5,080)	452	347
Fee income received at the Graduate fee rate (per capita fee £2,229)	422	399
Other income	12	5
	<u>2,388</u>	<u>2,227</u>
	<u><u>2,388</u></u>	<u><u>2,227</u></u>

2. INCOME FROM RESIDENCES, CATERING AND CONFERENCES

	2011	2010
	£000	£000
Accommodation:		
College members	2,147	1,926
Conferences	607	512
Catering:		
College members	894	872
Conferences	696	461
	<u>4,344</u>	<u>3,771</u>
	<u><u>4,344</u></u>	<u><u>3,771</u></u>

3. ENDOWMENT AND INVESTMENT INCOME

	2011	2010
	Total	Total
	£000	£000
Income from:		
Land and buildings	420	279
Quoted securities	525	533
Other interest receivable	261	238
	<u>1,206</u>	<u>1,050</u>
	<u><u>1,206</u></u>	<u><u>1,050</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2011

4. DONATIONS

	2011	2010
	£000	£000
Unrestricted donations	67	294
Restricted donations	87	90
Released from deferred capital grants (see note 19)	94	94
	<u>248</u>	<u>478</u>

5. OTHER INCOME

	2011	2010
	£000	£000
Miscellaneous charges to members and other income	78	90
Hire of network	89	90
Launderette income	19	19
	<u>186</u>	<u>199</u>

6. EDUCATION EXPENDITURE

	2011	2010
	£000	£000
Teaching	1,945	1,951
Tutorial	463	453
Admissions	116	106
Research	232	246
Scholarships and awards	121	119
Other educational facilities	154	163
	<u>3,031</u>	<u>3,038</u>

7. RESIDENCES, CATERING AND CONFERENCES EXPENDITURE

	2011	2010
	£000	£000
Accommodation:		
College members	2,250	2,037
Conferences	494	485
Catering:		
College members	1,221	1,260
Conferences	475	354
	<u>4,440</u>	<u>4,136</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2011

8. OTHER EXPENDITURE

	2011	2010
	£000	£000
Restricted funds expenditure	47	30
Loan interest	322	501
Development expenses	225	287
Administration	142	82
Other	84	23
	<u>820</u>	<u>923</u>

9. ANALYSIS OF EXPENDITURE BY ACTIVITY

2010/11	Staff costs (note 11) £000	Other operating expenses £000	Deprecia- -tion £000	Total £000
Education (note 6)	1,165	1,721	145	3,031
Residences, catering and conferences (note 7)	2,210	1,617	613	4,440
Other (note 8)	237	581	2	820
	<u>3,612</u>	<u>3,919</u>	<u>760</u>	<u>8,291</u>

The above expenditure includes fundraising costs of £225,465 (2010: £287,412).
This expenditure includes the costs of alumni relations.

2009/10	Staff costs (note 11) £000	Other operating expenses £000	Deprecia- -tion £000	Total £000
Education (note 6)	1,158	1,733	147	3,038
Residences, catering and conferences (note 7)	2,088	1,400	648	4,136
Other (note 8)	239	682	2	923
	<u>3,485</u>	<u>3,815</u>	<u>797</u>	<u>8,097</u>

10. AUDITORS' REMUNERATION

	2011	2010
	£000	£000
Other operating expenses include:		
Audit fees payable to the College's external auditors	15	15
	<u>15</u>	<u>15</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2011

11. STAFF COSTS

	College fellows	Non- academic	2011 Total	2010 Total
	£000	£000	£000	£000
<i>Staff costs:</i>				
Emoluments	524	2,399	2,923	2,836
Social security costs	58	160	218	224
Other pension costs	40	431	471	425
	<u>622</u>	<u>2990</u>	<u>3,612</u>	<u>3,485</u>
	No	No	No	No
<i>Average staff numbers:</i>				
Academic	47	0	47	54
Non-academic	0	103	103	99
	<u>47</u>	<u>103</u>	<u>150</u>	<u>153</u>

The Governing Body comprised 59 Fellows of which the 54 declared above were stipendiary.

No officer or employee of the College, including the Head of House, received emoluments of over £100,000. During the year the Trustees received £523,800 for normal College duties.

