

Merton College

Annual Report and Financial Statements

Year ended 31 July 2018

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MEMBERS OF THE GOVERNING BODY

The members of the Governing **Body, who are Fellows of the College, are the College's** charity trustees. The members of the Governing Body who served in office during the year or at the date of this Report are detailed below.

| | | 1 | 2 | 3 | 4 | 5 |
|---------------------------|----------------------------|---|---|---|---|---|
| Mr Charles Alexander | | • | • | • | • | |
| Professor Judith Armitage | | • | • | | | |
| Professor Rhiannon Ash | | | • | | | |
| Dr Anthony Ashmore | | | | | | |
| Dr Ralf Bader | | | • | | | |
| Dr Duncan Barker | | | | | • | |
| Professor Alan Barr | | • | • | | | |
| Dr Helen Barron | | | | | | |
| Dr Joanna Bellis | (resigned 30.9.17) | | | | | |
| Professor James Binney | (retired 31.3.18) | | | | | |
| Dr Kathryn Blackmon | | | • | | | |
| Dr Michael Booth | (fellowship ended 30.9.17) | | | | | |
| Dr William Bowers | | | | | | |
| Dr Rachel Buxton | | | • | • | | |
| Prof Mindy Chen-Wishart | | | • | | | |
| Frater John Eidinow | | • | | | | |
| Professor Artur Ekert | | | | | | • |
| Professor Radek Erban | | | • | | | |
| Professor Gail Fine | | | | | | |
| Dr Joshua Firth | (appointed 1.10.17) | | | | | |

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|-----------------------------|---------------------------------------|---|---|---|---|
| Ms Isabel Garcia Garcia | (appointed 1.10.17) | | | | |
| Mr John Gloag | | • | | | |
| Prof Véronique Gouverneur | | | • | | |
| Dr Yegor Grebnev | | | | | |
| Professor Daniel Grimley | | | • | | |
| Dr Matthew Grimley | | | • | • | |
| Professor Timothy Guilford | | | • | | |
| Professor Steven Gunn | | | • | | |
| Professor Matthew Higgins | | | • | | |
| Professor Peter Holland | | | | | • |
| Professor Simon Hooker | | | • | | |
| Dr Matthew Hosty | | | | | |
| Professor Ehud Hrushovski | | | | | |
| Professor Lorna Hutson | | | | | |
| Revd Canon Dr Simon Jones | | | • | • | • |
| Professor Minhyong Kim | | | • | • | |
| Professor Julian Knight | | | • | • | |
| Dr Madhavi Krishnan | (appointed 1.06.18) | | • | | |
| Professor Irene Lemos | | | | • | • |
| Mr Timothy Lightfoot | | • | • | • | |
| Dr Emma Loftus | (appointed 1.10.17; resigned 30.4.18) | | | | |
| Professor Ian Maclachlan | | | • | • | |
| Professor Craig MacLean | | • | | | |
| Professor Richard McCabe | | | • | | |
| Mr Andrew Mackie | | • | | | |
| Professor EJ Milner-Gulland | | | | | • |
| Professor Alan Morrison | | • | | | • |

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|-----------------------------|----------------------------|---|---|---|---|---|
| Professor Micah Muscolino | | • | • | | | |
| Professor Peter Neary | | | | | | |
| Professor Béla Novák | | | | | | • |
| Professor Luke Ong | | | • | | | |
| Dr Kate Orkin | | | | | | |
| Prof Sergi Pardos-Prado | | | • | | • | |
| Professor David Paterson | | | • | | | |
| Professor Jennifer Payne | | • | • | | | |
| Professor Jonathan Prag | | | • | | | |
| Mr Richard Rabone | (resigned 30.9.17) | | | | | |
| Professor Simon Saunders | | | • | • | | |
| Prof Alexander Schekochihin | | | • | • | | |
| Professor Alexander Scott | | | • | | | |
| Dr Carlas Smith | (appointed 1.10.17) | | | | | |
| Dr Bassel Tarbush | | | • | | | |
| Professor Sir Martin Taylor | | • | • | • | • | |
| Prof Jonathan Thacker | (resigned 31.12.17) | | • | | | |
| Dr Matthew Thomson | (appointed 1.10.17) | | | | | |
| Professor Patricia Thornton | | | • | | | |
| Professor Ulrike Tillmann | | | | | | • |
| Dr Evert van Emde Boas | (appointed 1.10.17) | | | | | |
| Ms Carina Venter | (fellowship ended 30.9.17) | | | | | |
| Dr Miguel Walsh | (fellowship ended 31.8.17) | | | | | |
| Dr Julia Walworth | | | • | • | | |
| Professor Hugh Watkins | | | | | | |
| Dr Guy Westwood | (fellowship ended 30.9.17) | | | | | |
| Dr Michael Whitworth | | | • | | | |

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|----------------------------|----------------------------|--|--|--|--|--|--|
| Professor Sir Andrew Wiles | | | | | | | |
| Dr Mark Williams | (appointed 1.10.17) | | | | | | |
| Dr Hatice Yildiz | (appointed 1.10.17) | | | | | | |
| Professor Nicole Zitzmann | (fellowship ended 30.9.17) | | | | | | |

The following Fellows were appointed as members of the Governing Body on 3 October 2018:

Professor Helen Small, Dr Alice Brooke, Dr Elizabeth Stubbins-Bates, Ms Lisandra Costiner, Dr David Brantner, Dr Sebastian Vasquez-Lopez.

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Year ended 31 July 2018

During the year, the major activities of the Governing Body were carried out through five main committees (further details on these committees are provided in the Report of the Governing Body below). The membership of these committees is shown above for each Fellow.

- 1 Finance Committee
- 2 Warden & Tutors Committee
- 3 Graduate Committee
- 4 Development Committee
- 5 Remuneration Committee

COLLEGE SENIOR STAFF

The senior staff of the College, are as follows:

| | |
|-----------------------------|-------------------------------|
| Professor Sir Martin Taylor | Warden |
| Professor Judith Armitage | Sub Warden |
| Mr Charles Alexander | Finance Bursar |
| Mr Timothy Lightfoot | Domestic Bursar |
| Mr John Gloag | Land Agent and Estates Bursar |
| Revd Canon Dr Simon Jones | Chaplain |
| Dr Rachel Buxton | Senior Tutor |
| Dr Duncan Barker | Development Director |
| Dr Julia Walworth | Librarian |

COLLEGE ADVISERS

Investment managers

Legal & General, One Coleman Street, London EC2R 5AA

Schroder & Co. Limited, 31 Gresham Street, London EC2V 1QA

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Auditor

Critchleys Audit LLP, Beaver House, 23-38 Hythe Bridge Street, Oxford OX1 2EP

Bankers

Barclays Bank plc, Oxford City, 54 Cornmarket Street OX1 3HB

Solicitors

Hewitsons, 7 Spencer Parade, Northampton NN1 5AB

Mills & Reeve, 112 Hills Road, Cambridge CB2 1PH

Penningtons Manches, 9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN

Surveyors

Savills, Wytham Court, 11 Westway, Oxford OX2 0QL

Other

Peninsula Business Services, 2 Cheetham Hill Road, Manchester M4 4FB

College address

Merton Street, Oxford OX1 4JD

Website

www.merton.ox.ac.uk

REPORT OF THE GOVERNING BODY

Under the Charities Act 2011, the Governing Body presents its Annual Report for the year ended 31 July 2018 together with the audited financial statements for the year.

REFERENCE AND ADMINISTRATIVE INFORMATION

Merton College is a charitable corporation founded as a self-governing community of scholars first in Malden, Surrey, and then in Oxford, by Walter of Merton, Lord Chancellor of England and Bishop of Rochester, with royal consent under statutes dated **1264 and 1274. The full legal name of the College is 'The Warden and Scholars of the House or College of Scholars of Merton in the University of Oxford'. The term 'Fellows' latterly replaced 'Scholars', and the Fellows together with the Warden, who is the head of the College, comprise the Governing Body of the College. The College registered with the Charities Commission on 15 November 2010 (registered number 1139022). Prior to**

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Year ended 31 July 2018

that date the College was an exempt charity under section 3(5a) of the Charities Act 1993, as listed in Schedule 2(b) to that Act.

The names of all members of the Governing Body at the date of this report and of those in office during the year, together with details of the senior staff and advisers of the College, are given on pages 3 to 8.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing documents

The College is governed by its Statutes approved by Privy Council and dated 15 July, 2015.

Governing Body

The Governing Body is constituted and regulated in accordance with the College Statutes, the terms of which are enforceable ultimately by the Visitor, who is the Archbishop of Canterbury. The Governing Body is self-appointing, and membership is subject to review and renewal every seven years and lapses with retirement from office.

The Governing Body determines the ongoing strategic direction of the College and regulates its administration and the management of its finances and assets. It meets regularly under the chairmanship of the Warden and is advised by five main committees and thirty one ancillary or subsidiary committees, forums and panels.

Recruitment and training of members of the Governing Body

New Fellows are elected to the Governing Body on the basis of their knowledge of and contribution to education, learning and research within the College and the University of Oxford, or on the basis of their possession of professional and administrative qualifications and skills that will enable them to advise and assist other members of the Governing Body.

Recommendations concerning appointments to Fellowships are made to the Governing Body by committees convened specifically for the purpose and chaired by the Warden. Appointment committees include expert members recruited from outside the College, and academic appointments may be made by joint process with a faculty or department of the University of Oxford.

New members of the Governing Body are inducted into the workings of the College, including Governing Body policy and procedures, by the senior staff of the College, are provided written reference material explaining their roles and may attend external trustee training and information courses to keep them informed on current issues in the sector and on regulatory requirements.

Remuneration of Members of the Governing Body and Senior College Staff

Members of the Governing Body receive no remuneration or benefits from their trusteeship of the College other than as provided for by the Statutes of the College. Those trustees that are also employees of the College receive remuneration for their **work as employees of the College which is set based on the advice of the College's Remuneration Committee**, members of which are Fellows not in receipt of

remuneration from the College and external members. Where possible, remuneration is **set in line with that awarded to the University's academic staff.**

The remuneration of senior College staff is set by the Governing Body in line with market norms.

Organisational management

The Governing Body meets at least nine times a year. The work of developing and monitoring the implementation of its policies is mostly carried out by five committees, described below.

Finance Committee

The Committee is responsible for advising the Governing Body on all matters concerning finance, financial administration, investment, accounting and risk management. The Committee is also responsible for the administration of the terms and conditions of employment of non-academic staff (the Remuneration Committee is responsible for academic staff, and employment issues may also be considered by the Equality Forum). The Committee is chaired by the Warden and has up to fourteen members, including up to three members with relevant skills who are not members of the Governing Body and include the College Accountant. It meets at least six times each year. There is an Investment Sub-Committee consisting of four members of the Governing Body, including the Warden and up to five members who have relevant professional skills and experience and who are not members of the Governing Body. There is also a Benefactions Sub-Committee tasked with ensuring the appropriate use of restricted donations made up of five life members of the College.

Academic Committees ('Warden & Tutors' Committee' and 'Graduate Committee')

The Warden and Tutors' Committee has delegated authority to make and enforce regulations on all matters concerning undergraduates, including their academic work, welfare, recreational use of College facilities, and disciplinary matters. The Committee reports to the Governing Body its decisions on all matters of principle on these topics, and makes recommendations to the Governing Body on other relevant matters, including material changes to the range and focus of educational activities. The Committee is chaired by the Warden and its more than thirty members include the Senior Tutor, the subject Tutors, the Finance and Domestic Bursars, the Librarian, the Chaplain and the Academic Registrar. The Committee meets at least twelve times each year. Undergraduate representatives attend at least one meeting per term. Subsidiary committees are responsible for considering student discipline, teaching needs, access and schools liaison, and student support.

The Graduate Committee considers all matters related to postgraduate members. It is chaired by the Warden and convened by the Senior Tutor, with academic membership representing all four divisions of the University, key College Officers including the Dean of Graduates and graduate student representatives. It meets six times per year.

There is also a Research Committee reporting directly to the Governing Body.

Development and Alumni Relations Committee

The Committee is responsible for the oversight and co-ordination of fund-raising and alumni relations activities undertaken by the College, for the recommendation of policy on fund-raising and alumni relations, and for the consideration of matters concerning the external relations of the College. The Committee is chaired by the Warden and has fourteen members, including the Development Director, two student representatives and three other members with relevant skills and experience who are not members of the Governing Body. It meets at least three times each year.

Remuneration Committee ('Committee on Stipends and Allowances')

The Committee is responsible for making recommendations to the Governing Body concerning the remuneration and benefits of any member of the Governing Body who is employed by the College, or any College Officer who is not a member of the Governing Body. There are seven members of the Committee, no member of the Committee may be an employee of the College, and the chair and three other members may not be members of the Governing Body. The Committee usually meets once annually or otherwise as required.

