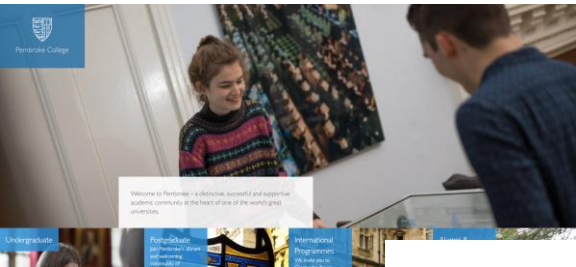


College Meeting

Pembroke College Accounts 2021-22

8th November 2022





Pembroke College, Cambridge

Recommended Cambridge College Accounts (RCCA)

For the year ended 30th June 2022

Pembroke College Operating and Financial Review (continued)

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

The 2021-2022 year has had its challenges with regard to admissions, as the country 19 pandemic whilst still experiencing the consequences of the various national lockdowns more difficult, as this cohort of applicants were the first to have been awarded GCSE so higher numbers of applicants had higher GCSEs. This, in addition to the College re before, meant that the College conducted more interviews, and that competition for

The undergraduate selection process remained online, including interviews and both number of students accepted by Pembroke in 2022 returned to the usual levels of a conservative cover ratios.

Undergraduate student applications are shown below, showing the level of diversity

- Applicants**
- Number of applicants 946 (2020-2021 891)
 - Arts 456 or 48.2% (2020-2021 49.3%); Science 490 or 51.8% (2020-2021 51.5%)
 - Male 47.8% (2020-2021 53%), female 52.2% (2020-2021 47%)
 - Home 74.4% or 704 (2020-2021 70.4%); Overseas and EU 25.6% or 242 (2020-2021 25.6%)
 - State school applicants – maintained sector 471 or 68.6% (2020-2021 421 or 68.6%) (2020-2021 or 32.5%)

- Offers**
- Number of offers made for 2022 entry 160 (16.9% of applicants) (2020-2021 160 or 16.9%)
 - State educated 78.9%, independent educated 21.1% (of home offers) (2020-2021 78.9% or 78.9%)
 - Male 49.4%, female 50.6% (2020-2021 58% and 42%)

The College charges the following fees:

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

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

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The College statutes require the approval of the accounts by the College Meeting on recommendation from the Finance & Scrutiny committee.

As a Charity, we are required to submit an annual report.

The Annual Accounts (statutory accounts) include a synopsis of the College's Governance, a review of the year, a financial section and a report from the Auditors (PEM).

Statutory Accounts (RCCA)

Statutory accounts are the legal documents filed with the Charities Commission and Companies' House. They are presented in a prescribed format (Recommended Cambridge Colleges Accounts), agreed by all Bursars, which follows the Higher Education Statement Of Recommended Practices (SORP).

They include

- Statement Of Comprehensive Income & Expenditure (this records all the income and expenditure of the College during the financial year)
- Balance Sheet (this is a snapshot of the Assets and Debts of the College at the end of the year)
- Detailed notes to elaborate on the SOCIE and Balance sheet information

The College accounts are audited by independent auditors who form an opinion on the processes, procedures and risks.

The auditors issue recommendations (see Audit Matters document circulated).

RCCA accounts exist for regulators and counterparties (to reassure them they will get paid).

All Trustees of the College have to agree the accounts before they can be signed off by the Master and the Bursar. We are legally promising third parties they are fair.

Statutory Annual accounts (RCCA) - SOCIE

	Note	Unrestricted £000	Restricted £000	Endowment £000	2022 Total £000	
Income						
Academic fees and charges	1	4,643	148	-	4,791	
Accommodation, catering and conferences	2	4,305	2	-	4,307	
Investment income	3a	142	39	1,574	1,755	
Endowment return transferred	3a	1,592	1,929	(3,529)	(8)	£3.5m transferred as per spending rule (importance of endowment reserves)
Other income	3c	100	37	-	137	
Total income before donations and endowments		10,782	2,155	(1,955)	10,982	
Donations		780	794	-	1,574	
New endowments		-	-	1,170	1,170	
Other capital donations for Mill Lane project		-	7,664	-	7,664	Donations received for Mill Lane
Total income		11,562	10,613	(785)	21,390	
Expenditure						
Education	4	6,233	2,172	-	8,405	
Accommodation, catering and conferences	5	6,731	-	-	6,731	
Other expenditure	7d	2,011	232	926	3,169	
USS Provision	7d	1,346	-	-	1,346	Change in USS pensions deficit
Contribution under Statute G,II		26	8	-	34	
Total expenditure		16,346	2,412	926	19,684	
(Deficit)/surplus before other gains and losses		(4,784)	8,201	(1,711)	1,706	
Gain/(loss) on investments	3a	(809)	118	4,527	3,836	Investments returned £3.8m overall.
(Deficit)/surplus for the year		(5,593)	8,319	2,816	5,542	
Other comprehensive income						
Actuarial profit/(loss) in respect of pension schemes	15	1,144	-	-	1,144	CCFPS deficit
Total comprehensive income for the year		(4,449)	8,319	2,816	6,686	£6.7m comprehensive income added to Net Assets