12. TANGIBLE FIXED ASSETS

	Freehold land and buildings			Furniture, fittings and equipment	2011 Total	2010 Total
	College main site	External properties	Assets under construction			
	£000	£000	£000	£000	£000	£000
Cost						
At beginning of year	24,499	12,820	73	3,018	40,410	30,054
Re-classification of investment properties	0	0	0	0	0	4,088
Additions	120	2,451	0	291	2,862	997
Revaluation surplus/(deficit)	0	(160)	0	0	(160)	5,706
Disposals	0	0	0	0	0	(435)
At end of year	<u>24,619</u>	<u>15,111</u>	<u>73</u>	<u>3,309</u>	<u>43,112</u>	<u>40,410</u>
Depreciation						
At beginning of year	3,122	0	0	1,976	5,098	5,085
Charge for the year	492	0	0	268	760	797
Revaluation transfer	0	0	0	0	0	(512)
Eliminated on disposals	0	0	0	0	0	(272)
At end of year	<u>3,614</u>	<u>0</u>	<u>0</u>	<u>2,244</u>	<u>5,858</u>	<u>5,098</u>
Net book value						
At end of year	<u>21,005</u>	<u>15,111</u>	<u>73</u>	<u>1,065</u>	<u>37,254</u>	<u>35,312</u>
At beginning of year	<u>21,377</u>	<u>12,820</u>	<u>73</u>	<u>1,042</u>	<u>35,312</u>	<u>24,969</u>

The insured replacement cost of freehold land and buildings as at 31 July 2011 was £62,000,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2011

12. TANGIBLE FIXED ASSETS (continued)

	Freehold land and buildings			Furniture, fittings and equipment £000	2011 Total £000	2010 Total £000
	College main site £000	External properties £000	Assets under construction £000			
Net book value at end of year	21,005	15,111	73	1,065	37,254	35,312
Less: buildings forming part of endowment assets (note 14)	(10,664)	(6,323)	0	0	(16,987)	(15,005)
	<u>10,341</u>	<u>8,788</u>	<u>73</u>	<u>1,065</u>	<u>20,267</u>	<u>20,307</u>

13. FIXED ASSET INVESTMENTS

	2011 Total	2010 Total
Balance at beginning of year	24,128	23,111
Additions	5,308	3,252
Disposals	(6,688)	(4,328)
Appreciation/(depreciation)	997	2,900
Increase/(decrease) in cash balances	1,462	(807)
Balance at end of year	<u>25,207</u>	<u>24,128</u>
Represented by:		
Investment properties	3,859	4,330
Quoted securities - equities	18,181	18,387
Quoted securities - fixed interest	889	595
Cash held at investment managers	729	58
Bank balances	1,549	758
	<u>25,207</u>	<u>24,128</u>
Less: investments forming part of endowment (note 14)	(23,272)	(22,545)
	<u>1,935</u>	<u>1,583</u>

14. ENDOWMENT ASSETS

	2011 £000	2010 £000
Freehold land and buildings (note 12)	16,987	15,005
Other assets (note 16)	2,276	2,023
Share of pooled investment assets (note 13)	23,272	22,545
	<u>42,535</u>	<u>39,573</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2011

15. STOCKS

	2011	2010
	£000	£000
Goods for resale	56	55
	<u>56</u>	<u>55</u>

16. DEBTORS

	2011	2010
	£000	£000
Due within one year		
Members of the College	173	248
Other debtors	1,765	1,505
	<u>1,938</u>	<u>1,753</u>
Due after more than one year		
Loan repayable by 31 July 2030	4,640	4,878
Less: forming part of endowment assets (note 14)	(2,276)	(2,023)
	<u>2,364</u>	<u>2,855</u>

17. CASH AT BANK AND IN HAND

	2011	2010
	£000	£000
Cash held at investment managers	1,290	0
Current accounts	26	24
Cash in hand	1	2
	<u>1,317</u>	<u>26</u>

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011	2010
	£000	£000
Bank overdraft	213	159
Social security and other taxes	133	5
Members of the College	188	163
Other creditors	2,716	1,544
	<u>3,250</u>	<u>1,871</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2011

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011	2010
	£000	£000
Bank loan	10,000	10,000
	<u>10,000</u>	<u>10,000</u>

The bank loan is unsecured and to be repaid in full by 30 July 2058 at a fixed rate of 4.93% per annum.

20. DEFERRED CAPITAL GRANTS

	2011	2010
	£000	£000
Balances at beginning of year:		
Buildings	3,697	3,712
Donations received:		
Buildings	80	80
Released to income and expenditure account:		
Buildings	(94)	(95)
	<u>3,683</u>	<u>3,697</u>
Balances at end of year:		
Buildings	<u>3,683</u>	<u>3,697</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2011

