



**University of Cumbria**

**Annual Report**

**For the Year Ended 31 July 2017**

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# Strategic Report

## Foreword by the Chair of the Board of Directors

The past 12 months have seen the University facing a continuing challenging and changing environment, but it has been a year in which much good progress has been made to position the University, as we celebrate our 10<sup>th</sup> anniversary in 2017/18, to look forward to the future with confidence.

This year has seen our new Vice Chancellor, Professor Julie Mennell, take up post and lead this work to position the University to meet the challenges and opportunities that lie ahead.

We have, following extensive internal and external stakeholder engagement, approved a new Strategic Plan in which people, place and partnerships lie at the heart of who and what we are. We have approved a new annual operating plan which will enable us to translate our strategy into reality.

We have continued to invest in our physical and virtual infrastructure to support the student experience, with the completion of the new teaching facilities at our Lancaster campus. The Sentamu Building, named after our Chancellor, Archbishop Dr John Sentamu, and part funded via the Lancashire Local Enterprise Partnership, provides high quality student learning and social space.

We have completed our preparations to apply for Research Degree Awarding powers and submitted our application in April 2017. The Quality Assurance Agency confirmed our application had been accepted and that the scrutiny process would commence in September 2017.

Our commitment to supporting the future employment of our students remains a key priority and we have been rewarded again this year with our results continuing to maintain a high place in the sector.

The year has, however, not been without its issues and student recruitment in a very competitive market place has again proved a challenge with the consequent pressure it places on income. In response, the Vice Chancellor led the development of the new Strategic Plan to position the University to grow income while managing costs firmly, alongside leading a major change programme to ensure the shape and size of the organisation supports the delivery of the new Strategic Plan and is financially sustainable.

This report sets out these achievements, and the progress we have made to deliver our plans and objectives for 2016/17.

The year has been challenging, but has positioned us for the future. I would like to record my thanks to Professor Julie Mennell and the Senior Leadership Team for their leadership and the staff of the University for all they have achieved over the past 12 months.

The University, as it enters its 10<sup>th</sup> anniversary, has much of which to be proud. There is much more to do, but the University Board and I are confident that we have strong foundations in place and that in Professor Julie Mennell and her Senior Leadership Team, we have the right people to lead the institution in the next stage of its development.

**Euan Cartwright, Chair of the Board of Directors**

## **Introduction by the Vice Chancellor**

As I come to the close of my first year as the University's Vice Chancellor, I am pleased with the progress we have made. In particular, it was hugely satisfying to see so many of our students receive their awards at our graduation ceremonies and to share in their successes, including those students recognised in the national Nursing Times awards, and the regional Royal Television Society awards. The journey of these students, realising their potential, and now as alumni starting the next part of life's adventure, is always a timely reminder of how the University has an impact on many individual lives.

As well as celebrating much success, this year has been about preparing for the future. The University has developed a new Strategic Plan following extensive consultation with partners and stakeholders, and a focus on understanding what is needed from the University over the coming years. As a significant and sought after institution for Cumbria and North Lancashire, our mission is to work in partnerships to develop our region's talent and capabilities and attract new talent into our region to study and work and live. We are seeking to raise aspirations and educational attainment and contribute to the social, cultural and economic well-being and prosperity of our communities. We will be recognised as a catalyst for individual and regional prosperity and pride with national and international relevance, reach and impact.

Our strategic focus emphasises our significant role in enriching people through place, positioning us as a thriving, leading player in professional Higher Education and Further Education, and meeting the demands of an ever-evolving workforce, skills gaps and emerging markets.

The future of our University is powered by our three greatest assets: our places; our people; and our partnerships.

We are one institution with many different locations; this is one of our greatest strengths, giving us a deep connection to our communities, industries, the landscape and the environment. It enables us to enrich our teaching, the learning and the lives of students and enhance our academic offer with links to world class employers and partners. A great example of this was our involvement in the successful submission for the Lake District to be recognised as a UNESCO World Heritage site.

We are in the business of possibility, improving everyone's experiences; empowering staff and students to succeed. We aim to enhance our portfolio to offer students more choice, and develop their talent and skills. We want to empower staff and students to succeed – bringing new thinking, skills, and opportunities.

Finally we want to forge and deepen our connections, with industries, health and education partners and beyond to fill specific regional skills gaps. We will build partnerships that equip all of our students with the ability to thrive wherever in the world they choose to live.

August 2017 was the start of our 10<sup>th</sup> anniversary year as a University; an opportunity for us to reflect on all that we have achieved, and for students, staff and the wider region to join in the celebratory events, build on the achievements of the last decade and look towards a successful future.

**Professor Julie Mennell, Vice Chancellor**

## About the University

As a significant and sought after institution for Cumbria and North Lancashire, the University's mission is to work in partnerships to develop our region's talent and capabilities and attract new talent into our region to study and work and live. We raise aspirations and educational attainment and contribute to the social, cultural and economic wellbeing and prosperity of our communities.

The University has a student population of 10,000 students, and over 900 staff. The University's student income is largely made up of undergraduate students, with about 50% from those studying a broad range of general Higher Education programmes. About 30% is from students studying for allied health profession qualifications and 20% from undergraduate or postgraduate level to become qualified teachers.

Due to our role as one of the largest providers of teacher training in the UK, there is a high chance you will meet a University of Cumbria-trained teacher if you walk into a school in North Lancashire or Cumbria; in East London the percentage can be up to 70% due to our specialist teacher training campus based there. Similarly, at regional hospitals or health care providers, University of Cumbria-trained nurses, midwives, occupational therapists, physiotherapists and radiographers are filling essential roles.

The University of Cumbria was formed in 2007 by the merger of St Martin's College, Cumbria Institute of the Arts and University of Central Lancashire's Cumbria sites, operating from campuses spread across Cumbria and North Lancashire. We may be a relatively new university, but we are steeped in rich history dating right the way back to 1822 with the foundation of the Carlisle based Society for the Encouragement of Fine Arts, and the work of educator and reformer, Charlotte Mason, leading to her House of Education, established in 1891 in Ambleside.

The University operates from four main campuses, plus a small campus location in London and from dedicated Higher Education facilities in Furness and West Cumbria. There are two main campuses in Carlisle: Fusehill Street with general HE provision, including teacher education, allied health professions and a range of programmes including sciences, policing, psychology, and law programmes, and Brampton Road, our specialist arts campus.

Our Lancaster campus is home to teacher education, allied health professions, sport and business. Ambleside is a small, specialist campus in the heart of the Lake District National Park and is the home of outdoor education, conservation sciences, forestry, and international postgraduate business programmes. Finally, we operate a small, specialist teacher education campus close to Canary Wharf in East India Dock Road, London.

Our campuses also house our special interest and research institutes, including the newly launched Centre for National Parks and Protected Areas - an international and national centre of excellence for the transdisciplinary study of national park and protected area management – developing sustainable solutions to global challenges.

The University of Cumbria is the only university in the world with a campus based within a national park. Set in the heart of the Lake District, now with UNESCO World Heritage status and within Lake District National Park, our Ambleside campus is therefore in a unique position to be home to the Centre for National Parks and Protected Areas.

This new research centre builds on fourteen years of research experience with the Centre for Wildlife Conservation (CWC), conducting world class research on wildlife conservation around the globe, primarily focusing on conservation and animal behaviour/management issues, and more recently with a greater emphasis on transdisciplinary, holistic

approaches to conservation and protected area management, including issues such as climate change, sustainable development and food security.

The University's research community has grown in size and stature. The outcome of the most recent Research Excellence Framework (REF) showed that, overall, 81% of our research was considered to be of a standard recognised internationally or higher, including 94% recognition at this level for the Allied Health Professions submission. The Centre for National Parks and Protected Areas joins our other institutes and seven centres:

**Cumbrian Centre for Health Technologies**, that focuses on technology adoption and technology translation models for digital technologies in health and social care.

The **Centre for Regional Economic Development**, a multidisciplinary research centre, undertaking research and analysis of contemporary issues affecting local and regional economies in the north of England, and in international research collaborations.

The **Institute for Leadership and Sustainability**, is a global hub of inquiry, teaching and dialogue delivering research and education to help enable the transition to more fair and sustainable societies

The **Learning, Education and Development** research centre is focussed on supporting education practitioners from early years through to higher education, to develop research-informed practice and on publishing high-quality research that has impact on policy and practice.

The **National School of Forestry** has over 50 years of experience with a strong reputation for producing award-winning, professional graduates who now occupy some of the most senior positions in the forestry and woodland sector.

The well-established **Health and Social Care Evaluations** facility provides evaluations for a range of organisations and agencies delivering health and social care with a team of researchers with extensive professional experience in fields including nursing, social work, occupational therapy, sport and physical activity, and community development.