Other Committees

Apart from the main committees, there are committees devoted to specific areas of College life including Buildings, Chapel and Patronage, IT Services, Library, and Sports. The Domestic Committee oversees all the domestic arrangements of the College. There are student representative members on most of these committees.

The Statutes & Bylaws Committee is tasked with reviewing the statutes and bylaws and meets at least once a term. The Fellowship & Appointments Committee is tasked with making recommendations to Governing Body concerning election of Fellows and other appointments. It meets at least once a term.

The day-to-day running of the College is delegated to the Warden, supported by the Sub Warden, Senior Tutor, Tutors, Bursars, Chaplain, Librarian and Development Director. The Warden attends meetings of nearly all **the Governing Body's Committees.**

Group structure and relationships

The College administers many special funds as detailed in the notes to the financial statements.

The College has a wholly owned non-charitable subsidiary, Merton Enterprises Limited, whose annual profits are donated to the College under the Gift Aid Scheme. The trading activities of Merton Enterprises comprise letting of the College facilities and merchandise sales.

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The College is part of the collegiate University of Oxford. Material interdependencies between the University and the College arise as a consequence of this relationship.

OBJECTIVES AND ACTIVITIES

Charitable Objects and Aims

The College's Objects for the public benefit are; to advance education, learning, research, and religion through the provision of a college in Oxford or elsewhere.

The College's Aims for the public benefit are to achieve the highest outcomes in education, learning and research at national and international level; and to maintain the College Chapel as a place of public worship pursuing the highest standards of liturgical, homiletical, and musical excellence.

The Aims for **the College's subsidiary** are to help finance the achievement of the **College's** Objects.

Activities of the College

The College's principal activity is the advancement of education and learning, through provision of teaching and educational support, to approximately 650 resident undergraduate and graduate students who have been admitted as members of the College and who are engaged on a course of studies leading to the award of a degree in the University of Oxford, through the appointment or employment of Fellows and academic staff who are actively engaged in research, through the provision of accommodation and support facilities and through the provision of research grants to Fellows and students.

Public benefit

The Governing Body intends that the benefits of education and learning provided by the College should be available to the widest possible range of suitably qualified candidates, irrespective of background, and takes careful note of the guidance provided by the Charity Commission on public benefit, the advancement of education and fee-charging.

To this end, the College participates with the University of Oxford and other colleges and institutions in Oxford in an access bursary scheme to provide financial assistance to eligible home undergraduate students. See <http://www.ox.ac.uk/students/fees-funding/> for details of the Oxford Bursary Scheme.

In order to encourage applications from excellent students who might not otherwise consider applying for admission to the College, the College employs a schools liaison officer and operates an outreach programme, including schools visits, visits to the College, open days and provision of information, to establish and maintain contact with schools, school teachers and students.

The College retains a team of welfare and medical advisers, who provide support and confidential counselling to students and staff who are distressed or who have special

needs, and who may authorise grants and funding for referrals for specialist professional treatment or advice.

Students are provided with opportunities to contribute to College policies and practices, through participation in College committees, through formal and informal interaction with College Officers and Fellows, and through voluntary surveys and assessment processes.

The College operates student support funds which may be used to make grants to any student in financial hardship, including grants to supplement funding shortfalls and grants for special academic needs.

The College provides scholarship funds to graduates and makes grants to all students for books and equipment and travel and other research related activities.

The College provides residential accommodation for approximately 300 undergraduates and 170 graduates.

The Equality Forum comprises seven members drawn from the Governing Body, four student members, four staff members and one external member. The Forum considers and makes recommendations concerning equality in all aspects of College life, including admission of students and student provision and progress, as well as employment issues. The Governing Body appoints one of its members as Equality Adviser.

The College is open to the public during visiting hours throughout most of the year. There is a small admission charge. Chapel services are also open to the public as well as College members.

ACHIEVEMENTS AND PERFORMANCE

Undergraduate students

288 students were enrolled for undergraduate degree courses at the University of Oxford during the year. Of these, 253 were of UK/EU origin and 35 from overseas, 173 were studying humanities and social sciences and 115 were studying mathematics, medicine and physical sciences.

110 undergraduates held College scholarships during the year. 135 undergraduates were awarded College prizes for good work in examinations, and 17 undergraduates were awarded prizes for other academic work. 17 undergraduates were awarded prizes by the University of Oxford.

78 undergraduates were entered for final honour schools examinations at the University of Oxford, 36 of them (46.2%) obtaining class 1 degrees, 39 (50%) obtaining class 2.1 degrees, 3 (3.8%) obtaining class 2.2 degrees, and 0 (0%) obtaining a class 3 degree.

Further details of educational background, gender and course of study of candidates are contained in the following table:

| | Class of degree | | | | Total |
|----------------------------------|-----------------|------------|----------|--------|-------|
| | 1 | 2.1 | 2.2 | 3 | |
| Maintained schools | 22 (52.4%) | 18 (42.9%) | 2 (4.8%) | 0 (0%) | 42 |
| Independent schools | 10 (37.0%) | 16 (59.2%) | 1 (3.7%) | 0 (0%) | 27 |
| Overseas students | 4 (44.4%) | 5 (55.6%) | 0 (0%) | 0 (0%) | 9 |
| Male | 24 (61.5%) | 13 (33.3%) | 2 (5.1%) | 0 (0%) | 39 |
| Female | 12 (30.8%) | 26 (66.7%) | 1 (2.6%) | 0 (0%) | 39 |
| Humanities and social science | 22 (43.1%) | 28 (54.9%) | 1 (2%) | 0 (0%) | 51 |
| Mathematics and physical science | 14 (51.8%) | 11 (40.7%) | 2 (7.4%) | 0 (0%) | 27 |

**Percentages may not sum to 100 due to rounding*

Graduate students

236 graduate students were enrolled for research study leading to the DPhil degree at the University of Oxford during the year, of whom 57 were studying humanities, 89 were studying mathematics and physical sciences, 39 were studying social sciences and 51 were studying medical sciences.

70 students were enrolled for other graduate degrees at the University of Oxford, including the EMBA/MBA, BCL/MJur, MSc, MSt, MPhil and BPhil.

49 graduates were awarded DPhil degrees and 43 graduates were awarded other graduate degrees during the year.

19 graduates were elected to College scholarships, and four graduates were awarded College prizes for good academic work during the year. Four graduates were awarded prizes by the University of Oxford.

Scholarships, bursaries, grants and prizes

Expenditure during the year was as follows:

| | |
|---------------------------------|----------|
| Undergraduates | |
| Oxford Bursaries | £74,427 |
| Prizes | £23,951 |
| Scholarships | £69,881 |
| Other grants | £134,610 |
| Graduates | |
| Scholarships | £765,408 |
| Research and other grants | £68,735 |
| All students | |
| Student support and book grants | £109,232 |

Welfare and special needs

The annual cost of staff time (Chaplain, Senior Tutor, Academic Registrar, Nurse, Doctor and Junior Deans for Welfare) and other cost of welfare provision (including a contribution to the University Counselling Services) is of the order of £70,000. As of June 2018, 13.6% of students had declared a disability to the University.

Schools liaison

The College engaged in 80 schools liaison activities during the year, either by itself or in conjunction with the University of Oxford or other Oxford colleges, or Cambridge colleges. These activities included visits to schools, visits to the College by groups of students from age 13, study days at the College for sixth formers, and a subject mentoring programme, with the aim of raising awareness of all stages of the application process, degree options, and teaching at Oxford in all constituencies at an early stage.

By agreement with the University, the College is engaged particularly in strengthening links with schools in Dorset, the London Borough of Merton and Wiltshire. The annual cost of employing a Schools Liaison Officer, together with associated costs, is of the order of £60,000.

Library

The College Library aims to provide support for teaching, learning, and research by members of the College and visiting researchers through resources, professional assistance, and creation of environments for productive study. The Library also contributes to the effective running of the College administration through management of records, archives, and provision of information. The Library and Archives Committee, which reports to Governing Body, has representation from fellows, undergraduates, and postgraduates. Decisions about library services are informed by regular user experience surveys, by informal communications, and by comments left on a 'feedback wall'. **The College supports staff membership in professional organisations, and staff maintain awareness of best practice through participation in university and professional groups.**

Timely access to printed books continues to rank on annual surveys as the library's most highly-valued service along with study space. This year 985 books were acquired, of which 69 were donations. There were 10 donations of archival material. **The Library's two buildings offer study environments that are well-used,** and at times filled to capacity. A supplementary study room is available in Trinity Term.

Library and Archive staff assist members of the college, members of the wider research community and members of the public on a daily basis. This year staff responded to 283 written and 822 in-person enquiries.

The Library aims to care for special collections, archives, and heritage material to professional standards, to make them known to researchers and the public, and to make them physically accessible for research and for teaching. This year the Library received 137 research visits, of which 95 were made by researchers from outside Oxford. Library staff provided seminar sessions with primary research materials to 8 academic groups from Oxford and other universities. As part of an ongoing initiative to

make descriptive records of 19th- and 20th-century special material freely available, 842 records were added to the Oxford online catalogue (SOLO). The college loaned one work of art to an external exhibition. **In-house exhibitions included: 'Zoltan Kodaly 1882-1967'; 'The Philosophical Transactions Project', and 'New Additions to the Beerbohm Collection'. This year the College joined the Digital.Bodleian initiative to make digital images of historic books and manuscripts freely available via the internet.**

In support of the broader educational and learning objectives of the College, the Fellow **Librarian organised visits to the college's historic buildings for 73 groups (primarily from the HE sector)**, and during the summer interpretative visits were offered to the public. The total number of visitors was 2263.

Fellows

In December 2017, Professor Jonathan Thacker resigned as Tutor in Spanish to take up the post of King Alfonso XIII Professor of Spanish Studies, Exeter College, Oxford. Professor James Binney, formerly Tutor in Physics, retired in March 2018. Dr Emma Loftus resigned her Junior Research Fellowship in April 2018 to take up a Leverhulme Early Career Fellowship at the McDonald Institute of Archaeological Research Cambridge.

Employment costs were, in respect of Teaching Fellows, £1,096 thousand for the year, in respect of other teaching staff £259 thousand for the year and in respect of Research Fellows and other Fellows (including stipends paid to part-time College Officers) £443 thousand for the year.

Research grants of £153 thousand were made to Fellows during the year.

The academic Fellows on the College's Governing Body included 22 Mathematical, Physical and Life Scientists, 21 scholars in the Humanities, 9 in the Social Sciences and 7 in the Medical Sciences. The research interests of Fellows are described further at http://www.merton.ox.ac.uk/fellows_and_research/fellows.shtml

Chapel

Daily public services are held in the College Chapel during term. Sunday services have attracted an average congregation of 110. Combined congregations during the week **(including the College's two choirs) totalled 330. Junior members participate in the** running of the Chapel. The Chaplain is also assisted by an Associate Chaplain and three Pastoral Assistants (students in training for ordination in the Church of England). During the course of the year, three infant baptisms, four adult baptisms and confirmation, three confirmations, seven marriages, one dedication and blessing marriage, the funerals of two Emeritus Fellows, and two memorial services, took place in the Chapel. There were also two services of internment of ashes in Grove Meadow at the west end of the Chapel. Most Chapel collections are donated to charitable causes. In the year under review a total of £3,478 was donated to the Oxford Parent Infant

Project, the Charlie Waller Memorial Fund, the Wolvercote Young People's Trust, Emmaus Oxford, the Oxford Winter Night Shelter, Interserve, and Christian Aid. In terms of the Chapel's fixtures and fittings, halogen window lights were replaced with LEDs, and webcasting equipment was installed.

Choral Foundation

A full complement of 23 choral scholars, eight volunteer singers and two organ scholars have sung and played the majority of choral services during the year 2017-2018. The **College Choir's core function remains the singing of three public services a week (on Sunday, Tuesday and Thursday)** in the College chapel. Choral Evensong on Wednesdays has been sung by the 24 Girl Choristers, who are drawn from eight different schools across Oxford. In December 2017, the College Choir sang at The Temple Church, London, as part of their Winter Festival, and in February 2018 gave a concert in Cheltenham College Chapel in aid of the Holst Birthplace Museum.

'Passiontide at Merton' included a performance of Bach's *Mass in B minor* and the premiere of Gabriel Jackson's *Stabat Mater*. The tenth anniversary of the Choral Foundation was celebrated with a reunion Evensong and Dinner, and a performance of **Elgar's *The Apostles*** by the College Choir, the Girl Choristers, former members of the College Choir and The Royal Philharmonic Orchestra. The College Choir undertook a short trip to East Anglia in July, which included concerts in Jesus College Chapel, Cambridge, Blythburgh Church, Suffolk, and Norwich Cathedral. In June 2018 the **College Choir recorded Gabriel Jackson's *Passion of our Lord Jesus Christ*** for the Delphian label. In August 2018 the Girl Choristers visited the North East, singing in Durham Cathedral, and two College **'Livings' (Embleton and Ponteland)**. A series of lunchtime concerts featured the Dobson Organ in the Michaelmas and Trinity terms.