Statutory Accounts (RCCA) – Balance Sheet

	Note	2022 £000	2021 £000	
Non-current assets				
Fixed assets	8a	179,810	162,592	
Heritage assets	8b	644	574	
Investments	9	113,439	110,818	Investment portfolio includes £100m General Investment and £13m Private Placements
Total non-current assets		293,893	273,984	
Current assets				
Stock	10	688	720	
Trade and other receivables	11	2,608	7,746	
Cash and cash equivalents	12	0	2,937	
Short-term investments	13	19,387	25,072	Mill Lane Cash in hand
Total current assets		22,682	36,475	
Creditors: amounts falling due within one year	14a	(10,008)	(10,657)	Includes £5.2m accumulated deficit
Net current assets		12,674	25,818	
Total assets less current liabilities		306,567	299,802	
Creditors: amounts falling due after more than one year	14b	(14,440)	(14,556)	Long term loans and private placements
		292,127	285,246	
Provisions				
Pension provisions	15	(4,530)	(4,333)	CCFPS and USS Deficit provisions
Total net assets		287,597	280,912	
Restricted reserves				
Income and expenditure reserve - endowment reserve	16	90,396	87,580	
Income and expenditure reserve - restricted reserve	17	30,387	41,139	
		120,783	128,719	Restricted Reserves – being all donations and Legacies, interest on them Less monies spent – Can only be spent according to Donors 'wishes
Unrestricted reserves				
Income and expenditure reserve - unrestricted reserve		90,731	76,110	
Revaluation reserve		76,084	76,084	
		166,815	152,194	General reserves for the College – can be spent on what the college decides
Total reserves		287,599	280,913	

RCCA vs Management Accounts

Management accounts are designed to tell trustees whether we are managing the College in a responsible and sustainable manner. They don't include volatile items like investment returns. Over the long term we aim for management account to balance.

Management Accounts deficit	£'m (0.9)	←	As planned per revised forecast
Remove			
Depreciation	(2.2)		
USS Deficit	(1.3)	←	USS Provision (last man standing basis)
Other	(0.3)		
Deficit included in SOCIE	(4.8)		

Management Accounts include some capital expenditure items spread over several years, but do not include depreciation of the Chapel, Library etc. RCCA depreciate (reduce the value of) those every year, but revalue them up again every five years.

Where we ended 2021-22: Income

- College activities “restarted” almost in full after 2 years of COVID impact (except PSP)
- Semester programmes returned to the College in September 2021
- Students back in College resulting in rent and Catering income recovery
- Development income is gifts for current expenditure

<i>£'000</i>	Actuals 2018-19	Actuals 2019-20	Actuals 2020-21	Budget 2021-22	Actuals 2021-22
Income					
Property rents	134	107	115	132	196
Endowment drawdown	3,314	3,456	3,422	3,438	3,534
Development Programme	1,880	1,615	1,647	1,521	2,574
Student fees	3,015	3,159	3,231	3,304	3,319
Room rents	2,323	1,762	1,984	2,789	2,753
Student catering	962	737	355	569	382
International Programmes	3,944	4,435	(1)	2,109	1,741
Functions and weddings	406	260	12	219	191
Other	392	348	348	539	592
Furlough grant	-	336	497	26	43
Income total	16,370	16,215	11,610	14,646	15,325
Less: invested legacy/endowment income	(85)	(56)	(51)	(75)	(33)
Less: re-invested restricted fund income	(400)	(139)	(717)	(136)	(1,680)
Total Operating Income	15,885	16,020	10,842	14,435	13,612

Where we ended 2021-22: Expenditure

- Staff vacancies starting to be filled as activities restart
- Carried on with programme of IT improvements
- Carried on with maintenance programme for student accommodation
- Return of Catering costs partly due to reopening of the college and partly due to increase in food costs
- Discretionary expenditure: rent payable to TH for 8-9 Bateman Street