The **Project Academy** is a collaboration between the University of Cumbria and Sellafield to help facilitate training and development of project management skills in the nuclear industry. The education and training covers higher education from Level 4 to Level 8, and provides a full range of CPD and professional qualifications including APM PMQ, APM PFQ, Risk Level 1 & 2 plus many more.

## Strategic Review

The University is subject to the regulatory framework operated by the Higher Education Funding Council for England, and as a provider of teacher and allied health care professional training is also subject to the frameworks operated by OFSTED and Mott MacDonald. For our students to continue to achieve, our teaching and learning must be of the highest quality. The University has the highest level of approval from the Quality Assurance Agency for Higher Education; it is rated as “good” by OFSTED for its teacher training with some London provision assessed as “outstanding”; our health programmes are rated as “good” (the highest category) by the Nursing and Midwifery Council, and the most recent Mott MacDonald inspection positively endorsed our provision.

The University operates within a competitive environment, competing with other education providers to attract students, including with other universities. It is also subject to demand from employers for graduates and trainees which impacts upon the availability of placement training facilities and employment post-graduation. The University is subject to national changes in policy in relation to higher and other education, including the cap on tuition fees for UK students.

This environment provides significant challenges in terms of recruitment, and 2016/17 saw a drop in applications and acceptances. The University responded with the development of new programmes, specifically in relation to the emerging apprenticeship agenda; growing our postgraduate provision; building on our work in paramedic qualifications; and also partnership arrangements with Sellafield. We have been successful nationally, to work with Higher and Further Education partners in the development of the new degree apprenticeships for police constables and in nursing. The first students on our apprenticeships in the business and health areas started with us this autumn.

During the year, the University reviewed its operating model, and made significant changes to both its size and shape to deliver our longer term requirements. The University operated a voluntary severance scheme, incurring costs of £2.9m, and achieving a reduction in the cost base of the University of £4.0m. As a result of this the University's financial performance reduced in year, and we are reporting a loss of £4.4m in our accounts. These changes will lead to an improvement in the operating results in 2017/18.

The year saw the completion of significant developments on our campuses. The two largest capital schemes included the second phase of our new STEM laboratories on our Carlisle campus, and a new 2,500 m<sup>2</sup> teaching block on our Lancaster campus, and completion of new student accommodation at our Ambleside campus. Both were supported by the Local Enterprise Partnerships, and were in addition to smaller capital schemes including IT, and equipment replacement.

These schemes were financed from cash reserves, that have been built up in previous years, and as a result of this expenditure and the costs of the change programme, cash at the end of the year reduced to £13.1m.

During 2017/18 we will be reviewing our future estates strategy and plans in the light of our new Strategic Plan and developments in our portfolio.

In terms of outcomes, over 3,700 students achieved awards during 2016/17. The University's students continue to be sought after in the workplace, with well over nine out of ten students in employment or further study within three months of qualifying. Graduate-level employment has also improved to 72%, above the sector average.

Results in the National Student Survey remain an area for focus, and the results this year of 75% of students being satisfied or very satisfied were disappointing. As part of our Annual Operating plan for 2017/18 there is specific focus on improving these results, with a newly appointed Deputy Vice Chancellor providing focus for this area over the coming year, supported by the new post of Dean for Student Success.

We are seeking to raise aspirations and educational attainment and contribute to the social, cultural and economic wellbeing and prosperity of our communities. In total, the University has also spent over £3.3 million on its activities to widen participation in higher education from groups that are under-represented or struggle to access higher education. Of this, over £700,000 was spent giving direct financial support to individual students. The statistical evidence shows that:

- The University recruits over 97% of its young, full-time undergraduate students from state schools or colleges.
- Since formation in 2007, the University has seen an overall increase in the proportion of young, full-time undergraduate entrants from low-participating neighbourhoods.
- The University continues to improve its performance in relation to ethnicity.
- The proportion of full-time undergraduate students who have been previously been looked after/in care has continued to increase.

In terms of performance against targets, the most recent monitoring shows that the University of Cumbria is making a very positive and significant contribution to this sector performance and is meeting or exceeding the majority of its benchmarks and internal targets.

Alongside much of the sector, the University has seen a negative impact on part-time recruitment following the introduction of part-time tuition fees, and that this has adversely impacted mature students. The University is seeking to reverse this trend, through proactively developing additional support for this group of students. The University is also reviewing and developing the offer for those looking for opportunities to study whilst working including through routes of continuing professional development and apprenticeships.

The uncertainties and changes in the operating environment remain a key concern and the University continues to develop plans that respond to a number of different scenarios. The key risks and uncertainties that we are focusing on relate to the very competitive external environment, and the risk to student recruitment. The impact that this has upon our financial position is actively managed as we seek to ensure that our outcomes, in particular satisfaction, improve for all students.

Looking to the future, during 2016/17 the University has reviewed both its past performance and the operating environment, and developed a new Strategic Plan.

Over the next three-year period, we will focus on:

- Capitalising on place, extending our learner base and enhancing our portfolio.
- Students and graduate success.
- Equipping and enabling staff.
- Sustainability and success.

Some of the key strands of this include: reviewing our portfolio, building on the key emerging academic opportunities aligned to STEM, Business and Professional Services, Visitor and Rural Economy and Arts and Culture; developing strategies for both Ambleside and London; continuing our development in the apprenticeship arena; and selective growth in international student numbers and collaboration.



## Financial Review

The 2016/17 year presented a number of financial challenges due to reduced student recruitment and enrolment. Largely as a result of successive years of lower recruitment, the University's overall income decreased by £2.7m (4%) compared to 2015/16. Much of this fall had been anticipated and was addressed in the budget but the extent of the decrease, and the impact on future years, and the need to position the University for the future led to a review of the University's cost base including a change programme focused on improving efficiency and managing activities within available resources. This programme, which helped achieve over £4m of recurrent staffing savings, leaves the University well placed to deliver its strategic plan and is designed to enable significantly improved financial performance in future years. In the short-term, the University expects income in 2017/18 to be at a similar level to that reported in 2016/17 before increasing in 2018/19 and 2019/20.

Whilst the University has reported a deficit of £4.4m, this is stated after accounting for a range of one-off costs and accounting adjustments. These included £2.9m of expenditure on the fundamental restructuring associated with organisational change, £2.6m of costs relating to the actuarial valuation of the Local Government Pension Scheme and £3.5m of depreciation and asset impairments. The underlying position, as reflected by the University's Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) measure was £1.2m or £4.1m excluding fundamental restructuring costs. This reflects a £1.9m reduction compared to 2015/16 but also indicates the effectiveness of the immediate response to the fall in income experienced by the University in year.

As well as a clear focus on managing operational costs and reshaping the organisation for the longer term, the University continued to invest in its estate and infrastructure. £13m was spent on capital works including the completion of the Sentamu Building at the Lancaster Campus, STEM labs at the Fusehill Street Campus and student accommodation at the Ambleside Campus. This investment was mostly funded out of the University's cash reserves which, as a result, together with the restructuring costs, have reduced by £11m compared to 2016/17. At £13.1m, the cash balance provides sufficient working capital and the capacity to complete further small capital works.

The fixed asset balance in the financial statements was further increased following a full estates valuation that took place as at 31 July 2017. This identified significant gains in the value of land in particular and increases in the value of a range of buildings reflecting their current use and condition. Overall, the net increase in the value of land and buildings was £40.4m, a gain that improves the strength of the University's balance sheet and its asset to liabilities ratios.

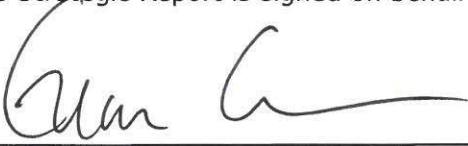
The University's largest liability remains the Local Government Pension Scheme deficit. This reduced by £1.5m to £41.4m during the year as a result of the annual actuarial valuation for accounting purposes. The University continues to make additional contributions designed to clear the underlying deficit over a period of 16 years and, from April 2017, employer contributions for current service increased from 11.3% to 14% recognising changes in the profile of the workforce, demographic and financial assumptions.

The University's financial position remains stable as reflected by its balance sheet. Its borrowing level reduced compared to the prior year as have its other current and long-term liabilities, excluding the capital grants received towards the investment projects.

The University's financial strategy is focused on further improving the financial position of the University, improving income levels, and net cash generated in order that further


investments can be made in infrastructure and the attractiveness of the University's offer to our students and their experience.

The Strategic Report is signed on behalf of the Board of Directors by:



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Mr Euan Cartwright, Chair of the Board of Directors



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Professor Julie Mennell, Vice Chancellor and Chief Executive

# Directors' and Corporate Governance Report

The Corporate Governance report and statement on internal control covers the period from 1 August 2016 to 31 July 2017, and up to the date of approval of the audited financial statements.