Capital projects

During 2017-2018 the College commenced work to refurbish and improve the sports pavilion and installed ramped access to the Academic Office. The College also completed a project in the chapel to improve lighting in the chancel and install recording equipment to facilitate webcasting. There are no major capital projects planned for 2018-2019.

Within routine property expenditure work continued on reducing energy consumption with the refurbishment of Rose Lane II and the Muir staircase.

Fundraising

The College continued to focus its fundraising activities in 2017-18 on securing funds for graduate studies, tutorial Fellowships and student support. During the course of the year the Development Office began preparation work on major appeals for a graduate scholarship in History and a tutorial fund for Physics as well as continuing its regular giving activity through the Merton Fund.

Outside of these core areas, the College received significant donations and pledges to endow future research Fellowships at the College, to support the wider activities of the Choral Foundation – including overseas tours, recordings and webcasting of services from the College Chapel – and a renewal and extension of the Sir Gerry Grimstone Travel Awards for four further years. Moreover, the College was the beneficiary of some significant bequests from alumni and former Fellows, including legacies from the estates of Gerald Winzer (1947) and Emeritus Fellows Professor Michael Baker and Dr Roger Highfield among others.

During the year, the College received £2.55 million in new endowments and cash donations. Of the overall cash received, £264 thousand was received in respect of the Tutorial System, £241 thousand in respect of Graduate Scholarships, £475 thousand in respect of Student Support and £507 thousand for future endowments. A total of £2.29 million was pledged in new funds including unrestricted donations of £869 thousand.

The College is registered with the Fundraising Regulator and employs full-time professional staff in the Development Office to act on its behalf in this area and to ensure that it is compliant with the Code of Fundraising Practice. The College did not receive any complaints relating to its fundraising activities.

FINANCIAL REVIEW

Total income for the year, £14.619 million, was £1.256 million higher than the preceding year, which mainly resulted from an increase in trading income of £324 thousand, donations and legacies (up £578 thousand) and investment income (up £197 thousand).

Total expenditure was £14.840 million, an increase of £1.070 million. Net income showed a deficit of £221 thousand which, together with investment gains of £15.016 million, lifted total funds and net assets from £272.051 million to £286.846 million.

Reserves policy

The College's reserves policy is to maintain sufficient free reserves to enable it to meet its financial obligations in the event of an unexpected revenue shortfall and to provide a buffer that would ensure uninterrupted services.

Free reserves at the year-end amounted to £4.256 million (2017: £1.990 million), representing net current assets less creditors falling due after more than one year and designated reserve.

The **College's** target is to maintain free reserves at two to four months of expected expenditure. Year-end free reserves represented over 3 months of expected expenditure.

Total funds of the College and its subsidiary at the year-end amounted to £286.846 million (2017: £272.051 million). This includes endowment funds of £263.971 million and unspent restricted income funds totalling £1.979 million.

Designated reserves at the year end comprised of the book value of tangible fixed assets of £17.853 million to be spent over their useful economic lives and £0.444 million representing an unrestricted donation received and designated by the Trustees for a graduate scholarship to be spent over the next ten to twenty years.

Risk management

The College has on-going processes which operated throughout the financial year for identifying, evaluating and managing the principal risks and uncertainties faced by the College and its subsidiary in undertaking their activities. When it is not able to address risk issues using internal resources, the College takes advice from experts external to the College with specialist knowledge. Policies and procedures within the College are reviewed by the relevant College Committee, chaired by the Warden. Financial risks are assessed by the Finance Committee and investment risks are monitored by the Investment Sub-Committee. In addition, the Domestic Bursar and domestic staff heads meet regularly to review health and safety issues. Training courses and other forms of career development are available, when requested, to members of staff to enhance their skills in risk-related areas.

The Governing Body, who have ultimate responsibility for managing any risks faced by the College, have reviewed the processes in place for managing risk and the principal identified risks to which the College and its subsidiary are exposed and have concluded that robust systems are in place to manage these risks. The principal risks and uncertainties faced by the College and its subsidiary that have been identified are categorised as follows:

- Governance risks – e.g. inappropriate organisational structure, difficulties recruiting trustees with relevant skills, conflict of interest;
- Operational risks- e.g. service quality and development, contract pricing, employment issues, health and safety issues, fraud and misappropriation;
- Financial risks- e.g. accuracy and timeliness of financial information, adequacy of reserves and cash flow, diversity of income sources, investment management;
- External risks- e.g. public perception and adverse publicity, demographic changes, government policy; and
- Compliance with law and regulation- e.g. breach of trust law, employment law, data protection law, and regulative requirements of particular activities such as fund-raising.

Strategies for managing the risks identified by the College as described above include, for example:

- Establishing the appropriate committees responsible for formulating recommendations to Governing Body;
- Providing appropriate training to all members of staff and at the induction of new Fellows;
- Ensuring accountability of College Officers to the appropriate committee and for the committees in turn to be accountable to the Governing Body;
- Developing and implementing key policies across the main areas of activity of the College, including, for example, admissions policy, health & safety policy, and data & information security policies; and
- Ensuring the appropriate insurance policies are in place and reviewed regularly.

The College identifies the risks it faces, the potential impact of each risk, the likelihood of recurrence, the severity of impact, and the steps taken to mitigate each particular risk in its Risk Register, which is regularly reviewed by the Finance Committee and approved by Governing Body.

Investment policy, objectives and performance

The College's investment objectives are to balance current and future needs by:

- achieving a nominal return on investment sufficient to maintain or increase the real value of the investments and meet the spending objectives of the College; and
- delivering this objective within acceptable levels of risk.

To meet these objectives the College's investments as a whole are managed on a total return basis, maintaining diversification across a range of asset classes in order to produce an appropriate balance between risk and return. The College does not use a fixed formal benchmark but compares performance with a wide range of investment indices and investor performance data. The College has made a number of direct and indirect investments that have explicit or implicit socially responsible objectives, but has not adopted a formal SRI policy. Investment strategy, policy and performance are monitored by the Finance Committee and its Investment sub-committee.

At the year end, the College's aggregate long term investments totalled £265.950 million, of which £235.287 million was general endowment and the composition of which is shown in the notes to the financial statements.

The overall total investment return on the general endowment before external expenses was as follows:

Annualised total net return %

| | |
|-------------------------------------|--------|
| Merton College | 8.7% |
| MSCI World Index £ | 12.4% |
| Bloomberg Barclays GBP Global bonds | (0.1%) |

The returns on the general endowment reflect the College's asset allocation, particularly its investment in property which returned 10.4% over the year.

The carrying value of the preserved permanent capital (the trust for investment) and the amount of any unapplied total return available for expenditure was taken as the fair value of these funds as at 1 August 2002 (£88.933 million) together with the original gift value of all subsequent endowment received.

The Governing Body annually reviews the level and appropriateness of the unapplied total return allocated to income including a review of prospective investment returns, inflation and market risks. Any surplus arising during the year is reinvested in the **College's general endowment**.

On the total return basis of investing, **it is the Governing Body's policy to extract as income 3.5% of the value of the relevant investments**. However, to smooth and moderate the amounts withdrawn this 3.5% is calculated on the average of the year-end values in each of the last five years. Due to increasing investment values over the previous five years, the effective amounts withdrawn are currently less than the nominal 3.5% stated in this policy.

The equivalent of 3.5% of the five year average value of the securities and property investments was extracted as income on the total return basis in the year. The Governing Body will keep the level of income withdrawn under review to balance the **needs and interests of current and future beneficiaries of the College's activities**.

FUTURE PLANS

The Governing Body continues to consider how it can achieve the highest outcomes in education, learning and research at national and international level, and instigated a Strategic Review to consider the size and shape of the College and encompassing matters of academic policy, governance and administration. College staff and students continue to contribute to the plan.

During the course of 2014-2015, the College began a review of the implications of the Strategic Review for its physical environment. This review identified several possible projects which are being considered further by the College. Two projects – the access lift and new music practice rooms – were completed in 2016 – 2017.

Admissions

Undergraduate applicants to Oxford are selected by the individual colleges working within a common framework to ensure that the same standards apply consistently across subjects – see further:

<https://www.ox.ac.uk/admissions/undergraduate/applying-to-oxford/decisions/common-framework?wssl=1>

Overall application numbers across the University in 2017-18 increased to 21,491, from **19,926 the previous year**. **Conversely, Merton's overall application numbers in 2017-18 decreased slightly to 566, compared to 573 last year**. This deficit can in part be

accounted for by Merton receiving fewer open applications through allocation this year, due to changes in application distribution across subjects (direct applications to Merton in 2017-18 increased to 529, compared to 512 last year).

For information on admissions at Merton compared with other colleges, see: https://public.tableau.com/views/UniversityofOxford-CollegeSuccessRates2017/CollegeSuccessRateswithCommentary?:embed=y&:display_count=yes&:showTabs=y&:showVizHome=no

Data on ethnicity is not available to the College through the UCAS or Oxford application forms. Analysis is undertaken by the University Admissions Office retrospectively on behalf of all colleges, and can be found at: <https://www.ox.ac.uk/about/facts-and-figures/admissions-statistics/undergraduate-students/current/ethnicity>

Merton knows of 38 applicants who declared a disability. Six of these received an offer from Merton (including four open offers), two received offers from Mansfield, and one received an offer from Worcester. Post-interviews two additional candidates who had declared disabilities were imported from other colleges (New and Balliol) to be made offers by Merton.

Postgraduate applicants are assessed by the relevant department or faculty and all those admitted are guaranteed a college place. Merton continues to attract substantially more applicants than it has places available.

The new financial framework for higher education shifts the burden from state financing to student fees. A key objective of the 750th Anniversary Campaign *Sustaining Excellence* was to build an endowment for student support of at least £2 million and to attract more funding for graduate scholarships. Student support remains a focus for our development activity post-Campaign.

Attracting the best students from the widest possible range of backgrounds requires more than financial support. Therefore, in the UK, the College continues to develop its schools liaison programme through a full-time officer, and aims to appeal to all constituencies by improving and enhancing web-based and electronic media and communications. The College continues to develop its recruitment of graduate scholars collaboratively with the academic faculties of the University of Oxford.

Warden

Sir Martin Taylor stepped down as Warden on September 30, 2018. The College has elected Professor Irene Tracey as Warden and she will take up the post in October 2019. For the year 2018 – 2019, the College has elected Professor Steven Gunn as Acting Warden.

MERTON COLLEGE

Year ended 31 July 2018

Fellows

For the new academic year 2018-19 the College has appointed Tutors in Physical Chemistry and in Spanish, and four Junior Research Fellows in Art History, Law, Mathematics, and Physiology. The College has also, with the University, appointed to the Merton Professorship of English Language and Literature.

Chapel

A working group will consider how best to repair and conserve the Chapel's medieval glass. Electronic loggers have been installed to monitor the air temperature in the Chapel and Ante-Chapel. Next summer temporary heaters will be installed in the Ante-Chapel to see if a balancing of the temperatures between the two parts of the building reduces draughts. At the beginning of the Easter vacation, the Associate Chaplain will lead a pilgrimage to Assisi.

Choral Foundation

In the forthcoming year, the College Choir will give concerts in Oxford and Tewkesbury Abbey (as part of *The Three Choirs Festival*), and will undertake a tour of Singapore and Honk Kong. **'Passiontide at Merton' will include a performance of Bach's *St Matthew Passion* and Tallis's *Spem in Alium*.** Choral services will be webcast through the **College's website**, following trials during the Michaelmas Term.

Capital projects

Further work continues on identifying opportunities to reduce energy consumption, and upgrades to the heating and insulation system of Rose Lane I – IV continued in 2017 – 2018. Several larger capital projects will be reviewed by the special projects group as **part of the College's** continuing strategic review.

Trading income

The T S Eliot Lecture Theatre provides the College with first class facilities that are attractive to third party users. Merton Enterprises has been able to broaden its customer base following a restructuring of the conference office and proactive marketing of these facilities. Conference income, including merchandising, was £1.004 million in the year.

STATEMENT OF ACCOUNTING AND REPORTING RESPONSIBILITIES

The Governing Body is responsible for preparing the Report of the Governing Body and the financial statements in accordance with applicable law and regulations.

Charity law requires the Governing Body to prepare financial statements for each financial year. Under that law the Governing Body have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102: The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

Under charity law the Governing Body must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the College and of its net incoming or outgoing resources for that period. In preparing these financial statements, the Governing Body is required to:

- select the most suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether a Statement of Recommended Practice (SORP) applies and has been followed, subject to any material departure which are explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the College will continue to operate.