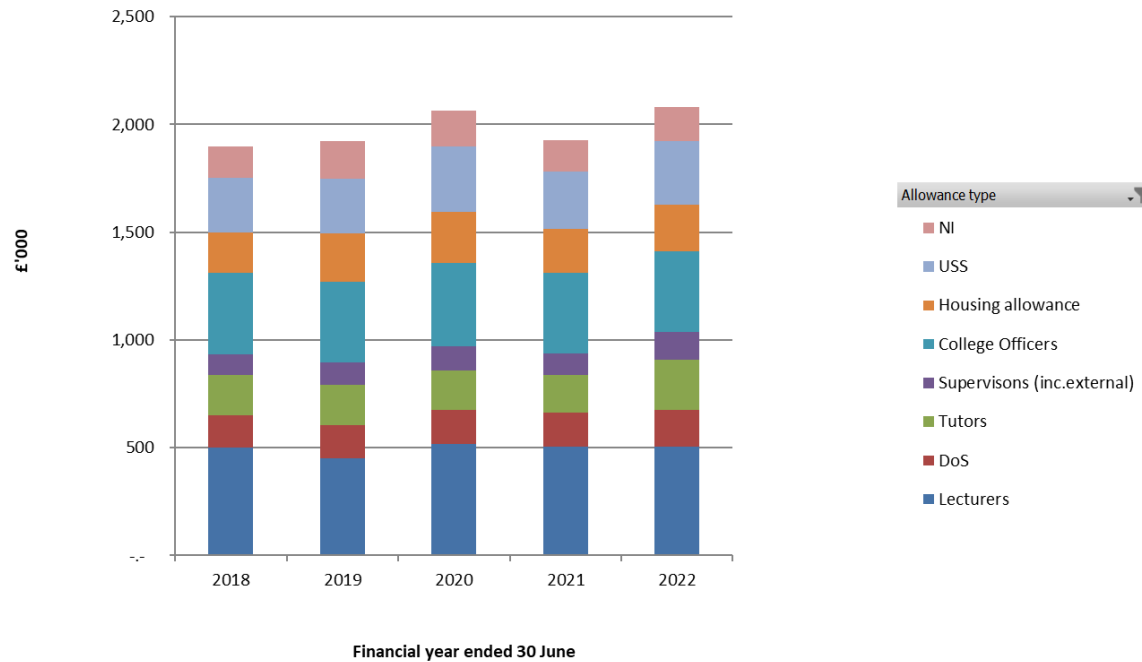
<i>£'000</i>	2018-19	2019-20	2020-21	2021-22	2021-22
<i>Operating Expenditure</i>					
Stipends	2,292	2,429	2,168	2,350	2,304
External supervision	229	247	240	250	284
Salaries & wages	5,382	5,576	5,184	5,632	5,650
Catering & Bar	911	749	354	826	622
Cellar wine	59	70	8	50	68
Maintenance	951	1,124	1,217	1,033	921
IT	463	473	385	506	567
International Programmes	1,125	1,145	232	399	322
Sports Facilities	64	59	100	59	72
Other College operating expenses	1,765	1,568	1,330	1,725	1,634
Utilities	518	459	400	460	565
Restricted fund expenditure	1,414	1,602	1,365	1,432	1,314
Total Operating Costs	15,173	15,501	12,983	14,722	14,323
Net Operating Surplus/(Deficit)	712	519	(2,141)	(287)	(711)
<i>Discretionary Fund</i>					
Discretionary Expenditure	754	480	168	212	154
Total Discretionary Expenditure	754	480	168	212	154
Surplus/(Deficit) For Year before Depreciation and exceptional items	(42)	39	(2,309)	(499)	(865)



2021-22 – Academic Staff and College Officers cost analysis

Account Code ▾ Department Analysis Code... ▾

Stipends analysis

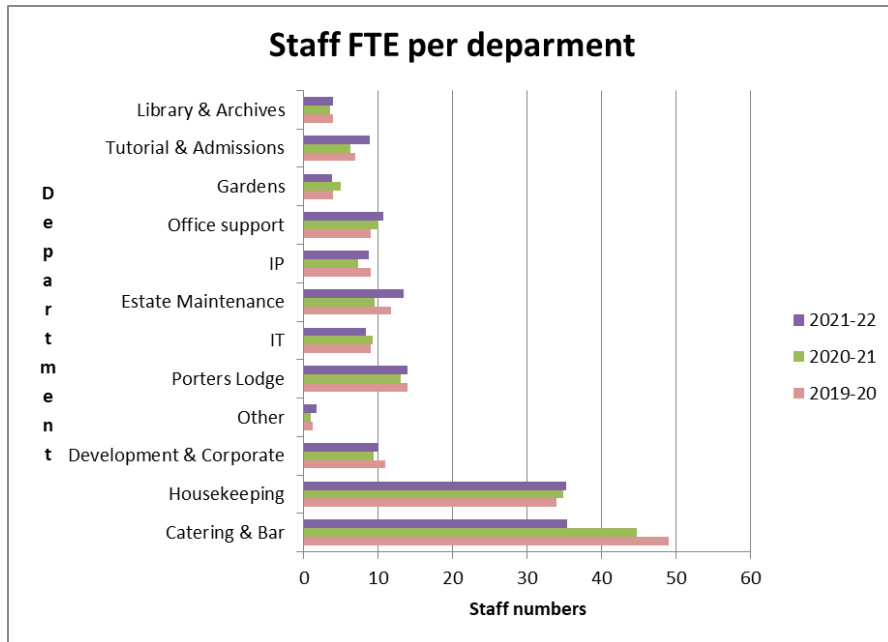


2021-22 goes back to pre-pandemic levels.

