I have just reread last year's article. Apart from surprising myself at how someone my great age can be quite so precocious and pretentious, I did spot one sentence that resonated particularly as I stare once again at the draft annual accounts. I wrote then about the figures about to be published: "they continue to be an exercise in sophistry and the attenuation of numbers as far as they relate to actual money". Indeed, I am guilty of frequently branding accountants as people who can only see numbers, not the value (or lack of it) they represent. Thus £3,000 and £3,000,000 can both be profits, only non-accountants can easily detect that one is much better than the other. A softer way of saying this, and the reason I am yet again rehearsing this argument, is to remind everyone that a set of accounts is merely the facsimile of a snapshot in time. What is right today can and will be wrong tomorrow. Thus it was when I wrote my slides to present to the Audit Committee on the day before the meeting, to discover on waking the next morning that, with the incorporation of new numbers from the auditors overnight, the result had shifted dramatically in one of the best 'with one jump Johnny was free' feats seen in recent years. Effectively, the final version of the 'numbers' virtually eliminated the £1.4 million deficit I had gone to bed with, so to speak. We should do this every year! It makes my life so much more agreeable, as I can now state that after a year of steady progress, Trinity Hall's deficit is vanishingly small and the College's finances are (or at least were at our year end on 30 June) in good health.

So what happened?
This specific piece of transformative magic is largely related to the inclusion of the paper profit we have made in a new venture. Aula Property Partnership (APP) has been launched with our long-time property adviser Chris Bartram, and although in its early stages, looks to be successful. This was just one facet of a relatively simple and wholesome story: unlike last year, College income and expenditure were almost in balance.

Trinity Hall, like all Oxbridge Colleges, has four principal sources of income: (i) academic fees, (ii) Philanthropic support raised by the Alumni and Development Office, (iii) the Conference and Catering business, and (iv) the money drawn from the endowment (or investment portfolios). All these activities brought in more than the year before and overall our Income was £15.7 million, or 22% higher. Both the Alumni and Development Office, who brought in £800,000 more, and the Conference and Catering Office, whose turnover was up £300,000 at £1.3 million while still maintaining a profit margin of around 53%, made notably strong contributions. I congratulate both teams on their hard work. Whilst it is gratifying that the levers over which we have some influence have been pulled so successfully, it is becoming ever clearer that academic fees (up £100,000 or 2.3%), whilst clearly significant to those who pay them, are making a diminishingly small difference to our overall wellbeing. I will look at our investment performance in a moment, but, for the sake of completeness, it is worth noting that the improvement in our 'Other Income' line was largely the benefit of VAT rebates received for the renovation work on the Master's Lodge.

Happily, our Expenditure of £15.9 million was only up 7% on a year ago. Last year, I caused considerable consternation at Governing Body when I announced that the level of professional fees we had paid had reached £290,000. They are now £672,000! However, reassuringly most of these were incurred with our lawyers and property advisers in what proved to be a very active year, buying and selling land and farms and starting joint ventures to develop properties we have owned for some time with this ultimate goal in mind. To give a flavour, we have recently sold outright the freeholds and land on the Cambridge Science Park to Trinity College that they had previously held under long-leases; we have purchased several new properties including a very attractive farm in Kent; as well as entering into a partnership with Next Plc centred on our long-term holding at Waltham Abbey. We also incurred a £115,000 foreign exchange loss on an annual overseas gift (last year this was a gain – such are the vicissitudes of the currency markets at present).

Both the increases in education expenditure (up 13.7%) and salary and stipend costs (up 9%) are symptomatic of what I have often called Trinity Hall's internal 'inflation rate'. During the year, the Fellowship incurred legal fees for obtaining advice on investigating matters of student concern, while our overall
cost of living increase to the staff (1.7%) did not truly reflect the adjustments needed to retain our excellent teams and keep the College competitive.

Another year of growth
The effect of all this activity on both sides of the Income and Expenditure Account has been the virtual elimination of our overall deficit, which has narrowed by £1,714 million, from £1,925 million to only £211,000. At the same time, the Consolidated Balance Sheet has grown strongly; up 12.72% to £311.35 million. This has been helped enormously by the gain of our investment portfolios. They outperformed most individual indices and were collectively 16.9%, or £38.5 million, better. All categories of our diversified holdings, from direct and indirect property to quoted and unquoted equities, pitched in. We should enjoy the ride while we can. As I write this in mid-October, markets (now even including those for tech stocks in the US) are looking much more challenging.

According to note 11 of the draft accounts, investment and endowment assets now total £266.5 million – a fantastic change to a decade ago! As regular readers will know, I regard this figure as somewhat misleading as it includes the £40 million of long-term loans and private placements we have incurred to invest. As this sum will one day (starting 30 years in the future) have to be repaid, I think it prudent to subtract it from the total. Still, an endowment of £236.5 million bestows on us membership of a club that, after Trinity, St John’s and Peterhouse, composes membership of a club that, after Trinity, of £226.5 million bestows on us.

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The challenge for any charity is to try to judge the competing claims of current and future generations. Like every type of enterprise these days, this is made all the more immediate for us by the scrutiny and requirements of regulators. I will not stray into my colleagues’ academic arena here but will confine myself to observing that the Charity Commission is taking a greater interest in our Reserves Policy and requiring special commentary on this in the Report to the Accounts. This enhanced focus is not going to go away. As a result, the Finance Committee has approved a cut in our total return spending rule (the amount we take from our investments as cash to help run the College so it meets its obligations) from the current 3.5% to 3% next year. This will bring us into line with most of our peers and, since the calculations are made on a seven-year rolling average, should not result in a markedly lower amount being available to spend, even if our investment performance is curtailed by dire financial markets. Unrestricted Reserves (which the auditors define as unrestricted funds less our commitment to fixed assets) have grown to £180 million – we will all pay more attention to this number in future.

Finally, a few things to note
Pensions: The College’s liability appears £385,000 lower this year – mainly the result of strong investment performance and Trinity Hall’s gap-closing payments in the staff’s CCFPS scheme. The real problem remains with the academics’ USS scheme. It is not obvious that the Pensions Regulator will be able to accept the optimistic investment assumptions that the supposedly arbitrating Joint Expert Panel is advancing to revise the valuation that caused so much trouble last spring. The DC scheme is still going to have to close – whether it is now or later! Expect more industrial action.

Cambridge & Counties Bank: The bank we own jointly with the Cambridgeshire Local Government Pension Fund continues to prosper, making a powerful contribution towards our endowment growth this year. Its Balance Sheet is now approaching £1 billion, profit projections continue ahead of budget and our Return on Investment remains impressive. Balanced against this, the market is becoming ever more competitive and the PRA, our regulator, is rattled by Brexit and is imposing increased scrutiny and demands on the challenger banks. The sector is under pressure to bolster its capital levels and we have responded to support our investment.

Private Placement: At its Easter Term meeting, the Finance Committee (Investments) agreed we should try to take advantage, maybe for the last time, of the current interest rate cycle by borrowing long-term funds to be invested in the portfolios. I’m pleased to report that, in August, acting in conjunction with Jesus College and with the advice of Rothschild, we were able to secure £25 million for 50 years with a coupon of 2.59% from a single provider. This has already proven to be a good deal and the equivalent rate would now be over 3%. We are already putting these funds to work.