The Governing Body is responsible for keeping proper accounting records that are **sufficient to show and explain the College's transactions and disclose with reasonable accuracy** at any time the financial position of the College and enable them to ensure that the financial statements comply with the Charities Act 2011. They are also responsible for safeguarding the assets of the College and ensuring their proper application under charity law and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Governing Body on 31 October 2018 and signed on its behalf by:

Acting Warden

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE GOVERNING BODY OF MERTON COLLEGE

Opinion

We have audited the financial statements of Merton College (the "Charity") for the year ended 31 July 2018 which comprise the Statement of accounting Policies, the Consolidated Statement of Financial Activities, the Consolidated and College Balance Sheets, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give **a true and fair view of the state of the group and charity's affairs as at 31 July 2018 and of the group's income and expenditure for the year then ended;**
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- **the Members of the Governing Body's use of the going concern basis of** accounting in the preparation of the financial statements is not appropriate; or
- the Members of the Governing Body have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt **about the Charity's ability** to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011 requires us to report to you if, in our opinion:

- sufficient accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- we have not obtained all the information and explanations necessary for the purposes of our audit.

Responsibilities of the Members of the Governing Body

As explained more fully in the Statement of Accounting and Reporting Responsibilities, the Members of the Governing Body are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Members of the Governing Body are **responsible for assessing the Charity's ability to continue as a going concern**, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members of the Governing Body either intend to liquidate the Charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is **located on the Financial Reporting Council's website** at:

www.frc.org.uk/auditorsresponsibilities. **This description forms part of our auditor's report.**

Use of Our Report

This report is made solely to the College's Governing Body, as a body, in accordance with section 144 of the Charities Act 2011 and the regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the Members of the Governing Body those matters we are required to state to them in an auditor's 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's Governing Body as a body, for our audit work, for this report, or for the opinions we have formed.

Critchleys Audit LLP
Statutory Auditor
Oxford

Date:

Critchleys Audit LLP is eligible to act as an auditor in terms of sections 1212 of the Companies Act 2006.

STATEMENT OF ACCOUNTING POLICIES

1. Scope of the financial statements

The financial statements present the Consolidated Statement of Financial Activities (SOFA), the Consolidated and College Balance Sheets and the Consolidated Statement of Cash Flows for the College with its wholly owned subsidiary Merton Enterprises Limited. The subsidiary has been consolidated from the date of their formation being the date from which the College has exercised control through voting rights in the subsidiary. No separate SOFA has been presented for the College alone as permitted by the Charity Commission on a concessionary basis for the filing of consolidated financial statements. A summary of the results and financial position of the charity and its material subsidiary for the reporting year are in note 13.

2. Basis of accounting

The College's individual and consolidated financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular FRS 102: The Financial Reporting Standard applicable in the UK and the Republic of Ireland (FRS 102).

The College is a public benefit entity for the purposes of FRS 102 and a registered charity. The College has therefore also prepared its individual and **consolidated financial statements in accordance with 'The Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with FRS 102' (The Charities SORP (FRS 102))**.

The financial statements have been prepared on a going concern basis and on the historical cost basis, except for the measurement of investments and certain financial assets and liabilities at fair value with movements in value reported within the Statement of Financial Activities (SOFA). The principal accounting policies adopted are set out below and have been applied consistently throughout the year.

3. Accounting judgements and estimation uncertainty

In preparing financial statements it is necessary to make certain judgements, estimates and assumptions that affect the amounts recognised in the financial statements.

In the view of the Governing Body, in applying the accounting policies adopted, no judgements were required that have a significant effect on the amounts recognised in the financial statements.

In the view of the Governing Body, no assumptions concerning the future or estimation uncertainty affecting assets and liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

4. Income recognition

All income is recognised once the College has entitlement to the income, the economic benefit is probable and the amount can be reliably measured.

a. Income from fees, Office for Students support and other charges for services

Fees receivable are recognised in the period in which the related service is provided and are stated net of any scholarships, bursaries or other allowances granted from the **College's unrestricted funds**, Office for Students support and charges for services and use of the premises.

b. Income from donations, grants and legacies

Donations and grants that do not impose specific future performance-related or other specific conditions are recognised on the date on which the charity has entitlement to the resource, the amount can be reliably measured and the economic benefit to the College of the donation or grant is probable. Donations and grants subject to performance-related conditions are recognised as and when those conditions are met. Donations and grants subject to other specific conditions are recognised as those conditions are met or their fulfilment is wholly within the control of the College and it is probable that the specified conditions will be met.

Legacies are recognised following grant of probate and once the College has **received sufficient information from the executor(s) of the deceased's estate to**

be satisfied that the gift can be reliably measured and that the economic benefit to the College is probable.

Donations, grants and legacies accruing for the general purposes of the College are credited to unrestricted funds.

Donations, grants and legacies which are subject to conditions as to their use imposed by the donor or set by the terms of an appeal are credited to the relevant restricted fund or, where the donation, grant or legacy is required to be held as capital, to the endowment funds. Where donations are received in kind (as distinct from cash or other monetary assets), they are measured at the fair value of those assets at the date of the gift.

c. Investment income

Interest on bank balances is accounted for on an accrual basis with interest recognised in the period to which the interest relates.

Income from fixed interest debt securities is recognised using the effective interest rate method.

Dividend income and similar distributions are recognised on the date the share interest becomes ex-dividend or when the right to the dividend can be established.

Income from investment properties is recognised in the period to which the rental income relates.

5. Expenditure

Expenditure is accounted for on an accruals basis. A liability and related expenditure is recognised when a legal or constructive obligation commits the College to expenditure that will probably require settlement, the amount of which can be reliably measured or estimated.

Grants awarded that are not performance-related are charged as an expense as soon as a legal or constructive obligation for their payment arises. Grants subject to performance-related conditions are expensed as the specified conditions of the grant are met.

All expenditure including support costs and governance costs are allocated or apportioned to the applicable expenditure categories in the Statement of Financial Activities (SOFA).

Support costs which includes governance costs (costs of complying with constitutional and statutory requirements) and other indirect costs are apportioned to expenditure categories in the SOFA based on the estimated amount attributable to that activity in the year, either by reference to staff time or the use made of the underlying assets, as appropriate. Irrecoverable VAT is included with the item of expenditure to which it relates.

Intra-group sales and charges between the College and its subsidiaries are excluded from trading income and expenditure in the consolidated financial statements.

6. Tangible fixed assets

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Expenditure on the acquisition or enhancement of land and on the acquisition, construction and enhancement of buildings which is directly attributable to bringing the asset to its working condition for its intended use and amounting to more than £5,000 together with expenditure on equipment costing more than £5,000 is capitalised.

Other expenditure on equipment incurred in the normal day-to-day running of the College and its subsidiaries is charged to the SOFA as incurred.

7. Depreciation

Depreciation is provided to write off the cost of all relevant tangible fixed assets, less their estimated residual value, in equal annual instalments over their expected useful economic lives as follows:

| | |
|---|---------------|
| Freehold properties, including major extensions | 50 years |
| Building improvements | 20 years |
| Equipment | 5 to 10 years |

Freehold land is not depreciated. The cost of maintenance is charged in the SOFA in the period in which it is incurred.

At the end of each reporting period, the residual values and useful lives of assets are reviewed and adjusted if necessary. In addition, if events or change in circumstances indicate that the carrying value may not be recoverable then the carrying values of tangible fixed assets are reviewed for impairment.

8. Heritage Assets

The College has a number of assets, including items of art and historic texts that meet the definition of heritage assets under the SORP. The College retains information concerning the cost or value on donation only for some of its heritage assets, but disclosure of this information would not give a fair picture of the total value of heritage assets held. The cost of obtaining fair values for the remaining heritage assets would not be commensurate with the benefits to users of the financial statements. Therefore no cost or value is reflected in the financial statements for heritage assets.

9. Investments

Investment properties are initially recognised at their cost and subsequently measured at their fair value (market value) at each reporting date. Purchases and sales of investment properties are recognised on exchange of contracts.

Listed investments are initially measured at their cost and subsequently measured at their fair value at each reporting date. Fair value is based on their quoted price at the balance sheet date without deduction of the estimated future selling costs.

Investments such as hedge funds and private equity funds which have no readily identifiable market value are initially measured at their costs and subsequently measured at their fair value at each reporting date without deduction of the estimated future selling costs. Fair value is based on the most recent valuations available from their respective fund managers.

Changes in fair value and gains and losses arising on the disposal of investments are credited or charged to the income or expenditure section of the SOFA as **'gains or losses on investments'** and are allocated to the fund holding or disposing of the relevant investment.

10. Other financial instruments

a. Derivatives

The College has not entered into any derivative contracts.

b. Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand and short term deposits with a maturity date of three months or less.

- c. Debtors and creditors
Debtors and creditors receivable or payable within one year of the reporting date are carried at their transaction price. Debtors and creditors that are receivable or payable in more than one year and not subject to a market rate of interest are measured at the present value of the expected future receipts or payment discounted at a market rate of interest.

11. Stocks

Stocks are valued at the lower of cost and net realisable value, cost being the purchase price on a first in, first out basis.

12. Foreign currencies

The functional and presentational currency of the College and its subsidiaries is the pound sterling.

Transactions denominated in foreign currencies during the year are translated into pounds sterling using the spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into pounds sterling at the rates applying at the reporting date.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates at the reporting date are recognised in the income and expenditure section of the SOFA.

13. Total Return investment accounting

The College statutes authorise the College to adopt a 'total return' basis for the investment of its general endowment. The College can invest its general endowment without regard to the capital/income distinctions of standard trust law and with discretion to apply any part of the accumulated total return on the investment as income for spending each year. Until this power is exercised, the total return is accumulated as a component of the endowment known as the unapplied total return that can be either retained for investment or released to income at the discretion of the Governing Body.

Other endowments are invested with Schroder & Co Ltd which distributes on a total return basis.

14. Fund accounting

The total funds of the College and its subsidiary are allocated to unrestricted, restricted or endowment funds based on the terms set by the donors or set by the terms of an appeal. Endowment funds are further sub-divided into permanent and expendable.

Unrestricted funds can be used in furtherance of the objects of the College at the discretion of the Governing Body. The Governing Body may decide that part of the unrestricted funds shall be used in future for a specific purpose and this will be accounted for by transfers to appropriate designated funds.

Restricted funds comprise gifts, legacies and grants where the donors have specified that the funds are to be used for particular purposes of the College. They consist of *either* gifts where the donor has specified that both the capital and any income arising must be used for the purposes given *or* the income on gifts where the donor has required or permitted the capital be maintained and with the intention that the income will be used for specific purposes within the **College's objects**.

Permanent endowment funds arise where donors specify that the funds should be retained as capital for the permanent benefit of the College. Any part of the total return arising from the capital that is allocated to income will be accounted for as unrestricted funds unless the donor has placed restrictions on the use of that income, in which case it will be accounted for as a restricted fund.

Expendable endowment funds are similar to permanent endowment in that they have been given, or the College has determined based on the circumstances that they have been given, for the long term benefit of the College. However, the Governing Body may at their discretion determine to spend all or part of the capital.

15. Pension costs

The costs of retirement benefits provided to employees of the College through two multi-employer defined pension schemes are accounted for as if these were defined contribution schemes as information is not available to use defined benefit accounting in accordance with the requirements of FRS 102. The **College's contributions to these schemes are recognised as a liability and an expense** in the period in which the salaries to which the contributions relate are payable.

In addition, a liability is recognised at the balance sheet date for the discounted value of the expected future contribution payments under the agreements with these multi-employer schemes to fund the past service deficits.