21. ENDOWMENTS

	Unrestricted Permanent	Restricted Permanent	Total Permanent	Restricted Expendable	2011 Total	2010 Total
	£000	£000	£000	£000	£000	£000
Balance at beginning of year:						
Capital	32,344	5,648	37,992	1,020	39,012	35,357
Unspent income	0	561	561	0	561	536
	<u>32,344</u>	<u>6,209</u>	<u>38,553</u>	<u>1,020</u>	<u>39,573</u>	<u>35,893</u>
New endowments received	3	1,216	1,219	2,019	3,238	268
Transfer donations towards Library	0	0	0	(1,451)	(1,451)	0
Transfer to Billygoats Society	0	0	0	(117)	(117)	0
Capital grant from Colleges Fund	307	0	307	0	307	329
Increase/(decrease) in market value of investments	682	218	900	36	936	3,054
	<u>33,336</u>	<u>7,643</u>	<u>40,979</u>	<u>1,507</u>	<u>42,486</u>	<u>39,544</u>
Net transfer (to)/from income and expenditure account:						
Income receivable	317	198	515	105	620	642
Expenditure	(317)	(175)	(492)	(79)	(571)	(613)
	<u>0</u>	<u>23</u>	<u>23</u>	<u>26</u>	<u>49</u>	<u>29</u>
Balance at end of year	<u>33,336</u>	<u>7,666</u>	<u>41,002</u>	<u>1,533</u>	<u>42,535</u>	<u>39,573</u>
Comprising:						
Capital	33,336	7,083	40,419	1,507	41,926	39,032
Unspent income	0	583	583	26	609	541
Balance at end of year	<u>33,336</u>	<u>7,666</u>	<u>41,002</u>	<u>1,533</u>	<u>42,535</u>	<u>39,573</u>
Representing						
Fellowship and Research Funds	0	2,898	2,898	0	2,898	2,304
Scholarship and Prize Funds	113	1,433	1,546	0	1,546	1,507
Chapel Funds	0	300	300	300	600	580
Travel Grant Funds	0	396	396	0	396	336
Hardship Funds	0	2,249	2,249	13	2,262	1,524
Building Funds	0	0	0	1,146	1,146	569
Other Funds	0	390	390	74	464	515
General endowments	33,223	0	33,223	0	33,223	32,238
	<u>33,336</u>	<u>7,666</u>	<u>41,002</u>	<u>1,533</u>	<u>42,535</u>	<u>39,573</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2011

22. RESERVES

	General reserves	Operational property revaluation reserve	Fixed asset Investment revaluation reserve	2011 Total	2010 Total
	£000	£000	£000	£000	£000
Balance at beginning of year	4,818	6,157	36	11,011	5,181
Revaluation of external properties	0	0	0	0	5,976
Surplus/(deficit) for the year	32	0	0	32	(401)
Increase/(decrease) in market value of investments	0	(103)	4	(99)	255
Balance at end of year	<u>4,850</u>	<u>6,054</u>	<u>40</u>	<u>10,944</u>	<u>11,011</u>

Due to a change in the College accounting policy all operational external properties are now included in the balance sheet at valuation instead of cost less depreciation. As a result the effect of that change was to reduce last year's deficit by £61K and increase the value of those properties by £6,054K as at the end of the year. The analysis of that revaluation surplus over the last three years was a surplus of £5,915K as at 31 July 2009, £242K in the year ended 31 July 2010 and a deficit of £103K in the year just ended.

23. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2011	2010
	£000	£000
Surplus on continuing operations	81	(372)
Depreciation of tangible fixed assets	760	791
Deferred capital grants released to income	(95)	(95)
Investment income	(786)	(771)
Interest payable	492	272
Increase in stocks	(1)	(7)
Increase in debtors	(228)	(61)
Decrease in creditors	(37)	420
Net cash inflow from operating activities	<u>186</u>	<u>177</u>

24. CASH FLOWS**RETURNS ON INVESTMENTS AND SERVICING OF FINANCE**

	2011	2010
	£000	£000
Endowment and investment income received	808	538
Interest paid	(492)	(272)
Net cash inflow from returns on investments and servicing of finance	<u>316</u>	<u>266</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2011

24. CASH FLOWS (continued)**CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT**

	2011	2010
	£000	£000
Receipts from sales of tangible fixed assets	170	0
Receipts from sales of endowment assets	6,688	4,328
New endowments received	3,329	658
Capital grant received from colleges fund	307	329
Loan repayment from Fitzwilliam Information Services Trust Limited	238	(1,920)
	<hr/>	<hr/>
Total capital receipts	10,732	3,395
	<hr/>	<hr/>
Payments to acquire tangible fixed assets	(502)	(1,239)
Payments to acquire endowment assets	(7,548)	(3,286)
Housing loans to fellows	(180)	0
Donation to Fitzwilliam Information Services Trust Ltd	(305)	0
Capital Grant to Junior Members Association	0	(1)
	<hr/>	<hr/>
Total capital expenditure	(8,535)	(4,526)
	<hr/>	<hr/>
Net cash inflow from capital transactions	2,197	(1,131)
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT OF LIQUID RESOURCES

	2011	2010
	£000	£000
Increase/(decrease) in short term deposits	1,462	(807)
	<hr/> <hr/>	<hr/> <hr/>

25. ANALYSIS OF CASH AND BANK BALANCES

	2011	2010
	£000	£000
Bank overdraft	(213)	(159)
Bank loan	(10,000)	(10,000)
Cash held at fund managers and on deposit	3,595	842
	<hr/>	<hr/>
	(6,618)	(9,317)
	<hr/> <hr/>	<hr/> <hr/>

26. CAPITAL COMMITMENTS

At 31 July 2011 future capital expenditure authorised and committed amounted to £nil (2010 - £2,239,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2011

27. FINANCIAL COMMITMENTS

At 31 July 2011 and 31 July 2010 the College had no annual commitments under non-cancellable operating leases.