## Governance

The following section explains how the composition and organisation of the University's governance structures supports the achievement of the University's objectives.

### *Background*

The University is a company limited by guarantee and is an exempt charity under the terms of Charities Act 2011. The University's structure of governance is as laid out in its revised Articles of Association, as approved by the Privy Council implemented on 3 March 2016. The Articles of Association, require the University to have a Board of Directors and an Academic Board, each with clearly defined functions and responsibilities, to oversee and manage its activities and to support the achievement of its objectives.

The University is committed to exhibiting best practice in all aspects of corporate governance. Its Board of Directors acts in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to institutions of higher education which has been provided by the Committee of University Chairmen in its Guide for Members of Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland.

The University has adopted the CUC Governance Code of Practice and has also adopted a statement of primary responsibilities which is publicised on the University's web pages at <https://www.cumbria.ac.uk/media/university-of-cumbria-website/content-assets/public/vco/documents/legal/Statement-of-Primary-Responsibilities.pdf>

The University Board of Directors, which meets at least six times each year, is the University's governing body. It is responsible for approving the corporate strategy and associated plans and budgets, monitoring the performance of the University and its executive, determining major business decisions and policies and is responsible for the overall framework of governance and management. It is specifically required to determine the educational character and mission of the University and to set its strategic direction. The responsibilities of the Board of Directors are set out in detail on page 21.

The University's Board of Directors comprises persons who are appointed in accordance with its Articles of Association. During 2016/17 the Chair was Mr Euan Cartwright and the Vice Chair was Dr Stephen Curl. The membership includes the Vice Chancellor, a student director, who is the President of the Students' Union or equivalent and, via open elections, a staff director. A full list of members is at page 14.

In considering the composition of the University Board, its Nominations Committee takes account of a skills audit and requirements and the need to ensure an appropriate balance and mix of skills, expertise and experience as well as the diversity of the Board and its subcommittees. The Board currently has a good gender balance, but the age profile and ethnicity is less diverse.

Subject to the overall responsibility of the University Board, the Academic Board has oversight of the academic affairs of the University and draws its members from staff and

students of the University. It is concerned with general issues relating to the teaching, professional and research work of the institution. In May 2017 the University Board approved the establishment (effective from August 2017) of an Academic Governance Committee (see below).

The University Board undertakes an annual self-effectiveness review, overseen by the Chair and Secretary to the Board, and also undertakes regular independent external effectiveness reviews in line with the CUC Governance Code of Practice. The most recent independent external effectiveness review was undertaken in 2015. The outcome of the review was positive about the effectiveness of the University Board and the role of contribution of the Directors. A key outcome of the review was the decision by the University Board to reduce the size of the Board from 21 to 15 Directors. Following consultation with key stakeholders and approval by the Privy Council, revised articles of government, including the reduction in size to 15 Directors were approved and implemented in March 2016.

In the most recent effectiveness review undertaken in 2017, the Board's operations were benchmarked against the CUC HE Code of Governance and the Board was able to confirm it continues to meet the seven primary elements of governance set out in the code.

The University maintains a Register of Interests of Directors of the University Board and the Vice Chancellor's Executive, which is available on request via the University Secretary.

### ***Board Committees***

The Board of Directors is served by six sub-committees which have the following roles:

- **Audit and Risk Committee** (chaired by Mr David Allen) has responsibility for monitoring and reviewing the effectiveness of the University's systems of internal control, including risk management and financial controls, procedures, data and value for money.

The University's internal and external auditors attend the Committee and report on the systems of internal control and management's responses and implementation plans. Whilst senior executives attend meetings of the Audit and Risk Committee as necessary, they are not members of the Committee and the Committee also meets the internal and external auditors on their own for independent discussions.

The risk management element of the Committee's role includes the review of the processes which lead to the statement on internal control in the Corporate Governance report. The Committee will also, whenever appropriate, provide explicit confirmation to the Board that necessary actions have been, or are being, taken to remedy any significant failings or weaknesses identified from the review of the effectiveness of internal control.

- **Finance and Resources Committee** (chaired by Dr Steve Curl to 31 July, Mr Geoffrey Donnelly from 1 August 2017) has responsibility for advising and recommending to the Board on financial, estates and IT investment matters. It recommends to the University Board the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets and overall performance against the strategic plan.
- **Academic Governance Committee** (chaired by Professor Linda Challis from 1 August 2017) provides the University Board with assurance that academic governance, and the associated internal control framework is operating effectively

to secure the quality of students' experience and the standards of the University's academic awards.

The Committee was established by the Board in May 2017 and met from August 2017, in response to its consideration of the new framework for quality assessment and the introduction of the Annual Provider Return, including the new requirement placed on English governing bodies by the Higher Education Funding Council of England (HEFCE) in respect of the annual assurance return, whereby the Board (governing body) is now expected to confirm it has received assurances as to the quality of students' experience and the standards of the University's academic awards, have given an increased focus to academic governance and the role of the Board.

- **Employment Policy Committee** (chaired by Mr Geoff Donnelly to 31 July 2017, Ms Jill Stannard from 1 August 2017) inter alia considers and recommends to the University Board on matters of Human Resource strategy and policy and monitors performance in relation to the approved HR Strategy. It also considers and recommends to the University Board on matters in respect of Health and Safety strategy and policy and Equality, Diversity and Inclusivity strategy and policy.
- **Nominations Committee** (chaired by Mr Euan Cartwright) considers nominations for appointment to the Board and its subcommittees. In considering the composition of the Board and its subcommittees, Nominations Committee takes account of skills audit and requirements and the need to ensure an appropriate balance and mix of skills, expertise and experience as well as the diversity of the Board and its subcommittees. The Board currently has a good gender balance, but the age profile and ethnicity is less diverse.
- **Remuneration Committee** (chaired by Dr Steve Curl to 31 July 2017, Mr Geoffrey Donnelly from 1 August 2017) determines the remuneration and conditions of service of the most senior staff, including the Vice Chancellor. It met on four occasions in 2016/17.

#### *Senior Officers and Executive Committees*

The principal academic and administrative officer of the University is the Vice Chancellor who is personally responsible to the governing body for ensuring compliance with the terms of HEFCE's Memorandum of Assurance and Accountability and for providing HEFCE with clear assurances to this effect. As chief executive of the University, the Vice Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. During 2016/17 the Vice Chancellor was supported in her role by the University Executive Group (UEG) which met regularly and shapes the strategic direction, performance and management of the University. UEG was the senior executive decision-making body and deals with all matters of policy.

During the year, the Vice Chancellor conducted a review of the focus and portfolio areas of the University Executive to ensure the best use of skills and expertise and a strong, clear and accountable structure in respect of business-focused and academic-focused aspects of the institutional strategy and operations.

Following the review, the University Executive Group membership comprised the Vice Chancellor, Deputy Vice Chancellor Academic, Chief Operating Officer; Registrar & Secretary; Pro Vice Chancellor Enterprise, Business Development and Engagement, Director of Finance and Resources and Director of Human Resources. This is summarised below.

From 1<sup>st</sup> August 2017 the most senior executive group became the Vice Chancellor's Executive (VCE), comprised of the Vice Chancellor, Deputy Vice Chancellor Academic, Chief Operating Officer; and Pro Vice Chancellor Enterprise, Business Development and Engagement.

Members of the University Executive Group in 2016/17:

Professor Julie Mennell (Vice Chancellor)  
 Mr David Chesser (Chief Operating Officer) – effective from 1 December 2016  
 Mr Neil Harris (Registrar and Secretary)  
 Ms Rosy Crehan (Interim Deputy Vice Chancellor Academic) – effective from 1 November 2016  
 Ms Sandra Booth (Pro Vice Chancellor)  
 Mrs Kate Mclaughlin-Flynn (Director of Finance and Resources)  
 Mrs Michelle Leek (Director of HR) – effective from 1 November 2016

Prof Cliff Hardcastle (Interim Pro Vice Chancellor) – to 31 October 2016  
 Professor Robin Talbot (Executive Dean) – to 1 November 2016  
 Mrs Janet Whitworth (Chief Operating Officer) – to 28 October 2016

*Members of the University Board of Directors 2016/17*

	Attendance at board in 2016/17 (maximum 6)
Vice Chancellor	
Prof Julie Mennell	6
Chair of the Board of Directors	
Mr Euan Cartwright (2, 5, 6)	6
Members of the Board of Directors	
Ms Fiona Aiken (1)	6
Mr David Allen (1)	6
Mrs Emma Bales (2, 7)	6
Mr Robin Casson (4)	6
Prof Linda Challis (2, 6)	4
Dr Stephen Curl (2, 5)	5
Miss Bethany Cutter (8)	6
Mr Geoff Donnelly (4, 5)	6
Mr Neill Fraser (2)	6
Mrs Claire Hensman (1, 5)	4
Prof John Lee (4)	5
The Right Revd James Newcome, Bishop of Carlisle (6)	3
Mrs Jill Stannard (4, 6)	5