Merton College
Consolidated Statement of Financial Activities
For the year ended 31 July 2018

| | Notes | Unrestricted Funds £'000 | Restricted Funds £'000 | Endowed Funds £'000 | 2018 Total £'000 | 2017 Total £'000 |
|--|--------|--------------------------------|------------------------------|---------------------------|------------------------|------------------------|
| INCOME AND ENDOWMENTS FROM: | | | | | | |
| Charitable activities: | 1 | | | | | |
| Teaching, research and residential | | 4,888 | - | - | 4,888 | 4,731 |
| Other Trading Income | 3 | 1,004 | - | - | 1,004 | 680 |
| Donations and legacies | 2 | 672 | 902 | 980 | 2,554 | 1,976 |
| Investments | | | | | | |
| Investment income | 4 | 8 | 995 | 5,170 | 6,173 | 5,976 |
| Total return allocated to income | 14 | 7,054 | - | (7,054) | - | - |
| Total income | | <u>13,626</u> | <u>1,897</u> | <u>(904)</u> | <u>14,619</u> | <u>13,363</u> |
| EXPENDITURE ON: | | | | | | |
| Charitable activities: | 5 | | | | | |
| Teaching, research and residential | | 10,992 | 1,282 | - | 12,274 | 11,629 |
| Generating funds: | | | | | | |
| Fundraising | | 594 | - | - | 594 | 597 |
| Trading expenditure | | 825 | - | - | 825 | 603 |
| Investment management costs | | - | - | 1,147 | 1,147 | 941 |
| Total Expenditure | | <u>12,411</u> | <u>1,282</u> | <u>1,147</u> | <u>14,840</u> | <u>13,770</u> |
| Net Income/(Expenditure) before gains | | <u>1,215</u> | <u>615</u> | <u>(2,051)</u> | <u>(221)</u> | <u>(407)</u> |
| Net gains/(losses) on investments | 11, 12 | - | 1 | 15,015 | 15,016 | 14,779 |
| Net Income/(Expenditure) | | <u>1,215</u> | <u>616</u> | <u>12,964</u> | <u>14,795</u> | <u>14,372</u> |
| Transfers between funds | 17 | - | - | - | - | - |
| Net movement in funds for the year | | <u>1,215</u> | <u>616</u> | <u>12,964</u> | <u>14,795</u> | <u>14,372</u> |
| Fund balances brought forward | 17 | 19,681 | 1,363 | 251,007 | 272,051 | 257,679 |
| Funds carried forward at 31 July | | <u>20,896</u> | <u>1,979</u> | <u>263,971</u> | <u>286,846</u> | <u>272,051</u> |

Merton College
Consolidated and College Balance Sheets
As at 31 July 2018

| | Notes | 2018 Group £'000 | 2017 Group £'000 | 2018 College £'000 | 2017 College £'000 |
|---|-------|------------------------|------------------------|--------------------------|--------------------------|
| FIXED ASSETS | | | | | |
| Tangible assets | 9 | 17,853 | 19,031 | 17,853 | 19,031 |
| Property investments | 11 | 125,068 | 116,694 | 125,068 | 116,694 |
| Other Investments | 12 | 140,882 | 135,676 | 140,958 | 135,752 |
| Total Fixed Assets | | 283,803 | 271,401 | 283,879 | 271,477 |
| CURRENT ASSETS | | | | | |
| Stocks | | 306 | 293 | 258 | 242 |
| Debtors | 15 | 1,960 | 2,023 | 1,945 | 2,093 |
| Cash at bank and in hand | | 4,090 | 2,462 | 3,826 | 2,257 |
| Total Current Assets | | 6,356 | 4,778 | 6,029 | 4,592 |
| LIABILITIES | | | | | |
| Creditors: Amounts falling due within one year | 16 | 1,656 | 2,344 | 1,562 | 2,234 |
| NET CURRENT ASSETS | | 4,700 | 2,434 | 4,467 | 2,358 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 288,503 | 273,835 | 288,346 | 273,835 |
| NET ASSETS BEFORE PENSION ASSET OR LIABILITY | | 288,503 | 273,835 | 288,346 | 273,835 |
| Defined benefit pension scheme liability | 21 | 1,657 | 1,784 | 1,657 | 1,784 |
| TOTAL NET ASSETS | | 286,846 | 272,051 | 286,689 | 272,051 |
| FUNDS OF THE COLLEGE | | | | | |
| Endowment funds | 17 | 263,971 | 251,007 | 263,971 | 251,007 |
| Restricted funds | 17 | 1,979 | 1,363 | 1,979 | 1,363 |
| Unrestricted funds | 17 | | | | |
| General funds | | 4,256 | 1,990 | 4,099 | 1,990 |
| Fixed Asset Fund | | 17,853 | 19,031 | 17,853 | 19,031 |
| Graduate Scholarship Fund | | 444 | 444 | 444 | 444 |
| Pension reserve | 21 | (1,657) | (1,784) | (1,657) | (1,784) |
| | | 286,846 | 272,051 | 286,689 | 272,051 |

The financial statements were approved and authorised for issue by the Governing Body of Merton College on 31 October 2018

Trustee:

Trustee:

Merton College
Consolidated Statement of Cash Flows
For the year ended 31 July 2018

| | Notes | 2018 £'000 | 2017 £'000 |
|---|-------|----------------|----------------|
| Net cash provided by (used in) operating activities | 23 | (7,005) | (6,184) |
| Cash flows from investing activities | | | |
| Dividends, interest and rents from investments | | 6,173 | 5,976 |
| Proceeds from the sale of property, plant and equipment | | - | 13 |
| Purchase of property, plant and equipment | | (404) | (1,706) |
| Proceeds from sale of investments | | (3,154) | 4,665 |
| Purchase of investments | | (3,511) | (5,299) |
| Net cash provided by (used in) investing activities | | (896) | 3,649 |
| Cash flows from financing activities | | | |
| Repayments of borrowing | | - | (4,000) |
| Receipt of endowment | | 980 | 1,242 |
| Net cash provided by (used in) financing activities | | 980 | (2,758) |
| Change in cash and cash equivalents in the reporting period | | (6,921) | (5,293) |
| Cash and cash equivalents at the beginning of the reporting period | | 22,524 | 27,817 |
| Change in cash and cash equivalents | | (6,921) | (5,293) |
| Cash and cash equivalents at the end of the reporting period | 24 | 15,603 | 22,524 |

Merton College
Notes to the financial statements
For the year ended 31 July 2018

| 1 INCOME FROM CHARITABLE ACTIVITIES | 2018 | 2017 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Teaching, Research and Residential | | |
| Unrestricted funds | | |
| Tuition fees - UK and EU students | 1,315 | 1,279 |
| Tuition fees - Overseas students | 657 | 561 |
| Other Office for Students support | 243 | 239 |
| Other academic income | 155 | 125 |
| College residential income | 2,518 | 2,527 |
| | 4,888 | 4,731 |
| The above analysis includes £1,440k received from the University of Oxford from publicly accountable funds under the CFF Scheme (2017: £1,400k). | | |
| 2 DONATIONS AND LEGACIES | | |
| | 2018 | 2017 |
| | £'000 | £'000 |
| Donations and Legacies | | |
| Unrestricted funds | 672 | 346 |
| Restricted funds | 902 | 388 |
| Endowed funds | 980 | 1,242 |
| | 2,554 | 1,976 |
| 3 INCOME FROM OTHER TRADING ACTIVITIES | | |
| | 2018 | 2017 |
| | £'000 | £'000 |
| Subsidiary company trading income | 508 | 337 |
| Other trading income | 496 | 343 |
| | 1,004 | 680 |
| 4 INVESTMENT INCOME | | |
| | 2018 | 2017 |
| | £'000 | £'000 |
| <i>Unrestricted funds</i> | | |
| Bank interest | 8 | 2 |
| | 8 | 2 |
| <i>Restricted funds</i> | | |
| Equity dividends | 995 | 934 |
| | 995 | 934 |
| <i>Endowed funds</i> | | |
| Agricultural rent | 1,373 | 1,369 |
| Commercial rent | 1,797 | 1,669 |
| Other property income | 452 | 453 |
| Equity dividends | 1,411 | 1,393 |
| Income from fixed interest stocks | 128 | 131 |
| Interest on fixed term deposits and cash | 9 | 25 |
| | 5,170 | 5,040 |
| Total Investment income | 6,173 | 5,976 |

Merton College
Notes to the financial statements
For the year ended 31 July 2018

5 ANALYSIS OF EXPENDITURE

| | 2018 | 2017 |
|--|----------------------|---------------|
| | £'000 | £'000 |
| Charitable expenditure | | |
| Direct staff costs allocated to: | | |
| Teaching, research and residential | 5,957 | 5,657 |
| Other direct costs allocated to: | | |
| Teaching, research and residential | 4,316 | 3,982 |
| Support and governance costs allocated to: | | |
| Teaching, research and residential | 2,001 | 1,990 |
| Total charitable expenditure | <u>12,274</u> | <u>11,629</u> |
| Expenditure on generating funds | | |
| Direct staff costs allocated to: | | |
| Fundraising | 330 | 336 |
| Investment management costs | 314 | 300 |
| Other direct costs allocated to: | | |
| Fundraising | 186 | 171 |
| Trading expenditure | 825 | 603 |
| Investment management costs | 795 | 600 |
| Support and governance costs allocated to: | | |
| Fundraising | 78 | 90 |
| Investment management costs | 38 | 41 |
| Total expenditure on raising funds | <u>2,566</u> | <u>2,141</u> |
| Total expenditure | <u>14,840</u> | <u>13,770</u> |

The 2017 expenditure of £13,770k represented £11,749k from unrestricted funds, £1,080k from restricted funds and £941k from endowed funds.

The College is liable to be assessed for Contribution under the provisions of Statute XV of the University of Oxford. The Contribution Fund is used to make grants and loans to colleges on the basis of need. Contributions are calculated annually in accordance with regulations made by the Council of the University of Oxford.

The teaching and research costs include College Contribution payable of £-19k (2017 - £198k).

Merton College
Notes to the financial statements
For the year ended 31 July 2018

6 ANALYSIS OF SUPPORT AND GOVERNANCE COSTS

| | Generating Funds £'000 | Teaching and Research £'000 | 2018 Total £'000 |
|-------------------------------|------------------------------|--------------------------------------|------------------------|
| Financial administration | 13 | 234 | 247 |
| Domestic administration | 9 | 150 | 159 |
| Human resources | 14 | 182 | 196 |
| IT | 21 | 375 | 396 |
| Depreciation | 57 | 996 | 1,053 |
| Loss/(profit) on fixed assets | - | 5 | 5 |
| Other finance charges | 2 | 34 | 36 |
| Governance costs | - | 25 | 25 |
| | <u>116</u> | <u>2,001</u> | <u>2,117</u> |

| | Generating Funds £'000 | Teaching and Research £'000 | 2017 Total £'000 |
|-------------------------------|------------------------------|--------------------------------------|------------------------|
| Financial administration | 14 | 240 | 254 |
| Domestic administration | 9 | 137 | 146 |
| Human resources | 22 | 154 | 176 |
| IT | 22 | 368 | 390 |
| Depreciation | 58 | 974 | 1,032 |
| Loss/(profit) on fixed assets | - | 2 | 2 |
| Bank interest payable | 2 | 26 | 28 |
| Other finance charges | 4 | 64 | 68 |
| Governance costs | - | 25 | 25 |
| | <u>131</u> | <u>1,990</u> | <u>2,121</u> |

Support and governance costs are attributed according to the estimated staff time spent on each activity.

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Governance costs comprise: | | |
| Auditor's remuneration - audit services | 19 | 19 |
| Other governance costs | 6 | 6 |
| | <u>25</u> | <u>25</u> |

No amount has been included in governance costs for the direct employment costs or reimbursed expenses of the College Fellows on the basis that these payments relate to the Fellows involvement in the College's charitable activities. Details of the remuneration of the Fellows and their reimbursed expenses are included as a separate note within these financial statements.

7 GRANTS AND AWARDS

2018
£'000

2017
£'000

During the year the College funded research awards and bursaries to students from its restricted and unrestricted fund as follows:

Unrestricted funds

Grants to individuals:

| | | |
|---------------------------------|-----|-----|
| Scholarships, prizes and grants | 651 | 594 |
| Bursaries and hardship awards | 4 | 1 |

Total unrestricted

655

595

Restricted funds

Grants to individuals:

| | | |
|---------------------------------|-----|-----|
| Scholarships, prizes and grants | 409 | 311 |
| Bursaries and hardship awards | 183 | 185 |

Total restricted

592

496

Total grants and awards

1,247

1,091

The above costs are included within the charitable expenditure on Teaching and Research.

Merton College
Notes to the financial statements
For the year ended 31 July 2018

8 STAFF COSTS

| | | |
|---|--------------|-------|
| The aggregate staff costs for the year were as follows. | 2018 | 2017 |
| | £'000 | £'000 |
| Salaries and wages | 5,820 | 5,406 |
| Social security costs | 520 | 480 |
| Defined benefit scheme pension costs: | | |
| Continuing charges | 808 | 850 |
| Pension provision change (see note 21) | (156) | (80) |
| Other benefits | 211 | 195 |
| | 7,203 | 6,851 |

The average number of employees of the College, excluding Trustees, on a headcount basis was as follows.

| | | |
|----------------------|-------------|------|
| | 2018 | 2017 |
| Tuition and research | 42 | 39 |
| College residential | 81 | 84 |
| Fundraising | 6 | 6 |
| Support | 12 | 12 |
| Total | 141 | 141 |

The average number of employed College Trustees during the year was as follows.

| | | |
|-----------------------------|-------------|------|
| | 2018 | 2017 |
| University Lecturers | 20 | 19 |
| CUF Lecturers | 7 | 7 |
| Other teaching and research | 16 | 15 |
| Other | 8 | 9 |
| Total | 51 | 50 |

Redundancy payments are accounted for in the period in which the employee was informed of the decision. Where redundancy costs are uncertain, the figure in the accounts represents a best estimate. These costs will be met through unrestricted funds.

The following information relates to the employees of the College excluding the College Trustees. Details of the remuneration and reimbursed expenses of the College Trustees is included as a separate note in these financial statements.