28. PENSION SCHEMES**Universities Superannuation Scheme**

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2011

28. PENSION SCHEMES (continued)**Universities Superannuation Scheme (continued)**

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

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

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

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

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

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

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

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

At 31 March 2011, USS had over 142,000 active members and the College had 84 active members participating in the scheme.

The total pension cost for the College was £277,624 (2010: £248,886). The contribution rate payable by the College was 16% of pensionable salaries.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2011

28. PENSION SCHEMES (continued)**Fitzwilliam College Assistant Staff Superannuation Fund**

The Group also operates an insured pension fund for non-academic employees providing defined benefits to those employees based on their final pensionable salary. Contributions to the fund are based on the recommendation of professional advisors and with the agreement of the fund's actuary. The assets of the Fund are principally invested in a Unitised With-Profits policy with Norwich Union. The fund was valued by an independent actuary as at 1 August 2009.

A market-based valuation has been carried out. This means the assets are taken at a market value and the assumptions used to calculate the liabilities are set with reference to market conditions at the valuation date. As set out in the Statement of Funding Principles, the liabilities have been valued using the Projected Accrued Benefit method. The value of the assets is compared with the past service liability to determine the funding level and the surplus or deficit. No liabilities will arise in respect of service after the valuation date as the Scheme has ceased future accrual.

The past service liability is calculated by estimating the future benefit payments from the Scheme based on pensionable service up to the date accrual ceased and final pensionable salaries projected to retirement. These are then discounted back to the valuation date at the valuation rate of interest. This gives the present value of the liabilities accrued up to the valuation date.

The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments and the rates of increase in salary and pensions. It was assumed that the yield up to retirement would be 5.5% per annum, salary increases would be 4.0% per annum and pensions would increase by 3.5% per annum.

At the valuation date, the value of the assets of the scheme was £1,036,000 and the value of the past service liabilities was £2,641,000 indicating a deficit of £1,605,000 and a funding level of 39%.

The previous full actuarial valuation showed a deficit of £1,300,000. The main reasons for the change between that deficit and the actual deficit produced now of £1,605,000 related mainly to changes in the assumptions previously made and contributions paid. The actuary also valued the scheme on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date). On this basis the actuary estimated that the funding level would have been approximately 49%.

The College received an interim actuarial report carried out as at 1 August 2010 showing a reduced deficit of £1,240,000. The main reasons for the improvement related to the increased level of contributions made by the College, salary increases being below projection, investment return of 14% compared with assumption of 5.5% and change in assumptions made in respect of future investment yields to retirement.

Due to the current deficit a recovery plan has been put in place to ensure the statutory funding objective is met within a stated period. To eliminate the funding deficit, the employer agreed to contribute £200,000 each year from 1 August 2010 to 1 August 2020. The next formal triennial actuarial valuation is due as at 1 August 2012. The net charge to the income and expenditure account during the year was £196,082.

Financial Reporting Standard 17 requires disclosure in the financial statements of the fair value of the assets and liabilities arising from the group's retirement benefit obligations and any related funding at each balance sheet date. It also requires disclosure of key actuarial assumptions, the cost of providing retirement benefits, the related finance costs and any other changes in value of the assets and liabilities. The information shown is to be updated by the scheme's actuary at each balance sheet date. The Governing Body has concluded that it is not in its interest to incur the costs of an annual actuarial valuation. The above note therefore includes corresponding information from the most recent triennial valuation performed by the actuary for the pension scheme. It is not practicable to quantify the effect of this departure from accounting standards.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2011

29. SUBSIDIARY UNDERTAKINGS

The subsidiary companies (all of which are registered in England & Wales), wholly-owned by the College, are as follows:

Company	Principal Activity	Status
Fitzwilliam College Services Limited	Provision of conference management services	100% owned
Kawakawa Bay Limited	Provision of launderette services	100% owned

30. RELATED PARTY TRANSACTIONS

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

The College operates a fellows housing loan scheme and at the end of the year the total amount included in debtors amounted to £397,040 (2010 - £218,792). These loans are offered to fellows whom meet the criteria on commercial terms.