Notes

1. Audit and Risk Committee
2. Finance and Resources Committee
3. Academic Governance Committee
4. Employment Policy Committee
5. Remuneration Committee
6. Nominations Committee

7. Staff Director
8. Student Director

*Members of the University Board of Directors Audit & Risk Committee*

	<b>Attendance at committee in 2016/17 (maximum 4)</b>
Mr David Allen (Chair)	4
Mrs Claire Hensman	3
Ms Fiona Aiken	4
Mr Mark Renwick-Smith	4
Mr Paul Pharaoh	4

*Members of the University Board of Directors Finance & Resources Committee*

	<b>Attendance at committee in 2016/17 (maximum 7)</b>
Dr Steve Curl (Chair)	7
Mrs Emma Bales	6
Prof Linda Challis	6
Mr Neill Fraser	7
Prof Julie Mennell	7
Mr David Atkinson	3
Mr Clive Bush	5
Mr Euan Cartwright	7

*Members of the University Board of Directors Academic Governance Committee*

	<b>Attendance at committee in 2016/17 (maximum 1)</b>
Prof Linda Challis (Chair)	1
Ms Fiona Aiken	1
Prof John Lee	1
Prof Julie Mennell	1

*Members of the University Board of Directors Employment Policy Committee*

	<b>Attendance at committee in 2016/17 (maximum 4)</b>
Mr Geoff Donnelly (Chair)	4
Prof John Lee	3
Mrs Jill Stannard	3
Mr Robin Casson	4
Prof Julie Mennell	4
Ms Jill Johnston	3

*Members of the University Board of Directors Remuneration Committee*

	<b>Attendance at committee in 2016/17 (maximum 4)</b>
Dr Steve Curl (Chair)	4
Mr Euan Cartwright	4
Mr Geoff Donnelly	4
Mrs Claire Hensman	3
Prof Julie Mennell	4

*Members of the University Board of Directors Nominations Committee*

	<b>Attendance at committee in 2016/17 (maximum 1)</b>
Mr Euan Cartwright (Chair)	1
Very Revd Bishop James Newcome	0
Prof Linda Challis	0
Mrs Jill Stannard	1
Prof Julie Mennell	1



## **Public Benefit Statement**

For the purposes of charity law, members of the Board of Directors are the trustees of the University and, as such, they have had regard to the Charity Commission's guidance on public benefit. In setting and reviewing its objectives and activities, the University's Board of Directors has had due regard to the Charity Commission's guidance on the reporting of public benefit and its supplementary public benefit guidance on the advancement of education.

The overall aim of the University is the advancement of education in the UK through the undertaking of educational and research activities. The charitable objects of the University set out in its Memorandum of Association make specific provisions for the advancement of learning and knowledge by teaching and research and for enabling students to obtain the advantages of university education.

The students of the University of Cumbria are the primary beneficiaries and are directly engaged in learning or research. However, beneficiaries also include employers and businesses particularly in the health, schools, education and public service sectors as well as school children who have the opportunity to attend educational events organised by the University; the general public are also able to attend various educational activities in the University such as exhibitions. The development of the University of Cumbria has provided the county and region with a range of HE learning opportunities that were previously not widely available or easily accessible to previous generations of local people and businesses and employers.

The University's aims and objectives are centred on benefiting the public and the achievements of this year, as set out in this report; demonstrate that this is our focus in practice.

## **Director / Trustee Remuneration**

Members of the Board of Directors, who are the trustees of the University, do not receive fees or other remuneration for their role as Directors. Two Directors are employed by the University and they receive remuneration solely with regard to their employment.

The total expenses paid to or on behalf of Directors/Trustees in 2016/17 was £5,083 (2015/16: £7,221). Eleven Directors/Trustees claimed expenses during the period. This relates to travel and subsistence expenses incurred in their official capacity in attending Board Meetings, Board Committees and meetings related to their roles as trustees.

## **Statement on Internal Control**

### ***Responsibilities***

The University's Board of Directors has overall responsibility for maintaining and reviewing the effectiveness of a sound system of internal control, which supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which they are responsible.

### ***System of internal control***

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the University's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the University's policies, aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The Board of Directors has the following processes in place for maintaining and reviewing the effectiveness of the system of internal control:

- The Board meets at regular intervals to consider the plans and strategic direction of the University.
- The Board receives regular reports from the chairman of the Audit and Risk Committee concerning internal control, in the light of regular reports from the internal auditors, and from managers on the steps they are taking to manage risks in their areas of responsibility.
- The Audit and Risk Committee receives regular reports from the Internal Auditors, which include an independent opinion on the adequacy of the effectiveness of the University's system of internal control together with recommendations for improvement.
- The Audit and Risk Committee provides oversight of the risk management policy and risk register process and requires regular reports from the University management on how risk is being managed including progress on key priorities.
- The Board has delegated day to day responsibility for the maintenance of a sound system of internal control to the Vice Chancellor and through him/her the University Executive Group. This system supports achievement of the University's policies, aims and objectives, whilst safeguarding the public funds and assets for which the Board is responsible. Any material weaknesses or breakdowns in internal control must be reported to the University Board.
- Audit and Risk Committee has agreed with the external providers of the internal audit function appropriate audit planning arrangements and also audit methodology and approach, so that the audit function conforms to the latest professional standards reflecting the adoption of risk management.
- The internal audit function reports to the Audit and Risk Committee and for management purposes, to the Registrar and Secretary (from 1st August 2017 to the Director of Finance and Resources).

### ***Annual Review of Effectiveness***

In line with the HEFCE Accounts Direction to Higher Education Institutions, the effectiveness of the system of internal control has been reviewed.

The University and its Board of Directors are satisfied with the effectiveness of the system of internal control at the University.

### **Risk Management**

The strategic management of risk is an integral element within our decision-making processes and culture, supporting effective planning and evaluation of its activities.

The development of a risk management culture is promoted in all parts of the institution, through the acceptance by all staff of their shared responsibility for the good organisation of the institution.

The University regularly reviews the strategic risks it faces and identifies the controls that are in place to mitigate these as well as the sources of assurance which provide confirmation that controls are effective.

Of the strategic risks identified and being managed by the University, the key ones are as follows:

- The risk to student numbers and income from the current volatile external environment. This includes: the recruitment of students in an aggressive free market driven by student choice, the ongoing changes in the operating environment including the change in the funding regime from bursaries to student

loans from 2017/18 for programmes that were previously funded by NHS bursaries, the recently announced new cap on tuition fees, and the changing regulatory environment. The University is seeking, through its growth strategies in the strategic plan, to manage these risks and to maximise the many opportunities that come from these changes.

- Ensuring long term financial sustainability. The challenges to student recruitment have resulted in a decline in income, which coupled with inflationary cost pressures, particularly staffing, including pensions, require the University through its strategic plan and supporting annual operating plan to focus on managing its costs tightly while delivering its growth strategies. A key objective is to build cash reserves to continue to support the investment in the University's infrastructure, to provide an excellent student experience.
- As a relatively new university, we are seeking to build and enhance our status and profile. As such, we continue to be vulnerable to results and events that damage our reputation, brand and our position in league tables. Within this, a key area of risk is around the experience and outcomes for our students. The National Student Survey results remain below the sector average. Student outcomes and experience is closely monitored across the University and actions to deliver these improvements in a systematic way form a key part of our Annual Operating Plan for 2017/18.

These risks are being actively managed using a combination of identified actions, mitigation, and contingency plans.

The strategic risk register is informed by local risk identification including those for specific projects. Escalation processes are in place which ensure that where the impact of these local or project risks is significant to the University, these are assessed and monitored at a strategic level.

## **Diversity and Employee Involvement**

The University is committed to nurturing an environment where its employees, students and visitors are treated fairly and with respect at all times. We recognise that if we provide a fully inclusive working and studying environment, we will enable everyone to perform to the best of their ability. Recognising, embracing and valuing difference will lead to improvements for everyone, including:

- A more diverse staff and student population.
- A better working and studying environment.
- Attracting and retaining the very best staff and students.
- Achieving the University mission, vision and values.
- Meeting and exceeding the challenging targets and performance indicators in the University corporate plan.

### *Disabled employees*

The University takes positive steps to ensure that disabled people can compete equally for employment opportunities and have the support they need to develop and perform well in their jobs. The University is committed to the Disability Confident Scheme which enables us to draw from the widest possible pool of talent and to secure high-quality staff who are skilled, loyal and hard-working. Reasonable adjustments are made where appropriate and career development and promotion opportunities are provided for all staff.