The number of employees (excluding the College Trustees) during the year whose gross pay and benefits (excluding employer NI and pension contributions) fell within the following bands was:

| | | |
|---|----------|---|
| £60,001-£70,000 | 1 | 0 |
| The number of the above employees with retirement benefits accruing was as follows: | | |
| In defined benefits schemes | 1 | 0 |

9 TANGIBLE FIXED ASSETS

| Group & College | Freehold land and buildings £'000 | Fixtures, fittings and equipment £'000 | Total £'000 |
|---------------------------------------|--|---|------------------------|
| Cost | | | |
| At start of year | 30,745 | 2,285 | 33,030 |
| Additions | 277 | 127 | 404 |
| Transfer to endowment | (669) | - | (669) |
| Disposals | (76) | (9) | (85) |
| At end of year | 30,277 | 2,403 | 32,680 |
| Depreciation and impairment | | | |
| At start of year | 12,368 | 1,631 | 13,999 |
| Depreciation charge for the year | 877 | 176 | 1,053 |
| Depreciation on transfer to endowment | (220) | - | (220) |
| Depreciation on disposals | - | (5) | (5) |
| At end of year | 13,025 | 1,802 | 14,827 |
| Net book value | | | |
| At end of year | 17,252 | 601 | 17,853 |
| At start of year | 18,377 | 654 | 19,031 |

The College has substantial long-held historic assets all of which are used in the course of the College's teaching and research activities. These comprise listed buildings on the College site, together with their contents comprising works of art, ancient books and manuscripts and other treasured artefacts. Because of their age and, in many cases, unique nature, reliable historical cost information is not available for these assets and could not be obtained except at disproportionate expense. However, in the opinion of the Trustees the depreciated historical cost of these assets is now immaterial.

Merton College
Notes to the financial statements
For the year ended 31 July 2018

10 HERITAGE ASSETS

The heritage assets held by the college comprise medieval manuscript books (327); medieval and early modern records of the college and its estates dating from the twelfth century (c10,000 pre-1800 items including deeds, surveys, court rolls, maps, and various other records); rare printed books (15th-19th centuries: c14,000; 20th-21st century: 3,500 rare editions and special copies); collections of personal papers (21 mixed-media collections); early astronomical instruments (5); 18th century globes (2); paintings, prints, and drawings (353); historic table and chapel silver (16); miscellaneous historic furnishings (e.g. chests, clocks etc). Most new acquisitions are by gift or bequest. Criteria for decisions on whether to acquire heritage items include complementarity with existing collections, the intellectual appropriateness of the college as repository, and the ability of the college to house the collection appropriately and make it available to researchers. The college does not dispose of heritage assets.

Heritage assets are managed by the Fellow Librarian and the Domestic Bursar under the oversight of the Library and Archives Committee and the Sub-Committee on Pictures and Historic Chattels. There are three full-time professional librarians and a professional archivist is employed three days per week. The college is a member of the Oxford Conservation Consortium which employs four accredited conservators who provide preservation expertise and treatment of individual items. Specialist advice is sought when needed. Heritage items are housed in a number of locations throughout the college with special security, fire detection and fire suppression in the main storage areas. The environments of storage areas and rooms housing significant assets are regularly monitored and managed under the guidelines in PAS 198:2012 Specification for managing environmental conditions for cultural collections.

Records of heritage assets are held in a combination of electronic and hard-copy formats. These are freely available for research consultation either online or on site. The college maintains a programme of exhibitions onsite and loans items for display in the context of public exhibitions in the UK and abroad.

Various heritage assets have been acquired during the last five years including purchases amounting to £64,000 in the current year.

11 PROPERTY INVESTMENTS

| Group & College | Agricultural £'000 | Commercial £'000 | Other £'000 | 2018 Total £'000 | 2017 Total £'000 |
|--|-----------------------|---------------------|----------------|---------------------------------|------------------------|
| Valuation at start of year | 62,628 | 37,881 | 16,185 | 116,694 | 114,941 |
| Additions and improvements at cost | 500 | 71 | 175 | 746 | 184 |
| Disposals | (210) | 3 | (1,082) | (1,289) | (2,581) |
| Transfer from Tangible Fixed Assets | - | 448 | - | 448 | - |
| Revaluation gains/(losses) in the year | 6,739 | 1,198 | 532 | 8,469 | 4,150 |
| Valuation at end of year | 69,657 | 39,601 | 15,810 | 125,068 | 116,694 |

Estates land and property valuations as at 31 July have been made by the College Land Agent, a Chartered Surveyor, in consultation with an independent firm of Chartered Surveyors, the basis of valuation being market valuation. In a small number of cases valuations have been made solely by the Land Agent, the basis of valuation being market valuation.

12 OTHER INVESTMENTS

All investments are held at fair value.

| | 2018 £'000 | 2017 £'000 |
|---|-----------------------|---------------|
| Group investments | | |
| Valuation at start of year | 135,676 | 123,642 |
| New money invested | 2,765 | 5,115 |
| Amounts withdrawn | (4,106) | (3,710) |
| Increase in value of investments | 6,547 | 10,629 |
| Group investments at end of year | 140,882 | 135,676 |
| Investment in subsidiaries | 76 | 76 |
| College investments at end of year | 140,958 | 135,752 |

| Group investments comprise: | Held outside the UK £'000 | Held in the UK £'000 | 2018 Total £'000 | Held outside the UK £'000 | Held in the UK £'000 | 2017 Total £'000 |
|------------------------------------|---------------------------------|----------------------------|---------------------------------|---------------------------------|----------------------------|------------------------|
| Equity investments | - | 65,483 | 65,483 | - | 60,794 | 60,794 |
| Global multi-asset funds | - | 28,377 | 28,377 | - | 26,984 | 26,984 |
| Fixed interest stocks | - | 11,223 | 11,223 | - | 11,112 | 11,112 |
| Alternative and other investments | 13,713 | 10,573 | 24,286 | 10,768 | 5,956 | 16,724 |
| Fixed term deposits and cash | 11,786 | (273) | 11,513 | 17,242 | 2,820 | 20,062 |
| Total group investments | 25,499 | 115,383 | 140,882 | 28,010 | 107,666 | 135,676 |

Merton College
Notes to the financial statements
For the year ended 31 July 2018

13 PARENT AND SUBSIDIARY UNDERTAKINGS

The College holds 100% of the issued share capital in Merton Enterprises Limited, a company providing conference and other services on the College premises.

The results and their assets and liabilities of the parent and subsidiary at the year end were as follows.

| | Parent College | Merton Enterprises Ltd |
|------------------------------|-------------------|------------------------------|
| | £'000 | £'000 |
| Income | 14,111 | 508 |
| Expenditure | (14,489) | (351) |
| Result for the year | <u>(378)</u> | <u>157</u> |
| Total assets | 289,908 | 393 |
| Total liabilities | (3,219) | (160) |
| Net funds at the end of year | <u>286,689</u> | <u>233</u> |

14 STATEMENT OF INVESTMENT TOTAL RETURN

The Trustees have adopted a policy of total return accounting for the College general endowment investment returns with effect from 1 August 2013. The investment return to be applied as income is calculated as 3.5% of the average closing value of the investments in each of the last five years. The amount applied as income for spending is included within the income section of the SOFA on the basis that this gives a clearer understanding of the financial position of the College. The preserved value of the invested endowment capital represents its open market value in 2002 together with all subsequent endowments valued at the date of the gift.

| | Trust for Investment £'000 | General Endowment Unapplied Total Return £'000 | Total £'000 |
|--|----------------------------------|--|----------------|
| At the beginning of the year: | | | |
| Gift component of the general endowment | 88,957 | - | 88,957 |
| Unapplied total return | - | 134,822 | 134,822 |
| Total General Endowment | 88,957 | 134,822 | 223,779 |
| Movements in the reporting period: | | | |
| Investment return: total investment income | - | 5,170 | 5,170 |
| Investment return: realised and unrealised gains and losses | - | 14,539 | 14,539 |
| Less: Investment management costs | - | (1,147) | (1,147) |
| Total | - | 18,562 | 18,562 |
| Unapplied total return allocated to income in the reporting period | - | (7,054) | (7,054) |
| Net movements in reporting period | - | 11,508 | 11,508 |
| At end of the reporting period: | | | |
| Gift component of the permanent endowment | 88,957 | - | 88,957 |
| Unapplied total return | - | 146,330 | 146,330 |
| Total Endowments | 88,957 | 146,330 | 235,287 |

Merton College
Notes to the financial statements
For the year ended 31 July 2018

15 DEBTORS

| | 2018 | 2017 | 2018 | 2017 |
|--|--------------|-------|----------------|---------|
| | Group | Group | College | College |
| | £'000 | £'000 | £'000 | £'000 |
| Amounts falling due within one year: | | | | |
| Trade debtors | 624 | 426 | 556 | 398 |
| Amounts owed by College members | 32 | 46 | 32 | 46 |
| Amounts owed by Group undertakings | - | - | 53 | 98 |
| Loans repayable within one year | 13 | 12 | 13 | 12 |
| Prepayments and accrued income | 997 | 1,241 | 997 | 1,241 |
| Other debtors | 4 | 4 | 4 | 4 |
| Amounts falling due after more than one year: | | | | |
| Loans | 290 | 294 | 290 | 294 |
| | 1,960 | 2,023 | 1,945 | 2,093 |

16 CREDITORS: falling due within one year

| | 2018 | 2017 | 2018 | 2017 |
|------------------------------------|--------------|-------|----------------|---------|
| | Group | Group | College | College |
| | £'000 | £'000 | £'000 | £'000 |
| Trade creditors | 443 | 662 | 443 | 662 |
| Amounts owed to College Members | 8 | 33 | 8 | 33 |
| Amounts owed to Group undertakings | - | - | 13 | 1 |
| Taxation and social security | 293 | 544 | 186 | 433 |
| College contribution | - | 210 | - | 210 |
| Accruals and deferred income | 621 | 681 | 621 | 681 |
| Other creditors | 291 | 214 | 291 | 214 |
| | 1,656 | 2,344 | 1,562 | 2,234 |

Merton College
Notes to the financial statements
For the year ended 31 July 2018

17 ANALYSIS OF MOVEMENTS ON FUNDS

| | At 1 August 2017 £'000 | Income £'000 | Expenditure £'000 | Transfers £'000 | Gains/ (losses) £'000 | At 31 July 2018 £'000 |
|--|------------------------------|-----------------|----------------------|--------------------|-----------------------------|-----------------------------|
| Endowment Funds - Permanent | | | | | | |
| General Endowment | 223,779 | 5,170 | (1,147) | (7,054) | 14,539 | 235,287 |
| Fellowship Funds: | | | | | | |
| Peter Braam Research Fellow | 1,374 | - | - | - | 25 | 1,399 |
| Chemistry Fellow | 894 | 4 | - | - | 15 | 913 |
| English Fellow | 1,220 | 4 | - | - | 21 | 1,245 |
| Law Fellow | 478 | 49 | - | - | 8 | 535 |
| Philosophy Fellow | 1,162 | 2 | - | - | 21 | 1,185 |
| Jessica Rawson Modern Asian History Fellow | 999 | 5 | - | - | 18 | 1,022 |
| Mark Reynolds History Fellow | 1,856 | 1 | - | - | 33 | 1,890 |
| Stringer | - | 507 | - | - | 9 | 516 |
| Other | - | 80 | - | - | - | 80 |
| Graduate Scholarship Funds: | | | | | | |
| Ripplewood Japanese Scholar | 617 | - | - | - | 12 | 629 |
| Peter Braam Scholar | 413 | - | - | - | 7 | 420 |
| John Barton BCL Scholar | 144 | - | - | - | 3 | 147 |
| Christopher Duggan Scholar | 463 | 61 | - | - | (3) | 521 |
| Charles Manby Scholar | 474 | - | - | - | 9 | 483 |
| Moussouris Rhodes Scholar | 842 | - | - | - | 15 | 857 |
| Other | 37 | 23 | - | - | 1 | 61 |
| Student Support Funds: | | | | | | |
| Taylor Family Foundation | 636 | - | - | - | 11 | 647 |
| Reed Directors of Music | 742 | - | - | - | 13 | 755 |
| Other | 67 | - | - | - | 1 | 68 |
| | 236,197 | 5,906 | (1,147) | (7,054) | 14,758 | 248,660 |
| Endowment Funds - Expendable | | | | | | |
| Fellowship Funds: | | | | | | |
| Dominic Welsh Mathematics Fellow | 1,190 | - | - | - | 21 | 1,211 |
| Douglas Algar Humanities Fellow | 859 | - | - | - | 15 | 874 |
| Economics Fellow | 964 | 32 | - | - | 17 | 1,013 |
| David Hay Medical Fellow | 396 | - | - | - | 7 | 403 |
| Christine Blackwell Fellow | 1,768 | - | - | - | 30 | 1,798 |
| Graduate Scholarship and Student Prize Funds: | | | | | | |
| James Jackson Natural Sciences Scholar | 795 | - | - | - | 16 | 811 |
| David Stevens International Development Scholar | 447 | - | - | - | 8 | 455 |
| Merton Lawyers BCL/Mjur Scholar | 378 | - | - | - | 7 | 385 |
| Monica Barnett Law Scholar | 161 | - | - | - | 3 | 164 |
| John Moussouris Mathematics Scholar | 644 | - | - | - | 12 | 656 |
| Other | 97 | 24 | - | - | 2 | 123 |
| Student Support Funds: | | | | | | |
| General Student Support | 2,156 | 72 | - | - | 39 | 2,267 |
| Howard Stringer Undergraduate Support | 1,199 | - | - | - | 22 | 1,221 |
| Undergraduate Student Support | 535 | 26 | - | - | 9 | 570 |
| John Roberts | 560 | 3 | - | - | 10 | 573 |
| Thomas Bowman | 314 | - | - | - | 7 | 321 |
| Gerald David Clayton | 792 | - | - | - | 14 | 806 |
| Choral Foundation | 780 | 87 | - | - | 14 | 881 |
| Compassionate Fund | 345 | - | - | - | 6 | 351 |
| Fitzhenry Biomedical Research Fund | 145 | - | - | - | 3 | 148 |
| Other Funds | 285 | - | - | - | (5) | 280 |
| | 14,810 | 244 | - | - | 257 | 15,311 |
| Total Endowment Funds | 251,007 | 6,150 | (1,147) | (7,054) | 15,015 | 263,971 |
| Restricted Funds | | | | | | |
| Building Projects | 177 | 12 | (5) | - | - | 184 |
| Fellowship Funds | 261 | 513 | (434) | - | 1 | 341 |
| Graduate Scholarship and Student Prize Funds | 487 | 385 | (307) | - | - | 565 |
| Student Support Funds | 180 | 603 | (207) | - | - | 576 |
| Choir | 24 | 174 | (160) | - | - | 38 |
| Other Funds | 234 | 210 | (169) | - | - | 275 |
| Total Restricted Funds | 1,363 | 1,897 | (1,282) | - | 1 | 1,979 |