Includes

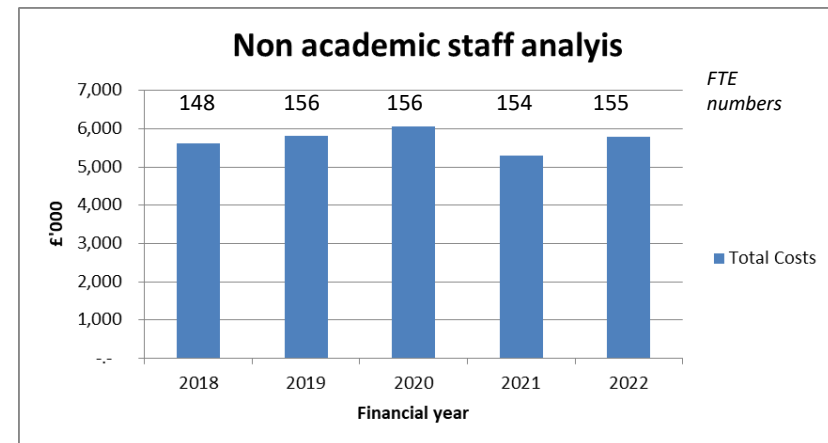
- Cost of living increase (1.50%)
- USS employers contribution increase (to 21.60% April 2022)
- Senior Tutor handover
- Catch-up supervisions 2020-21 recorded in 2021-22 (32k)

2021-22 – Non-academic staff cost analysis

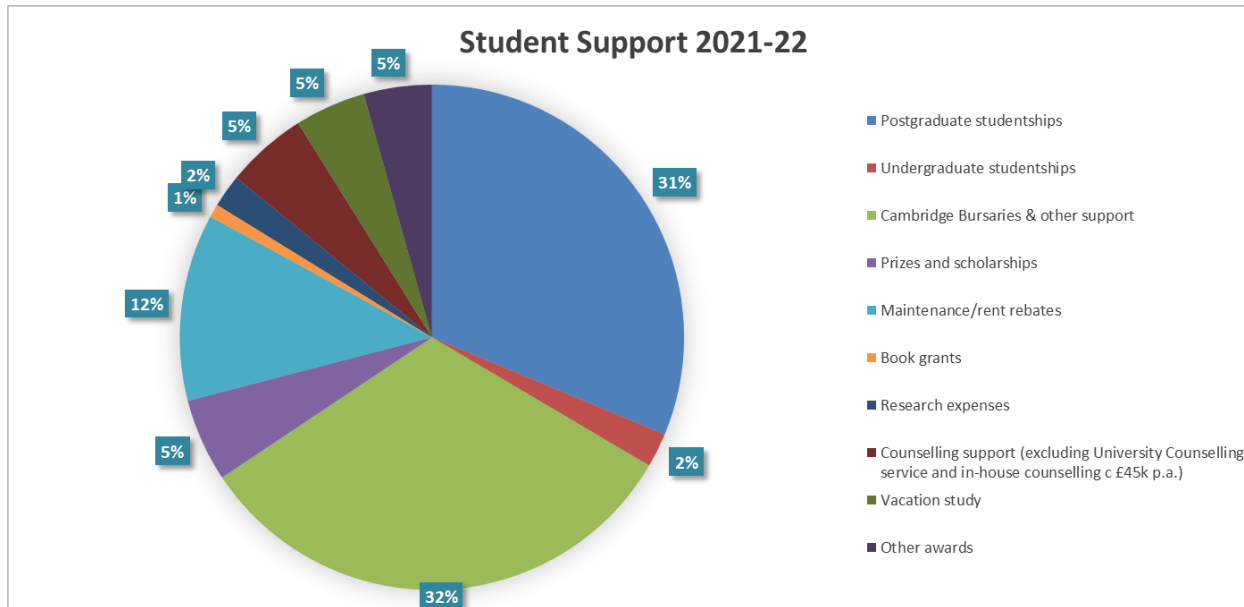


Gross Staff costs have increased overall by 3% over the last 5 years and FTE from 148 to 155. Adjusted for COL inflation, this results in a drop, mainly due to the lack of IP activity over the summer and a gradual return to normal activities.