### *Employee Involvement*

It is the University's policy to communicate with and involve all employees, subject to commercial and practical limitation, in matters affecting their interests at work and to inform them of the University's performance. Employees are provided with information about the University through our weekly email news update (Global), as well as regular team briefings, 1-1 meetings, staff forums led by the Vice Chancellor's Executive and Staff Conferences. In addition, the University has a member of staff, as staff director, on the University Board and we have regular formal dialogue with our recognised trade unions as staff representatives through our Joint Negotiating and Consultative Committee. Our internal and external websites further support availability and clarity of information.

### **Fundraising**

The University undertakes fundraising activities. As an exempt Charity, the University is not covered by the Charities (Protection and Social Investment) Act 2016. HEFCE is the principal regulator of those higher education institutions (HEIs) it funds that are exempt charities. The University seeks to apply the principles outlined in the Fundraising Regulator's Code of Fundraising Practice. Specifically, the University seeks to operate in a fair, open and transparent manner and does not engage in fundraising which: may be perceived to be an intrusion on a person's privacy; is unreasonably persistent; or places undue pressure on a person to donate. The University does not use third part fundraisers to act on its behalf. An annual report of fundraising activities is made to the Board.

### **Going Concern**

The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Board of Directors have reviewed the progress made during 2016/17, the objectives as set out in the Strategic Plan and Annual Operating Plan, and financial projections. For this reason, the Board of Directors are satisfied that the University has adequate resources to continue for the foreseeable future.

## **Responsibilities of the Board of Directors of the University of Cumbria**

In accordance with the Education Reform Act 1988 and the Articles of Association incorporating instrument and articles of government, the Board of Directors is responsible for the administration and management of the affairs of the University of Cumbria and is required to present audited financial statements for each financial year. This also includes ensuring the operation of an effective system of internal control.

The Board of Directors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the revised Instrument and Articles of Government, the Audit Code of Practice issued by the Higher Education Funding Council for England, the Statement of Recommended Practice on Accounting in Higher and Further Education Institutions, and other relevant accounting standards. In addition, within the terms and conditions of a Memorandum of Assurance and Accountability between the Higher Education Funding Council for England and the Board of Directors of the University of Cumbria and in accordance with Company Law, the University Board of Directors through its designated office holder (the Vice Chancellor), is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In the preparation of the financial statements the University Board of Directors has ensured that:

- Suitable accounting policies are selected and applied consistently.
- Judgments and estimates are made that are reasonable and prudent.
- Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Board of Directors is satisfied that the University has adequate resources to continue for the foreseeable future: for this reason, the going concern basis continues to be adopted in the preparation of the financial statements.

The University Board of Directors has taken reasonable steps to:

- Ensure that funds from the Higher Education Funding Council for England and the National College for Training and Leadership are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability between the Higher Education Funding Council for England and institutions and any other conditions which the Funding Council or Agency may from time to time prescribe.
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources.
- Safeguard the assets of the University of Cumbria and to prevent and detect fraud.
- Secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which are designed to discharge the responsibilities set out above include the following:

- Clear definition of the responsibilities and delegated authority of Heads of Academic and Professional Services.
- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets.

- Regular review of academic and financial performance and regular reviews of financial results including variance reporting and updates of forecast out-turns.
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approved levels set by the University Board of Directors
- Financial regulations detailing financial controls and procedures, approved by Audit and Risk Committee in consultation with Finance and Resources Committee.
- A professional Internal Audit team whose annual programme is approved by the Audit and Risk Committee and endorsed by the University Board of Directors, and whose head provides the Board with a report on internal audit activity within the University and an independent opinion on the adequacy and effectiveness of the University's system of internal control, including financial control, together with recommendations for improvement.

# Financial Statements

## Independent auditor's report to the Board of Directors and the Members of the University of Cumbria

### Opinion

We have audited the financial statements of The University of Cumbria ("the University") for the year ended 31<sup>st</sup> July 2017 which comprise the Consolidated & University Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheet, the Consolidated and University Cash Flow and related notes, including the statement of accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31<sup>st</sup> July 2017, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*;
- meet the requirements of HEFCE's Accounts Direction to higher education institutions for 2016-17 financial statements; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### Other information

The directors are responsible for the other information, which comprises the Strategic Report and the Directors' Corporate Governance Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic and Financial Review and Directors' and Corporate Governance Report, which together constitute the strategic report and the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion the Strategic and Financial Review and the Directors' and Corporate Governance Report have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent University, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent University's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### **Board of Directors' responsibilities**

As explained more fully in their statement set out on page 21, the Board of Directors (who are the Directors of the University company for the purposes of company law) is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University'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 it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

We are required to report on the following matters under the HEFCE Audit Code of Practice (effective 1 August 2016) issued under the Further and Higher Education Act 1992.

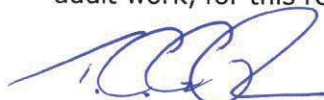


In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Statutes (or articles of government for post 1992 institutions) and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

### **THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

This report is made solely to the Board of Directors, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988 (*for post-1992 institutions*). Our audit work has been undertaken so that we might state to the Board of Directors 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 University and the Board of Directors for our audit work, for this report, or for the opinions we have formed.



**Timothy Cutler (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
1 St Peter's Square  
Manchester  
M2 3AE

23 NOVEMBER 2017

# Consolidated & University Statement of Comprehensive Income and Expenditure

## Year Ended 31 July 2017

		Year Ended 31/7/17	Year ended 31/7/16
		£'000	£'000
<b>Income</b>	Notes		
Tuition fees and education contracts	1	47,551	51,139
Funding body grants	2	4,504	4,351
Research grants and contracts	3	350	270
Other income	4	7,841	7,068
Investment income	5	50	146
<b>Total income before endowments and donations</b>		<b>60,296</b>	62,974
Donations and endowments	6	37	39
<b>Total income</b>		<b>60,333</b>	63,013
<b>Expenditure</b>			
Staff costs	7	40,680	39,443
Fundamental restructuring costs	7	2,907	0
Other operating expenses		16,301	17,007
Depreciation	10	2,858	2,759
Impairments		629	0
Interest and other finance costs	8	1,372	1,485
<b>Total expenditure</b>	9	<b>64,747</b>	60,694
<b>Surplus/deficit before other gains losses and share of operating surplus/deficit of joint ventures and associates.</b>		<b>(4,414)</b>	2,319
Gain/(loss) on disposal of fixed assets		0	765
<b>Surplus / (Deficit) before tax</b>		<b>(4,414)</b>	3,084
Taxation		0	0
<b>Surplus / (Deficit) for the year</b>		<b>(4,414)</b>	3,084
Unrealised surplus on revaluation of land and buildings	10	46,255	0
Actuarial gain/(loss) in respect of Local Government Pension Scheme	22	4,106	(9,029)
Actuarial (loss)/gain in respect of enhanced pension provision		0	(90)
<b>Total comprehensive income for the year</b>		<b>45,947</b>	(6,035)
Represented by:			
Restricted comprehensive income for the year		(1)	14
Unrestricted comprehensive income for the year		(67)	(6,049)
Revaluation reserve comprehensive income for the year		46,015	0
Attributable to the University		45,947	(6,035)
Attributable to the non-controlling interest		0	0
		<b>45,947</b>	<b>(6,035)</b>

All items of income and expenditure relate to continuing activities.