Merton College
Notes to the financial statements
For the year ended 31 July 2018

| | | | | | | |
|---|----------------|---------------|-----------------|--------------|---------------|----------------|
| Unrestricted Funds | | | | | | |
| General funds | 1,990 | 6,064 | (12,187) | 8,232 | - | 4,099 |
| Fixed Asset Fund | 19,031 | - | - | (1,178) | - | 17,853 |
| Aidan Jenkins Graduate Scholarship Fund | 444 | - | - | - | - | 444 |
| Pension reserve | (1,784) | - | 127 | - | - | (1,657) |
| Total Unrestricted Funds - College | 19,681 | 6,064 | (12,060) | 7,054 | - | 20,739 |
| Unrestricted funds held by subsidiaries | - | 508 | (351) | - | - | 157 |
| Total Unrestricted Funds - Group | 19,681 | 6,572 | (12,411) | 7,054 | - | 20,896 |
| Total Funds | 272,051 | 14,619 | (14,840) | - | 15,016 | 286,846 |

Comparative figures for the movement of funds are publically available on the College website in the 2017 financial statements (www.merton.ox.ac.uk/about/college-policies).

18 FUNDS OF THE COLLEGE DETAILS

The following is a summary of the origins and purposes of each of the Funds

Endowment Funds - Permanent:

| | |
|---|---|
| General Endowment Fund | Corporate capital, including founder's capital, whose income may be spent for general purposes. |
| Fellowship, Graduate Scholarship, Student Support Funds and Reed Directors of Music | Donations made for perpetuity, whose income may be spent for the restricted purposes described. |

Endowment Funds - Expendable:

| | |
|---|---|
| Fellowship Funds | Donations made for the long term, whose income and capital may both be spent for the restricted purposes described. |
| Graduate Scholarship and Student Prize Funds: | |
| Student Support Funds | |
| Choral Foundation | |
| Compassionate Fund | |
| Fitzhenry Biomedical Research Fund | |

Restricted Funds:

Building Projects Donations made for specific College building projects before completion. Funds are transferred to the Building Project Fund within Unrestricted Funds once the building has been completed.

Fellowship Funds
Graduate Scholarships and Student Prize Funds
Student Support Funds
Choir

Unspent income generated from the permanent and expendable endowments above and donations made for restricted purposes which the trustees may spend at their discretion.

The General Unrestricted Funds represent accumulated income from the College's activities and other sources that are available for the general purposes of the College.

The Fixed Asset Fund represents the original cost less accumulated depreciation of the College's fixed assets.

The Aidan Jenkins Graduate Scholarship Fund represents an unrestricted donation received and designated by the Trustees for a graduate scholarship.

19 ANALYSIS OF NET ASSETS BETWEEN FUNDS

| | Unrestricted Funds £'000 | Restricted Funds £'000 | Endowment Funds £'000 | 2018 Total £'000 |
|-----------------------|--------------------------------|------------------------------|-----------------------------|------------------------|
| Tangible fixed assets | 17,853 | - | - | 17,853 |
| Property investments | - | - | 125,068 | 125,068 |
| Other investments | - | 1,979 | 138,903 | 140,882 |
| Net current assets | 4,700 | - | - | 4,700 |
| Long term liabilities | (1,657) | - | - | (1,657) |
| | 20,896 | 1,979 | 263,971 | 286,846 |
| | Unrestricted Funds £'000 | Restricted Funds £'000 | Endowment Funds £'000 | 2017 Total £'000 |
| Tangible fixed assets | 19,031 | - | - | 19,031 |
| Property investments | - | - | 116,694 | 116,694 |
| Other investments | - | 1,363 | 134,313 | 135,676 |
| Net current assets | 2,434 | - | - | 2,434 |
| Long term liabilities | (1,784) | - | - | (1,784) |
| | 19,681 | 1,363 | 251,007 | 272,051 |

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20 TRUSTEES' REMUNERATION

The Trustees of the College are the members of the Governing Body, primarily those Fellows who are employed to undertake teaching and research and who sit on Governing Body by virtue of their employment.

No Fellow receives any remuneration for acting as a Trustee. However, those Fellows who are also employees of the College receive salaries in respect of their employment. In the case of teaching and research posts, salaries are set with reference to pay scales applying nationally within the higher education sector and within the University of Oxford. Salaries are determined in all cases by the Governing Body on the basis of recommendations made by the remuneration committee, whose composition is described in the Annual Report of the Governing Body.

Trustees of the College fall into the following categories:

- (i) The Warden, who is the Head of College and chairs meetings of the Governing Body and its committees;
- (ii) Official Fellows, who are elected to the office of Tutor, Bursar, Librarian, Chaplain, Development Director or other office of the College;
- (iii) Professorial Fellows, who are senior members of the University of Oxford;
- (iv) Fixed-term research Fellows, who may be either junior career-development employees of the College, or senior academics who are not employed by the College.

College Officers and career-development research Fellows may be accommodated by the College. 34 Fellows were accommodated in houses, flats or rooms owned by the College during the year. Fellows who are eligible for accommodation but who are not accommodated are paid a housing allowance, which is included within the salary figures below.

Some Fellows receive allowances for work carried out as part-time College Officers, including the Sub Warden, student disciplinary officer and research supervisor. These amounts are included within the remuneration figures below.

The total remuneration and taxable benefits included below is £2,055k (2017 £1,895k). The total of pension contributions is £285k (2017 £266k).

| Remuneration paid to trustees | 2018 | | 2017 | |
|-------------------------------|----------------------------|---|----------------------------|---|
| | Number of Trustees/Fellows | Gross remuneration, taxable benefits and pension contributions £ | Number of Trustees/Fellows | Gross remuneration, taxable benefits and pension contributions £ |
| £0-£999 | - | - | 1 | 200 |
| £1,000-£1,999 | 1 | 1,717 | 1 | 1,134 |
| £2,000-£2,999 | 2 | 4,596 | - | - |
| £3,000-£3,999 | 1 | 3,141 | 1 | 3,322 |
| £4,000-£4,999 | 1 | 4,371 | 2 | 9,044 |
| £5,000-£5,999 | 1 | 5,404 | - | - |
| £6,000-£6,999 | 2 | 13,410 | 1 | 6,342 |
| £7,000-£7,999 | 1 | 7,800 | 2 | 15,490 |
| £8,000-£8,999 | 1 | 8,271 | 1 | 8,644 |
| £10,000-£10,999 | 1 | 10,521 | - | - |
| £13,000-£13,999 | 1 | 13,906 | - | - |
| £14,000-£14,999 | - | - | 2 | 29,441 |
| £15,000-£15,999 | 4 | 63,081 | 5 | 77,351 |
| £16,000-£16,999 | 5 | 83,493 | 4 | 65,487 |
| £17,000-£17,999 | - | - | 1 | 17,163 |
| £18,000-£18,999 | 2 | 36,407 | 1 | 18,501 |
| £19,000-£19,999 | - | - | 1 | 19,015 |
| £20,000-£20,999 | 1 | 20,485 | 2 | 40,858 |
| £22,000-£22,999 | 1 | 22,957 | 2 | 44,218 |
| £23,000-£23,999 | 1 | 23,692 | 2 | 47,068 |
| £24,000-£24,999 | - | - | 1 | 24,172 |
| £25,000-£25,999 | 4 | 102,142 | 1 | 25,028 |
| £26,000-£26,999 | 2 | 52,597 | - | - |
| £27,000-£27,999 | 2 | 55,198 | 3 | 82,984 |
| £28,000-£28,999 | 2 | 56,900 | - | - |
| £28,000-£28,999 | 1 | 28,732 | - | - |
| £30,000-£30,999 | 1 | 30,528 | - | - |
| £32,000-£32,999 | 3 | 97,202 | 2 | 64,265 |
| £33,000-£33,999 | - | - | 1 | 33,611 |
| £34,000-£34,999 | 1 | 34,053 | 1 | 34,389 |
| £35,000-£35,999 | 1 | 35,371 | - | - |
| £36,000-£36,999 | - | - | 1 | 36,803 |
| £38,000-£38,999 | 1 | 38,794 | 1 | 38,343 |
| £39,000-£39,999 | 1 | 39,743 | 2 | 79,423 |
| £40,000-£40,999 | 1 | 40,029 | - | - |
| £42,000-£42,999 | 1 | 42,063 | - | - |
| £43,000-£43,999 | 1 | 43,469 | - | - |
| £45,000-£45,999 | - | - | 1 | 45,506 |
| £46,000-£46,999 | - | - | 1 | 46,916 |
| £47,000-£47,999 | 2 | 95,068 | 1 | 47,792 |
| £48,000-£48,999 | 2 | 97,396 | - | - |
| £49,000-£49,999 | - | - | 1 | 49,676 |
| £51,000-£51,999 | - | - | 1 | 51,576 |
| £55,000-£55,999 | - | - | 1 | 55,840 |
| £56,000-£56,999 | - | - | 2 | 112,960 |
| £57,000-£57,999 | - | - | 1 | 57,533 |
| £61,000-£61,999 | 1 | 61,243 | - | - |

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| | | | | |
|-------------------|---|---------|---|---------|
| £62,000-£62,999 | - | - | 1 | 62,599 |
| £63,000-£63,999 | 1 | 63,284 | - | - |
| £64,000-£64,999 | 1 | 64,505 | - | - |
| £65,000-£65,999 | - | - | 1 | 65,163 |
| £72,000-£72,999 | 1 | 72,202 | - | - |
| £76,000-£76,999 | - | - | 1 | 76,177 |
| £79,000-£79,999 | 1 | 79,545 | - | - |
| £87,000-£87,999 | - | - | 1 | 87,962 |
| £88,000-£88,999 | - | - | 1 | 88,412 |
| £90,000-£90,999 | - | - | 1 | 90,744 |
| £91,000-£91,999 | 1 | 91,304 | - | - |
| £94,000-£94,999 | 1 | 94,396 | - | - |
| £95,000-£95,999 | 1 | 95,576 | - | - |
| £96,000-£96,999 | 1 | 96,409 | - | - |
| £120,000-£120,999 | - | - | 1 | 120,959 |
| £123,000-£123,999 | 1 | 123,765 | - | - |
| £125,000-£125,999 | - | - | 1 | 125,875 |
| £128,000-£128,999 | 1 | 128,320 | - | - |
| £152,000-£152,999 | - | - | 1 | 152,606 |
| £156,000-£156,999 | 1 | 156,859 | - | - |

14 Fellows were not employed by the College during the year and did not receive any remuneration. All Fellows, and all permanent employees of the College, are eligible for private health insurance. All Fellows may take meals in College, together with all employees, who are entitled to take meals while working.

Trustee expenses

No Fellow claimed any expenses for work as a trustee.

Other transactions with trustees

See note 27 Related Party Transactions.

Key management remuneration

The total remuneration paid to key management, including employer's national insurance contributions, was £2,549k (2017: £2,352k).

Key management are considered to be the Trustees of the College.