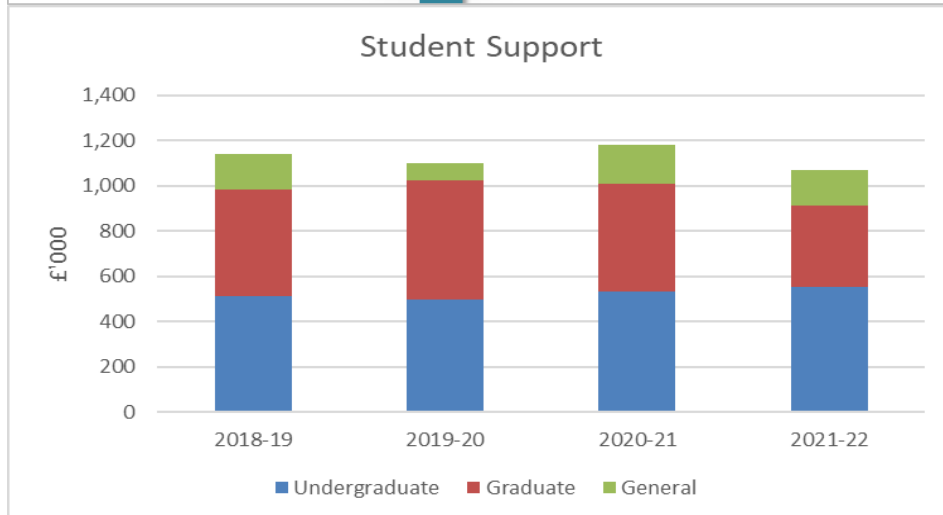
Staff costs decreased by £750k between 2020 and 2021 and have increased by £450k until June 2022. Catering staff levels have still not returned to pre-pandemic levels.



2021-22 – Student support



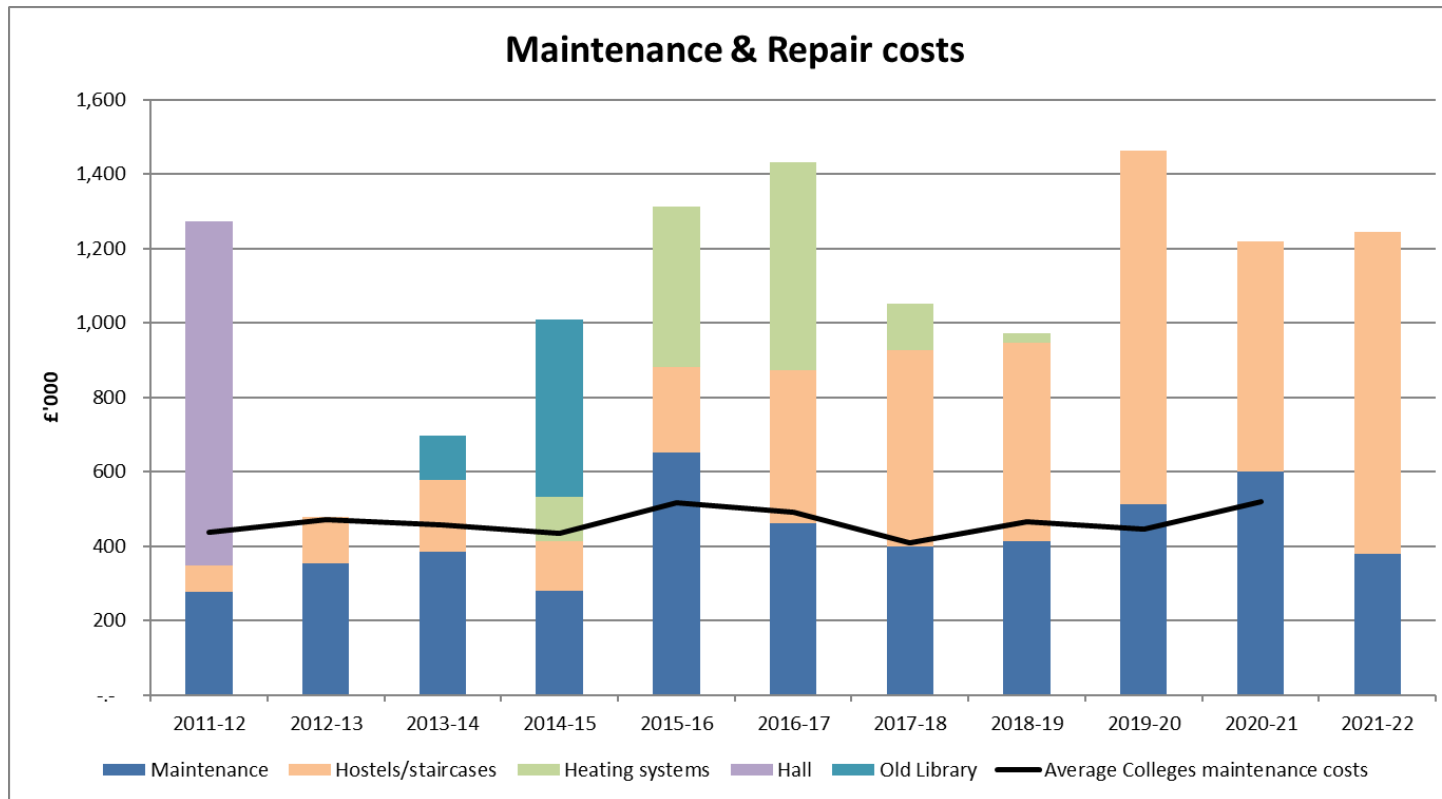
Student support is equally divided between Under and Postgraduates (34% and 31% respectively, including CBS)



The other third is made of a variety of support, mainly hardship (help with maintenance and rent rebates)

Overall, student support remains fairly constant at c.£1 to £1.1m per year.