## Consolidated and University Statement of Changes in Reserves Year ended 31 July 2017

Consolidated	Income and expenditure account		Revaluation reserve	Total
	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2015</b>	<b>148</b>	<b>7,501</b>	<b>9,774</b>	<b>17,423</b>
Surplus/(deficit) from the income and expenditure statement	27	3,057	0	3,084
Other comprehensive income	0	(9,119)	0	(9,119)
<b>Total comprehensive income for the year</b>	<b>27</b>	<b>(6,062)</b>	<b>0</b>	<b>(6,035)</b>
Transfers between revaluation and income and expenditure reserve	0	430	(430)	0
Transferred to creditors	(13)	0	0	(13)
<b>Balance at 1 August 2016</b>	<b>162</b>	<b>1,869</b>	<b>9,344</b>	<b>11,375</b>
Surplus/(deficit) from the income and expenditure statement	(1)	(4,413)	0	(4,414)
Other comprehensive income	0	4,106	46,255	50,361
<b>Total comprehensive income for the year</b>	<b>(1)</b>	<b>(307)</b>	<b>46,255</b>	<b>45,947</b>
Transfers between revaluation and income and expenditure reserve	0	240	(240)	0
Transferred to creditors	0	0	0	0
<b>Balance at 31 July 2017</b>	<b>161</b>	<b>1,802</b>	<b>55,359</b>	<b>57,322</b>

University	Income and expenditure account		Revaluation reserve	Total
	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2015</b>	<b>148</b>	<b>7,404</b>	<b>9,774</b>	<b>17,326</b>
Surplus/(deficit) from the income and expenditure statement	27	3,058	0	3,085
Other comprehensive income	0	(9,119)	0	(9,119)
<b>Total comprehensive income for the year</b>	<b>27</b>	<b>(6,061)</b>	<b>0</b>	<b>(6,034)</b>
Transfers between revaluation and income and expenditure reserve	0	430	(430)	0
Transferred to creditors	(13)	0	0	(13)
<b>Balance at 1 August 2016</b>	<b>162</b>	<b>1,773</b>	<b>9,344</b>	<b>11,279</b>
Surplus/(deficit) from the income and expenditure statement	(1)	(4,413)	0	(4,414)
Other comprehensive income	0	4,106	46,255	50,361
<b>Total comprehensive income for the year</b>	<b>(1)</b>	<b>(307)</b>	<b>46,255</b>	<b>45,947</b>
Transfers between revaluation and income and expenditure reserve	0	240	(240)	0
Transferred to creditors	0	0	0	0
<b>Balance at 31 July 2017</b>	<b>161</b>	<b>1,705</b>	<b>55,359</b>	<b>57,225</b>

## Consolidated and University Cash Flow

### Year ended 31 July 2017

	Notes	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
<b>Cash flow from operating activities</b>			
(Deficit)/ surplus for the year		(4,414)	3,084
<b>Adjustment for non-cash items</b>			
Depreciation	10	2,858	2,759
Impairments	10	629	0
Decrease/(increase) in stock	11	0	35
Decrease/(increase) in debtors	12	(561)	(564)
Increase/(decrease) in creditors	13	(911)	102
Increase/(decrease) in pension provisions	15	2,539	1,516
Increase/(decrease) in other provisions	15	(277)	(409)
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(50)	(146)
Interest payable	8	210	241
Profit on the sale of fixed assets		0	(765)
Capital grant income		(663)	(900)
<b>Net cash inflow from operating activities</b>		<b>(640)</b>	<b>4,953</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		0	1,343
Capital grants receipts		3,206	642
Investment income		97	131
Payments made to acquire fixed assets		(13,009)	(7,029)
		<b>(9,706)</b>	<b>(4,913)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(205)	(235)
Interest element of finance lease		(5)	(10)
New unsecured loans		0	14
Repayments of amounts borrowed		(535)	(1,505)
Capital element of finance lease		(161)	(156)
		<b>(906)</b>	<b>(1,892)</b>
<b>Decrease in cash and cash equivalents in the year</b>		<b>(11,252)</b>	<b>(1,853)</b>
Cash and cash equivalents at beginning of the year	17	24,346	26,199
Cash and cash equivalents at end of the year	17	13,094	24,346

# Consolidated and University Balance Sheet

## As at 31 July 2017

	Notes	As at 31 July 2017		As at 31 July 2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Non-current assets</b>					
Fixed assets	10	121,495	121,495	67,635	67,635
Investments	11	0	10	0	10
		<u>121,495</u>	<u>121,505</u>	<u>67,635</u>	<u>67,645</u>
<b>Current assets</b>					
Assets held for sale	10	697	697	700	700
Trade and other receivables	12	4,156	4,156	3,642	3,642
Cash and cash equivalents	17	13,094	13,094	24,346	24,346
		<u>17,947</u>	<u>17,947</u>	<u>28,688</u>	<u>28,688</u>
Less:					
Creditors: amounts falling due within one year	13	(12,232)	(12,339)	(14,843)	(14,950)
<b>Net current assets</b>		<b>5,715</b>	<b>5,608</b>	<b>13,845</b>	<b>13,738</b>
<b>Total assets less current liabilities</b>		<b>127,210</b>	<b>127,113</b>	<b>81,480</b>	<b>81,383</b>
Creditors: amounts falling due after more than one year	14	(27,008)	(27,008)	(25,382)	(25,382)
<b>Provisions</b>					
Pension provisions	15	(42,120)	(42,120)	(43,686)	(43,686)
Other provisions	15	(760)	(760)	(1,037)	(1,037)
<b>Total net assets</b>		<b>57,322</b>	<b>57,225</b>	<b>11,375</b>	<b>11,279</b>
<b>Restricted Reserves</b>					
Income and expenditure reserve - restricted reserve	16	161	161	162	162
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		1,802	1,705	1,869	1,773
Revaluation reserve		55,359	55,359	9,344	9,344
<b>Total Reserves</b>		<b>57,322</b>	<b>57,225</b>	<b>11,375</b>	<b>11,279</b>

The financial statements were approved by the Governing Body on 16 November 2017 and were signed on its behalf on that date by:



Mr Euan Cartwright, Chairman of the Board of Directors



Professor Julie Mennell, Vice Chancellor

# Statement of Accounting Policies for the year ended 31 July 2017

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## 1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments).

The University's financial statements are prepared on a going concern basis. The University's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Review and Financial Review alongside the financial position of the University, its cash flows, liquidity position and borrowing.

The University has considerable financial resources together with contracts with a number of customers and suppliers. The Board has considered the University's current financial position, together with the future key future risks and mitigating factors. As a consequence, the directors believe that the University is well placed to manage its business risks successfully despite changes in funding policy and the current uncertain economic outlook.

The Board of Directors has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Board of Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## 2. Basis of consolidation

The consolidated financial statements include the University and its subsidiary for the financial year to 31 July 2017.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions.

Associated companies and joint ventures are accounted for using the equity method.

## 3. Income recognition

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced by any form of discount, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the statement of income and expenditure on a receivable basis.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

## Statement of Accounting Policies (continued) for the year ended 31 July 2017

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### 3. Income recognition (continued)

#### Grant funding

Government revenue grants, including those from the Higher Education Funding Council for England, are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants (including research grants) from non government sources are recognised in income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

#### Donations and endowments

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

Donations with no restrictions are recognised in income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms other restriction applied to the individual endowment fund.

#### Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

### 4. Accounting for retirement benefits

Retirement benefits for employees of the University of Cumbria are provided by defined benefit schemes which are funded by contributions from the University and employees. Payments are made to the Teachers' Pension Scheme (TPS) for academic staff and to the Local Government Pension Scheme (LGPS) for support staff. These are both independently administered schemes. The TPS is administered by the Government and the LGPS is administered by Lancashire Pension Service.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Under the definitions set out in FRS 102, the TPS is a multi-employer defined benefit scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 102 and has accounted for the contributions as though it were a defined contribution scheme.

## Statement of Accounting Policies (continued) for the year ended 31 July 2017

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### 5. Employment benefits

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

### 6. Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

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

### 7. Service Concession Arrangements

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability.

Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

### 8. Operating leases

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

### 9. Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Surplus or Deficit (except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in Other Comprehensive Income). Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, [Sterling], at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of Other Comprehensive Income.



## Statement of Accounting Policies (continued) for the year ended 31 July 2017

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### 9. Foreign currency (continued)

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant Influence or joint control, the relevant proportion of the cumulative amount is recycled to the Statement of Comprehensive Income and Expenditure.

### 10. Fixed assets

Fixed assets are stated at cost or valuation less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

#### Land and buildings

Land and buildings are measured using the revaluation model. Under the revaluation model, assets are revalued to fair value. The University has a policy of ensuring that all land and buildings are revalued at least every five years by a qualified external valuer such that the fair value is not materially different to the current value. Depreciation and impairment losses are subsequently charged on the revalued amount.

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

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives up to a maximum of:

Buildings	50 years
Refurbishments	20 years

Leasehold land is depreciated over the life of the lease up to a maximum of 50 years.

No depreciation is charged on assets in the course of construction.

#### Equipment

Equipment, including computers and software, costing more than £10,000 per individual item or for groups of interrelated items are capitalised. Equipment below this threshold is recognised as expenditure unless the purchase has been made with a capital grant or is purchased alongside similar assets as part of a significant replacement or investment project.

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

Computer Equipment	3-10 years
Equipment	3-15 years
Motor Vehicles	4 years

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

#### Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

## Statement of Accounting Policies (continued) for the year ended 31 July 2017

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### 11 Investments

Non current asset investments are held on the Balance Sheet at amortised cost less impairment.