21 PENSION SCHEMES

The college participates in two principal pension schemes for its staff - the Universities Superannuation Scheme (USS) and the University of Oxford Staff Pension Scheme (OSPS). The assets of the schemes are each held in separate trustee-administered funds. USS and OSPS schemes are contributory mixed benefit schemes (i.e. they provide benefits on a defined benefit basis - based on length of service and pensionable salary and on a defined contribution basis - based on contributions into the scheme). Both are multi-employer schemes and the college is unable to identify its share of the underlying assets and liabilities relating to defined benefits of each scheme on a consistent and reasonable basis. Therefore, in accordance with the accounting standard FRS 102 paragraph 28.11, the college accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the Income and Expenditure Account represents the contributions payable to the schemes in respect of the accounting period.

In the event of the withdrawal of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot be otherwise recovered) in respect of that employer will be spread across the remaining participating employers and reflected in the next actuarial valuation of the scheme.

However, in OSPS the amount of any pension funding shortfall in respect of any withdrawing participating employer will be charged to that employer.

The College has made available the National Employment Savings Trust for non-employees who are eligible under automatic enrolment regulations to pension benefits.

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Actuarial Valuations

Qualified actuaries periodically value the USS and OSPS schemes using the 'projected unit method', embracing a market value approach. The resulting levels of contribution take account of actuarial surpluses or deficits in each scheme. The financial assumptions were derived from market conditions prevailing at the valuation date. The results of the latest actuarial valuations and the assumptions which have the most significant effect on the results of the latest valuations and the determination of the contribution levels are for the two schemes shown in the following table.

| | USS | OSPS |
|--|----------------|---|
| Date of valuation: | 31/03/14 | 31/03/16 |
| Date valuation results published: | 24/07/15 | 28/04/17 |
| Value of liabilities: | £46.9bn | £661m |
| Value of assets: | £41.6bn | £528m |
| Funding surplus / (deficit): | (£5.3bn) (a) | (£133m) (b) |
| Principal assumptions: | | |
| Investment return | 5.2% pa (c) | - |
| Rate of interest (periods up to retirement) | - | 'Gilts' + 1.2%pa |
| Rate of interest (periods up after retirement) | - | 'Gilts' + 1.2%pa |
| Rate of increase in salaries | RPI + 1%pa (d) | RPI + 1%pa |
| Rate of increase in pensions | CPI pa (d) | Average RPI/CPI pa |
| Mortality assumptions: | | |
| Assumed life expectancy at age 65 (males) | 24.2 yrs | 22.4 yrs |
| Assumed life expectancy at age 65 (females) | 26.3 yrs | 24.7 yrs |
| Funding Ratios: | | |
| Technical provisions basis | 89% | 80% |
| Statutory Pension Protection Fund basis | 82% | 67% |
| 'Buy-out' basis | 54% | 42% |
| Estimated FRS 102 Total Funding level | 77% | 82% |
| Recommended employer's contribution rate (as % of pensionable salaries): | 18% (e) | 23% decreasing to 19% from 01/08/17 (f) |
| Effective date of next valuation: | 31/03/17 | 31/03/19 |

a. USS's actuarial valuation as at 31 March 2014 takes into account the revised benefit structure effective 1 April 2016 agreed both by the Joint Negotiating Committee and the Trustee in July 2015 following the Employers' consultation which concluded in June 2015. Key changes agreed include: for Final Salary section members, the benefits built up to 31 March 2016 will be calculated as at that date using pensionable salary and pensionable service immediately prior to that date and going forwards will be revalued in line with increases in official pensions (currently CPI); all members will accrue a pension of 1/75th and a cash lump sum of 3/75ths of salary each year of service in respect of salary up to a salary threshold, initially £55,000 p.a. with the threshold applying from 1 October 2016; member contributions will be 8% of salary; a defined contribution benefit for salary in excess of the salary threshold at the total level of 20% of salary in excess of the salary threshold; and optional additional contributions payable into the defined contribution section from 1 October 2016 of which the first 1% of salary is matched by the employer. Further details about the benefits may be reviewed on USS' website, www.uss.co.uk. For the period up to 1 April 2016 the employer deficit contribution was 0.7% p.a. of salaries based on the assumptions made. After allowing for those changes, the actuary established a long term employer contribution rate of 18% pa of salaries for the period from 1 April 2016 to 31 March 2031. On the assumptions made and with the salary threshold and defined contribution section implemented this gives rise to deficit contributions of at least 2.1% p.a. of salaries. At 31 March 2018 USS reported that the estimated funding deficit was £8.4 bn (88% funded).

b. OSPS' actuarial valuation as at 31 March 2016 identified a required long-term employer contribution rate of 17.3% of total pensionable salaries, with a funding deficit of £133 m. The valuation results reflect a number of changes to benefits that were agreed following an Employers' consultation in early 2017, including from 1 April 2017 a change in indexation based on the average of RPI and CPI, from 1 October 2017 a defined contribution section for new entrants and from 1 April 2018 breaking the final salary link for certain members and increased employee contributions. The actuary has certified that the recovery plan should eliminate the deficit by 30 June 2027. The next triennial valuation is due with an effective date of 31 March 2019.

c. USS' actuary has assumed that the investment return is 5.2% in year 1, decreasing linearly to 4.7% over 20 years.

d. USS' actuary has assumed that general pay growth will be CPI in year 1, CPI + 1% in year 2 and RPI + 1% pa thereafter. It is assumed that CPI is based on the RPI assumption (market derived price inflation of 3.6% p.a. less an inflation risk premium) less RPI/CPI gap of 0.8% p.a.

e. As noted above (note a) the USS employer contribution rate is 18% of salaries from 1 April 2016. The total employer contributions include provisions for the cost of future accrual of defined benefits (DB) (net of member contributions to the DB section), deficit contributions, administrative expenses of 0.4% of salaries and from the implementation of the salary threshold the employer contribution towards defined contribution benefits including employer matching contributions and certain investment management costs relating to the DC section. The 2017 actuarial valuation of USS has been undertaken but this has not yet been formerly completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges. In the judgement of the college, as the 2017 valuation has not formally completed, and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation. However, there is a significant risk that the year-end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. The college expects to have greater clarity in this respect during the next financial year.

f. As noted above (note b), the OSPS employer contribution rate required for future service benefits in the defined benefit section alone is 17.3% of total pensionable salaries from 1 April 2018. The employer contribution rate was 23% from 1 August 2016 to 31 July 2017. It was agreed that the employer contribution rate would be 19% for both defined benefits members and defined contributions members who join on or after 1 October 2017. Part of the contribution for defined contribution members would be paid to the defined benefit section to cover the deficit recovery plan, the provision of ill-health and death-in service benefits and the expenses of administering the defined contribution section.

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Sensitivity of actuarial valuation assumptions

Surpluses or deficits which arise at future valuations may impact on the College's future contribution commitment. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

| Assumption | USS | |
|---------------------------------|--|-------------------------------|
| | Change in assumption | Impact on USS liabilities |
| Initial discount rate | increase / reduce by 0.25% | decrease / increase by £0.8bn |
| Discount rate in 20 years' time | increase / reduce by 0.25% | decrease / increase by £1.1bn |
| RPI inflation | increase / reduce by 0.1% | increase / decrease by £0.8bn |
| Rate of mortality | more prudent assumption (mortality used at last valuation, rated down by a further year) | increase by £0.5bn |

| Assumption | OSPS | |
|----------------------------|--|---|
| | Change in assumption | Impact on OSPS technical provisions (from 80% funded at 31/03/16) |
| Valuation rate of interest | decrease by 1.0% | 68% |
| Rate of pension increases | increase by 1.0% | 69% |
| Life expectancy | more prudent assumption (life expectancy increases by 3 years) | 72% |

Deficit Recovery Plans

In line with FRS 102 paragraph 28.11A, the College has recognised a liability for the contributions payable for the agreed deficit funding plan. The principal assumptions used in these calculations are tabled below:

| | OSPS | USS |
|--|----------|----------|
| Finish Date for Deficit Recovery Plan | 30/06/27 | 31/03/31 |
| Average staff number increase | nil | nil |
| Average staff salary increase | 3.00% | 2.00% |
| Average discount rate over period | 1.95% | 2.20% |
| Effect of 0.5% change in discount rate | £33k | £15k |
| Effect of 1% change in staff growth | £124k | £32k |

An OSPS provision of £1,198k has been made at 31 July 2018 (2017 - £1,299k) for the present value of the estimated future deficit funding element of the contributions payable under this agreement, using the assumptions shown. The provision reduces as the deficit is paid off according to the pension recovery scheme.

A USS provision of £459k has been made at 31 July 2018 (2017 - £485k) for the present value of the estimated future deficit funding element of the contributions payable under this agreement, using the assumptions shown. The provision reduces as the deficit is paid off according to the pension recovery scheme.

Pension charge for the year

The pension charge recorded by the College during the accounting period was as follows:

| Scheme | 2018 | 2017 |
|---|------------|------------|
| | £000's | £000's |
| Universities Superannuation Scheme: | | |
| Continuing charges | 314 | 291 |
| Pension provision change | (35) | (1) |
| University of Oxford Staff Pension Scheme: | | |
| Continuing charges | 476 | 549 |
| Pension provision change | (120) | (79) |
| Other schemes – contributions | 17 | 10 |
| Total | 652 | 770 |

A copy of the full actuarial valuation report and other further details on the scheme are available on the relevant website: www.uss.co.uk , www.admin.ox.ac.uk/finance/epp/pensions/schemes/osps.

22 TAXATION

The College is able to take advantage of the tax exemptions available to charities from taxation in respect of income and capital gains received to the extent that such income and gains are applied to exclusively charitable purposes. No liability to corporation tax arises in the College's subsidiary company because the directors of this company have indicated that they intend to make donations each year to the College equal to the taxable profits of the company under the Gift Aid scheme. Accordingly no provision for taxation has been included in the financial statements.

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| 23 RECONCILIATION OF NET INCOME TO NET CASH FLOW FROM OPERATIONS | 2018 | 2017 |
|---|-----------------------|-----------------------|
| | Group | Group |
| | £'000 | £'000 |
| Net income | (221) | (407) |
| Elimination of non-operating cash flows: | | |
| Investment income | (6,173) | (5,976) |
| Endowment donations | (980) | (1,242) |
| Depreciation | 1,053 | 1,032 |
| Loss on sale of fixed assets | 81 | 2 |
| Decrease/(Increase) in stock | (13) | (19) |
| Decrease/(Increase) in debtors | 63 | (241) |
| (Decrease)/Increase in creditors | (688) | 688 |
| (Decrease)/Increase in pension scheme liability | (127) | (21) |
| Net cash provided by (used in) operating activities | <u>(7,005)</u> | <u>(6,184)</u> |

| 24 ANALYSIS OF CASH AND CASH EQUIVALENTS | 2018 | 2017 |
|---|----------------------|----------------------|
| | £'000 | £'000 |
| Cash at bank and in hand | 4,090 | 2,462 |
| Endowment assets cash | 11,513 | 20,062 |
| Total cash and cash equivalents | <u>15,603</u> | <u>22,524</u> |

25 FINANCIAL COMMITMENTS

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

26 CAPITAL COMMITMENTS

The College had contracted commitments at 31 July for future capital projects totalling £700k (2017 - £127k).

Additionally, the College had a contracted commitment to purchase an endowment property at 31 July and purchased the property for £919k in September 2018.

27 RELATED PARTY TRANSACTIONS

The College is part of the collegiate University of Oxford. Material interdependencies between the University and the College arise as a consequence of this relationship. For reporting purposes, the University and the other Colleges are not treated as related parties as defined in FRS8 ("Related party disclosures"). Members of the Governing Body, who are the trustees of the College and related parties as defined by FRS 8, receive remuneration and facilities as employees of the College. Details of these payments and reimbursed expenses as trustees are disclosed separately in these financial statements. The following trustees had mortgage loans outstanding from the College at the start and/or end of the year.

| | 2018 | 2017 |
|-----------------|--------------|--------------|
| | £'000 | £'000 |
| Professor M Kim | 278 | 278 |
| Dr J Walworth | 16 | 19 |

Interest is charged on the above loans at either 75% of the Santander mortgage rate for existing borrowers, or at a maximum of 1% above the base lending rate of Barclays Bank plc. All loans are repayable within 20 years or immediately in full when the Fellow demits from office, if earlier. The College has ceased to make loans on these terms.

The College has made equity housing loans to the following Fellows who are employees on the basis the capital sums repayable are linked to the value of the property on which the loan is secured. These loans are repayable in full when the Fellow demits from office and are classified as property investments in the balance sheet.

| | 2018 | 2017 |
|----------------|--------------|--------------|
| | £'000 | £'000 |
| Mr J Gloag | 60 | 60 |
| Dr P Thornton | 360 | 360 |
| Dr M Whitworth | 155 | 155 |
| Prof M Higgins | 171 | 0 |

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28 CONTINGENT LIABILITIES

There are no obligations arising from events occurring before the date of the balance sheet whose existence will be confirmed only by the occurrence of events not wholly within the College's control.

29 POST BALANCE SHEET EVENTS

There are no material events occurring after the date of the balance sheet where disclosure is deemed to contribute to a proper understanding of the financial position.