2021-22 –Maintenance



Prior to 2013 we were the lowest spending College on maintenance per student. Overall maintenance spend has averaged £1.2m per year (fifth highest) as the college catches up with the refurbishment programme. This should settle down to median spend in a few years; the room standard is much higher.

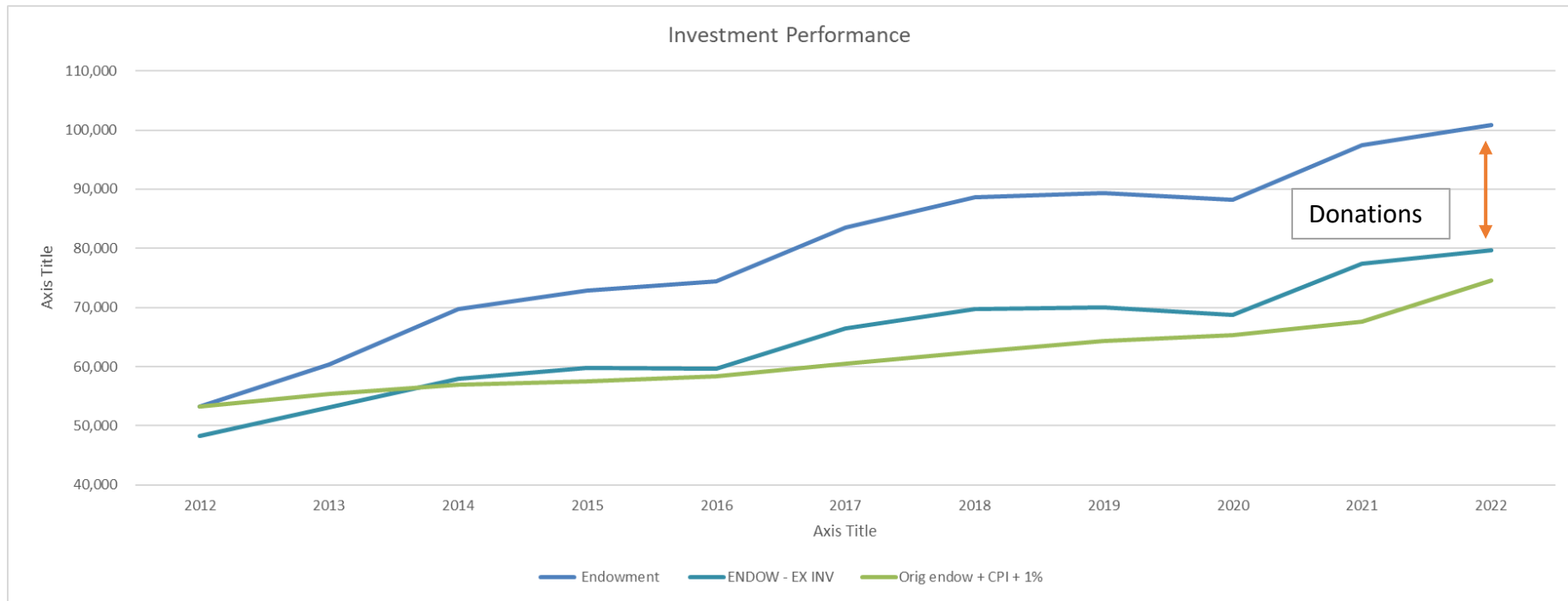
Investment

	2020-21		2021-22	
	£'000	%	£'000	%
Investment vehicle				
Managed cash (other than operating balance)	3,294	3.4%	3,322	3.3%
Equities	51,439	52.9%	49,100	48.8%
Alternative investments (hedge funds, derivatives)	116	0.1%	-	0.0%
Property funds	9,323	9.6%	12,536	12.5%
College property – shops, land and commercially held properties	31,125	32.0%	33,469	33.3%
Private equity, venture capital	1,075	1.1%	1,367	1.4%
Other investments	791	0.8%	763	0.8%
Total endowment investments	97,163	100.0%	100,557	100.0%
Overall investment growth	10.40%		3.49%	
Drawdown for spending	3.90%		3.60%	
Total return				
Private placement investments (note 9)				
Managed cash	2,612	19.1%	612	4.8%
Equities	11,041	80.9%	12,268	95.2%
Total other investments	13,653	100.0%	12,880	100.0%
Total investment portfolio (note 9)	110,816		113,437	

Long term investment held by the College

Private placement investments held to repay Loans

Growth in the Endowment



As a function of the strong performance from development income and investment returns, then endowment sits at an all time high, at just over £100m

Note: the above exclude Capital Grants received for Mill Lane

Long term investments

ASSET ALLOCATION (reallocated in greater detail than above)