### 12 Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

### 13 Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- (a) the University has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

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

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

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

### 14 Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011, and, as such, is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988. The University is recognised as a charity by HM Revenue & Customs. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The University's subsidiary is liable to Corporation Tax in the same way as any other commercial organisation.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

### 15 Reserves

Reserves are classified as restricted or unrestricted. Restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

## Notes to the Accounts for the year ended 31 July 2017

	Notes	Year Ended 31 July 2017 Consolidated & University £'000	Year Ended 31 July 2016 Consolidated & University £'000
<b>1 Tuition fees and education contracts</b>			
Full-time home and EU students		31,952	35,119
Full-time international students		442	661
Part-time students		3,349	3,531
Education Contracts (NHS)		11,808	11,828
		<u>47,551</u>	<u>51,139</u>
<b>2 Funding body grants</b>			
<b>Recurrent grant</b>			
Higher Education Funding Council		2,501	2,794
National College for Teaching and Leadership		0	3
<b>Specific grants</b>			
Higher Education Funding Council		1,351	658
National College for Teaching and Leadership		173	106
Higher Education Funding Council Capital grant release		479	790
		<u>4,504</u>	<u>4,351</u>
<b>3 Research grants and contracts</b>			
Research councils & charities		350	270
		<u>350</u>	<u>270</u>
<b>4 Other income</b>			
Residences		2,941	2,806
Catering		12	318
Conferences		332	311
Other capital grants		184	110
Other income		4,372	3,523
		<u>7,841</u>	<u>7,068</u>
<b>5 Investment income</b>			
Investment income on restricted reserves	17	1	1
Other investment income		49	145
		<u>50</u>	<u>146</u>
<b>6 Donations and endowments</b>			
Donations with restrictions	17	14	32
Unrestricted donations		23	7
		<u>37</u>	<u>39</u>

## Notes to the Accounts for the year ended 31 July 2017

	Year Ended 31 July 2017 Consolidated & University £'000	Year Ended 31 July 2016 Consolidated & University £'000
<b>7 Staff costs</b>		
<b>Staff Costs :</b>	<b>£'000</b>	<b>£'000</b>
Salaries	30,973	31,145
Social security costs	3,146	2,665
Occupational Pension Scheme Costs:		
Employer Contributions	5,014	4,854
FRS102 Adjustments	1,441	337
Restructuring Costs	3,013	442
Total	<u>43,587</u>	<u>39,443</u>

Included within restructuring costs is an amount of £2.9m relating to fundamental restructuring costs (2015/16 £nil), shown separately on SOCI.

	Year Ended 31 July 2017 £	Year Ended 31 July 2016 £
<b>Emoluments of the Vice Chancellors:</b>		
Salary	181,980	184,133
Total excluding pension costs	<u>181,980</u>	<u>184,133</u>
Employer pension contributions	29,955	0
Total including pension costs	<u>211,935</u>	<u>184,133</u>

The emoluments disclosed for 2016/17 relate in full to the University's current Vice Chancellor, Professor Julie Mennell (role began 1 August 2016). The comparative figures for 2015/16 relate in full to the the University's former Vice Chancellor, Professor Peter Strike (role ended 31 July 2016).

HEFCE's Accounts Direction requires that the University describes any salary sacrifice arrangements relating to the Vice Chancellor. In 2015/16 and 2016/17, the Vice Chancellors participated in the University's salary sacrifice scheme for on-campus car parking.

	Year Ended 31 July 2017 No.	Year Ended 31 July 2016 No.
<b>Remuneration of other higher paid staff shown before salary sacrifice:</b>		
£100,000 to £109,999	3	3
£110,000 to £119,999	1	1
£120,000 to £129,999	0	0
£130,000 to £139,999	0	0
£140,000 to £149,999	0	0
	<u>4</u>	<u>4</u>

	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
<b>Compensation for loss of office payable to senior post-holders:</b>		
Compensation payable recorded within staff costs	363	0
	<b>Number</b>	<b>Number</b>
Number of staff paid	2	0
<b>Average staff numbers by category :</b>	<b>No.</b>	<b>No.</b>
Academic	370	362
Academic support and other support staff	524	559
	<u>894</u>	<u>921</u>

## Notes to the Accounts for the year ended 31 July 2017

### 7 Staff costs (Continued)

#### Key management personnel

While the oversight, control and governance of the University is the responsibility of the University Board of Directors, the day to day operations were led and managed by the Vice Chancellor and members of the University Executive Group. In 2016/17, this comprised of the Vice Chancellor, Deputy Vice Chancellor, Pro-vice Chancellor, Chief Operating Officer, Registrar and Secretary, Director of Finance and Resources, the Director of Student and Staff Services and the Executive Dean.

The figures below include gross salaries, employer's pension contributions and payments to an agency.

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
<b>Key management personnel compensation</b>	<b>906</b>	<b>887</b>

The members of the University Board of Directors are the trustees for charitable law purposes. No trustee received any remuneration or waived payments from the University during the year. The total expenses paid to or on behalf of trustees was £5,084 (2015/16: £7,221). This relates to travel and subsistence expenses incurred in their official capacity in attending Board Meetings, Board Committees and meetings related to their roles as trustees.

	Year Ended 31 July 2017 Consolidated & University £'000	Year Ended 31 July 2016 Consolidated & University £'000
<b>8 Interest and other finance costs</b>		
Loan interest	205	231
Finance lease interest	5	10
Net charge on Local Government Pension Scheme	23 1,144	1,226
Net charge on enhanced pension provision	19	18
	<b>1,373</b>	<b>1,485</b>

### 9 Analysis of total expenditure by activity

Academic departments and services	35,601	34,489
Administration and central services - operations	15,805	15,788
Administration and central services - Restructuring	3,013	442
Administration and central services - Pension adjustments	1,441	337
Premises	5,994	7,176
Residences, catering and conferences	1,305	1,804
Impairments	629	0
Research grants and contracts	908	656
Other expenses	51	2
	<b>64,747</b>	<b>60,694</b>

Other operating expenses include:

External auditors remuneration in respect of audit services	45	45
External auditors remuneration in respect of non-audit services	5	25
Operating lease rentals:		
Land and buildings	295	328
Other	103	107

## Notes to the Accounts for the year ended 31 July 2017

### 10 Fixed Assets

	Freehold Land and Buildings	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000
<b>Consolidated and University</b>				
<b>Cost or valuation</b>				
At 1 August 2016	60,070	15,620	5,652	81,342
Additions	9,501	1,588	0	11,089
Reclassified as fixed asset	450	0	0	450
Transfers	7,325	(1,673)	(5,652)	0
Surplus on revaluation	40,358	0	0	40,358
Disposals	0	(688)	0	(688)
<b>At 31 July 2017</b>	<b>117,704</b>	<b>14,847</b>	<b>0</b>	<b>132,551</b>
<b>Consisting of valuation as at:</b>				
31 July 2017	<b>117,704</b>	<b>0</b>	<b>0</b>	<b>117,704</b>
<b>Depreciation</b>				
At 1 August 2016	2,745	10,962	0	13,707
Charge for the year	1,205	1,653	0	2,858
Reclassified as fixed asset	21	0	0	21
Transfers	871	(871)	0	0
Written back on revaluation	(4,842)	0	0	(4,842)
Disposals	0	(688)	0	(688)
<b>At 31 July 2017</b>	<b>0</b>	<b>11,056</b>	<b>0</b>	<b>11,056</b>
<b>Net book value</b>				
<b>At 31 July 2017</b>	<b>117,704</b>	<b>3,791</b>	<b>0</b>	<b>121,495</b>
At 31 July 2016	57,325	4,658	5,652	67,635

At 31 July 2017, freehold land and buildings included £23.1m (2016 - £8.3m) in respect of freehold land and is not depreciated.

#### Leased assets included above:

##### Net Book Value:

At 31 July 2016	0	312	0	312
At 31 July 2017	0	0	0	0

#### Land and Buildings Revaluation

The University's land and buildings were revalued as at 31 July 2017 by Gerald Eve LLP, Chartered Surveyors at fair value in accordance with FRS 102. Specialised properties have been valued at depreciated replacement cost with residential properties, that are not deemed to be specialised, and property held for sale, valued at market value. This valuation led to a gain in land and building values of £41.7m, partially offset by £1.3m of reduction in values, of which £0.6m was charged to the Statement of Comprehensive Income as an impairment. The net overall gain in land and building values was £40.4m.

#### Assets held for Sale

At 31 July 2017 there were land and buildings with net book value of £0.7m (2016 £0.7m) within Current assets on the balance sheet. The values of these land and buildings held for sale are not included above. The land and buildings are no longer in use by the University, are not being replaced and there is a commitment to sell these assets.