	<u>CURRENT</u> <u>VALUE</u>	<u>ALLOCATION</u> <u>TARGET</u>	<u>ALLOCATION</u> <u>NOW</u>	<u>ALLOCATION inc.</u> <u>commitments</u>	<u>TARGET RANGE</u>
Cash/fixed interest	8,695	9.0%	8.6%	8.4%	0-15%
Equities	35,704	31.0%	35.4%	35.4%	0-50%
Alternatives	3,369	10.0%	3.3%	3.3%	0-10%
Property funds	13,993	7.0%	13.9%	13.9%	0-50%
Fellows loans	763	0.0%	0.8%	0.8%	0-10%
Owned properties	33,469	38.0%	33.2%	33.2%	0-50%
Private equity	4,131	3.0%	4.1%	4.3%	0-10%
Venture Capital	697	2.0%	0.7%	0.7%	0-10%
	100,820	100.0%	100.0%	100.0%	

Long term investments grew by 3.50% in 2021-22

2022-23 is proving very challenging. The College does rely on investment performance

Mill Lane Income & Expenditure

£'000	2022	2021	2020	2019	2018	2017	Pre-2017	Total
Dolby Gifts	3,783	10,652	-.	-.	(13)	179	35,000	49,602
Other Gifts	3,881	2,472	2,421	1,738	1,726	1,091	213	13,542
Other income	39	138	199	226	155	54	-.	811
Total Income	7,703	13,263	2,620	1,964	1,869	1,325	35,213	63,956
Expenditure	19,146	2,247	2,537	6,791	13,140	56	-.	43,917
Net Cash-Flow	(11,443)	11,015	83	(4,827)	(11,271)	1,269	35,213	20,039

Fundraising target: £85m

Received to date: £64m

Mill Lane – Budget

	9 March estimate	Current estimate	Proportion priced
Land purchase	28,729,697	28,729,697	100%
Dolby Court	30,339,085	32,086,944.16*	90%
Phase 1	13,965,751	13,659,821.97	95%
General Site costs	3,467,202	3,060,631.69	80%
VAT	3,113,960	3,013,305.50	90%
Fee contingency	334,418	289,008.10	
Other Contingency	3,652,710	2,084,930.25	
 Total	 83,652,824	 82,924,338.68	
Still to do**	**	**	

***Now includes gym costs**

**** 12/13 Mill Lane, Commercial Unit fit-outs**

Challenges and Opportunities going forward

The College is facing challenging years ahead:

- UK home fee income frozen (already worth less than £6k in 2010)
- High inflation pressures on salaries and goods
- Energy cost pressures
- Investment performance will be challenging
- International Programme risks: travel restrictions, currency pressures (or opportunities), and competition.

The Mill Lane development is due to be fully operational in 2024-25. This will present opportunities

- Commercial income generation from renting rooms, Commercial Units etc.
- Additional rent from student rooms (including Darwin)
- No need to rent external premises (Hostels on Bateman Street)

Going concern, forward look

The following tables show a very high level direction of travel. Inevitably, if fees continue to rise at 2% or less and inflation is 10% we will hit a problem

They include the following assumptions

	2023-24	2024-25	2025-26	2026-27
Food inflation	10%	10%	8%	8%
Fees increase	2%	2%	2%	2%
Utilities inflation	15%	15%	8%	8%
Maintenance inflation	10%	10%	10%	10%
Salary COL	6%	6%	6%	6%
General inflation	7%	7%	5%	5%

The numbers are broad estimates based on inflation, and are management account figures.

- We assume that by 2026 Maintenance will have settled down to median per room amongst Colleges, inflated by 10% a year.
- We are taking this year as a base line for IP (which still had lower PSP numbers and no Japanese courses, so there may be some upside)
- Staff costs eye wateringly mean: national pay settlement except for the lowest paid
- Department promotions only “zero sum game”.

Mill Lane Planning to 2027

	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
<i>£'000</i>	<i>2023-24</i>	<i>2024-25</i>	<i>2025-26</i>	<i>2026-27</i>
Residential Income	-.-	630	662	695
Pembroke Dolby Court Rooms		270	284	298
Darwin Rent income		(328)	(344)	(362)
Loss of rent from FWS/Bateman				
Residential Contribution	-.-	572	601	631
Non residential Income	125	200	210	221
Non residential Costs	(125)	(200)	(210)	(221)
Non Residential Contribution	-.-	-.-	-.-	-.-
Bateman Street Properties	-.-	301	301	301
Mill Lane Contribution	-.-	873	902	932

Costs include utilities/site manager/room administrator

Savings from not renting 8-9 and 14-15-16 Bateman Street from Trinity Hall

Income projections to 2026-27

<i>£'000</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
	<i>2023-24</i>	<i>2024-25</i>	<i>2025-26</i>	<i>2026-27</i>
Income				
Property rents	204	219	230	241
Endowment drawdown	3,871	3,871	3,871	3,871
Development Programme	1,794	1,920	2,016	2,117
Student fees	3,556	3,627	3,699	3,773
Room rents	3,209	3,434	3,605	3,785
Student catering	680	728	764	803
International Programmes	3,984	4,262	4,476	4,699
Functions and weddings	290	311	326	343
Other	587	629	660	693
Furlough grant				
Mill Lane Contribution	-.-	873	902	932
Income total	18,177	19,873	20,549	21,257
Less: invested legacy/endowment income	(40)	(41)	(42)	(42)
Less: re-invested restricted fund income	(400)	(408)	(416)	(424)
Total Operating Income	17,737	19,424	20,092	20,790

Mill Lane Income – see page 19

Expenditure Projections to 2026-27

£'000	2023-24	2024-25	2025-26	2026-27
<i>Operating Expenditure</i>				
Stipends	2,682	2,843	3,013	3,194
External supervision	295	312	331	351
Salaries & wages	6,835	7,245	7,680	8,140
Catering & Bar	897	986	1,065	1,150
Cellar wine	63	69	74	80
Maintenance	1,250	1,050	990	1,089
IT	691	740	777	815
International Programmes	725	776	815	856
Sports Facilities	77	82	87	91
Other College operating expenses	2,072	2,217	2,327	2,444
Utilities	850	977	1,056	1,140
Restricted fund expenditure	1,596	1,708	1,794	1,883
Total Operating Costs	18,032	19,005	20,008	21,234
Net Operating Surplus/(Deficit)	(296)	419	83	(444)
<i>Discretionary Fund</i>				
Discretionary Expenditure	227	243	255	268
Total Discretionary Expenditure	227	243	255	268
Surplus/(Deficit) For Year before Depreciation and exceptional items	(522)	176	(172)	(712)

Brave New World

Looking forward: we have a serious squeeze from inflation versus (largely) fixed fee income.

What is a very healthy contribution from Mill Lane accommodation will be swallowed up in inflation of existing activity.

If we stick to very tight cost management, maintenance moves back to “typical” after catch up, sub-inflation salary rises, only zero-sum promotions, we can get Management Accounts back to a small surplus in 2025.

There is limited prospect in this environment to repay the accumulated deficit more than very slowly, and major projects like Kitchen refurbishment, family housing for graduates etc would need to be financed out of funds raised.

However, we do have a credible plan to return to balance (which is what is required to be a going concern).

Auditors report

Peters Elsworthy & Moore, the College auditors, audit the accounts to ensure they give a true and fair view of the College's state of affairs; meaning that the financial statements are free from material misstatements and faithfully represent the financial performance and position of the college.

All Trustees are encouraged to read the ***Audit Matters*** document produced by PEM, which summarises their work and findings.

Governance matters raised for 2021-22:

- Reserve Policy: the College needs to adopt a clear Reserves Policy, as required by the Charities Commission
- Trustees number: the Charities Commission recommends no more than 12 Trustees.

Overall, PEM has issued an **Unqualified Audit Report** (see pages 15 to 17)

END

RCCA vs Management Accounts

RCCA	Management Accounts
Prescribed format	Format decided by the College
Audited by External auditors	Not scrutinised by External Auditors
Mandatory document	Decision from the College
Filed with Companies House and Charities Commission	Internal document
Provide an overview of financial position	Provide information in detail
Annual technical (but important and necessary) for a specified period	In-Depth look into selected areas in-year
Provides very high level information at a certain point in time	Looks at past performance to inform forecast

Endowment – its importance for the College

The College partially funds its activities thanks to income received from donors

The income can be split in 4 different categories

	Unrestricted Permanent Endowment	Restricted Permanent Endowment	Restricted Spendable income	Unrestricted income
Donor's- condition	Income can be use for the General purposes of the College	The donor has specified a particular objective for the income	The donor has specified a specific use for the donation	The donor has not specified any condition for the use of the donation
Capital use	Permanently invested to generate income in perpetuity	Permanently invested to generate income in perpetuity	The whole donation is converted into income	The whole donation is converted into income
Income use	Income can be used for any purpose	Income can only be used for the specified objectives	Donation can only be used for the specified objectives	Donation used to funds general activites of the college
Place in the accounts	Endowment reserves	Endowment reserves	Restricted reserves	SOCIE

Private Placements & Loans

Private Placements	2020-21	2021-22
Close Bros	2,000	-.-
Barclays	475	475
Cheviots	-.-	-.-
Vanguard FTSE 250	2,200	2,674
Stern	7,690	7,162
Clipstone	-.-	1,326
Vanguard	1,288	1,243
Total	13,653	12,880

Transfer of £1m to Clipstone and Vanguard respectively from Close Brothers

Vanguard & Stern had a difficult year and investment value decreased.

Loans 2021-22	Amount (£'000)	
Unsecured Bank loan	1,167	repayment loan (6.21% interest), final payment Jan-2030
Bond 1	2,900	repayable 2043-2053 fixed interest rate c. 4.40%
Bond 2	10,000	repayable 2058 fixed interest 2.62%
Bond total	12,900	loans supported by Private Placements
Total Borrowing	14,067	