#### Finance Leases

Consolidated fixtures, fittings and equipment include assets held under finance leases as follows:

	Year Ended 31 July 2017 £'000
Cost	780
Accumulated depreciation	(468)
Charge for year	(156)
<b>Net book value</b>	<b>156</b>

## Notes to the Accounts for the year ended 31 July 2017

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### 11 Non-Current Investments

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Subsidiary Companies	0	10	0	10
	<b>0</b>	<b>10</b>	<b>0</b>	<b>10</b>

The University owns 100% of the share capital of its subsidiary, UoC Trading Limited. This company did not trade in 2016/17 or 2015/16.

### 12 Trade and other receivables

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Other trade receivables	2,156	2,156	1,690	1,690
Prepayments and accrued income	2,000	2,000	1,952	1,952
	<b>4,156</b>	<b>4,156</b>	<b>3,642</b>	<b>3,642</b>

# Notes to the Accounts

## for the year ended 31 July 2017

### 13 Creditors : amounts falling due within one year

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Secured loans	0	0	427	427
Unsecured loans	566	566	107	107
Obligations under finance leases	0	0	161	161
Trade payables	2,238	2,238	3,662	3,662
Social security and other taxation payable	995	995	849	849
Accruals and deferred income	7,684	7,684	9,006	9,006
Deferred income - capital grants	749	749	631	631
Amounts due to subsidiary companies	0	107	0	107
	<b>12,232</b>	<b>12,339</b>	<b>14,843</b>	<b>14,950</b>

#### Deferred income

Included with accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Grant income	0	0	11	11
	<b>0</b>	<b>0</b>	<b>11</b>	<b>11</b>

### 14 Creditors : amounts falling due after more than one year

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Secured loans	0	0	6,531	6,531
Unsecured loans	6,553	6,553	589	589
Deferred income	27	27	258	258
Deferred income - capital grants	20,428	20,428	18,004	18,004
	<b>27,008</b>	<b>27,008</b>	<b>25,382</b>	<b>25,382</b>

Amounts included within deferred income - capital grants, relate to capital funding which has been received and is to be released as a non-cash transaction over the life of its corresponding assets.

Analysis of secured and unsecured loans:

<b>Due within one year or on demand (Note 14)</b>	<b>566</b>	<b>566</b>	534	534
Due between one and two years	494	494	567	567
Due between two and five years	1,273	1,273	1,434	1,434
Due in five years or more	4,786	4,786	5,119	5,119
Due after more than one year	<b>6,553</b>	<b>6,553</b>	7,120	7,120
<b>Total secured and unsecured loans</b>	<b>7,119</b>	<b>7,119</b>	<b>7,654</b>	<b>7,654</b>



## Notes to the Accounts for the year ended 31 July 2017

### 14 Creditors : amounts falling due after more than one year (continued)

Included in loans are the following loans made to the University:

Lender	Term	Amount £'000	Interest rate %	Security
Barclays	2036	6,080	1.99 - variable	Unsecured
Barclays	2020	450	10.62 - fixed	Unsecured
Cumbria County Council	Indefinite (reducing balance)	376	4.52 - variable	Unsecured
HEFCE	2018	74	0	Unsecured
HEFCE	2020	140	0	Unsecured
Total		<u>7,120</u>		

During the year, the security on both Barclays loans was lifted. Both these loans are now unsecured.

### 15 Provisions for liabilities

#### Consolidated and University

	LGPS Pension £'000	Pension Enhancement £'000	Onerous Leases £'000	Leasehold Dilapidation £'000	Other £'000	Total £'000
At 1 August 2016	42,879	807	398	639	0	44,723
Utilised in year	0	(64)	(84)	0	0	(148)
Additions in 2016/17	0	0	0	232	60	292
Unused amounts reversed in 2016/17	0	0	(270)	(215)	0	(485)
Net FRS102 costs to Income and Expenditure	2,585	18	0	0	0	2,603
Actuarial gain	(4,106)	0	0	0	0	(4,106)
<b>At 31 July 2017</b>	<b>41,358</b>	<b>762</b>	<b>44</b>	<b>656</b>	<b>60</b>	<b>42,880</b>

#### Pension enhancement

The enhanced pension provision relates to liabilities to former staff from which the University cannot reasonably withdraw at the balance sheet date. In calculating the provision for enhanced pension costs under Financial Reporting Standard 17, Retirement Benefits, an interest rate of 2.3% (2015/16: 2.3%) and a net interest rate of 1.3% (2015/16: 1.3%) have been assumed.

#### Onerous Leases

The University provided £2.2m in 2010/11 in respect of the future costs which are related to several property leases it holds. This provision was made under FRS 12 due to the fact that these future costs are unavoidable and represent an onerous obligation to the University from which it expected to derive no economic benefit. During the year one of these leases was settled early resulting in the release of its remaining provision. £44k of the provision remaining relates to one lease ending in April 2018.

#### Leasehold Dilapidation

The University provided £0.6m in 2012/13 in respect of the liability for dilapidations works at two leased properties. This provision has been reduced during the year to £424k. An additional liability for dilapidations has been provided for in 2016/17 for one property totalling £0.2m.

## Notes to the Accounts for the year ended 31 July 2017

### 16 Restricted Reserves

Reserves with restrictions are as follows:

	<b>2017</b>	<b>2016</b>
	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening balance</b>	<b>162</b>	148
New donations	14	32
Investment income	1	1
Donations Returned	0	(13)
Expenditure	(68)	(6)
(Decrease) / increase in market value of investments	0	0
<b>Total restricted comprehensive income for the year</b>	<b>(53)</b>	14
<b>Closing balance</b>	<b>109</b>	162

	<b>2017</b>	<b>2016</b>
	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
<b>Analysis of other restricted funds /donations by type of purpose:</b>		
Hardship Support	1	54
Study Support	106	106
Prize funds	2	2
	<b>109</b>	162

### 17 Cash and cash equivalents

	Notes	<b>At 1st August</b>	<b>Cash</b>	<b>At 31st July</b>
		<b>2016</b>	<b>Flows</b>	<b>2017</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Consolidated				
Cash and cash equivalents		24,346	(11,252)	13,094
		<b>24,346</b>	<b>(11,252)</b>	<b>13,094</b>

### 18 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2017:

	<b>31 July 2017</b>	31 July 2016
	<b>Consolidated</b>	Consolidated &
	<b>&amp; University</b>	University
	<b>£'000</b>	£'000
Commitments contracted for	47	2,655
	<b>47</b>	2,655

## Notes to the Accounts for the year ended 31 July 2017

### 19 Lease obligations

Total rentals payable under operating leases:

	31 July 2017		31 July 2016	
	Land and Buildings £'000	Other leases £'000	Total £'000	Total £'000
<b>Payable during the year</b>	<b>295</b>	<b>103</b>	<b>398</b>	435
<b>Future minimum lease payments due:</b>				
Not later than 1 year	331	111	442	545
Later than 1 year and not later than 5 years	878	113	991	1,298
Later than 5 years	146	0	146	397
<b>Total lease payments due</b>	<b>1,355</b>	<b>224</b>	<b>1,579</b>	2,240

### 20 Subsidiary undertakings

The University owns 100% of the share capital of its subsidiary, UoC Trading Limited, which is incorporated in the United Kingdom. This company did not trade in 2016/17 or 2015/16.

### 21 Related Party Transactions

The University's Board of Directors and Executive Group formally declare all interests outside of their role with the University on an annual basis. Specific declarations are also made and minuted if any such interests relate to decisions that the University is taking. In such cases, clear procedures are in place to avoid any conflict of interest and to ensure propriety.

A review of these declarations has confirmed that there were no related party transactions as defined under FRS 102 (33) in 2016/17 either directly between the University and its Directors or members of the Executive Group or with other entities in which they have declared an interest.

The Group has applied the exemption set out in FRS 102 (33) and has not disclosed transactions with its subsidiary.

## Notes to the Accounts for the year ended 31 July 2017

### 22 Pension Schemes

Different categories of staff were eligible to join one of two different schemes:

- Teacher's Pension Scheme of England and Wales (TPS).
- Local Government Pension Scheme - Lancashire County Pension Fund (LGPS).

The pension costs for the University and its subsidiaries were:

	Year ended 31 July 2017			Year ended 31 July 2016		
	Employer Contributions	FRS 102 Adjustments	Total Pension Costs	Employer Contributions	FRS 102 Adjustments	Total Pension Costs
TPS	2,477	0	2,477	2,369	0	2,369
LGPS	2,537	2,507	5,044	2,485	1,563	4,048
<b>Total Pension Costs</b>	<b>5,014</b>	<b>2,507</b>	<b>7,521</b>	<b>4,854</b>	<b>1,563</b>	<b>6,417</b>

#### TPS

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014.

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Under the definitions set out in Financial Reporting Standard 102 (FRS 102), the TPS is a multi-employer defined benefit scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 102 and has accounted for the contributions as though it were a defined contribution scheme.

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key results of the valuation are:

- Employer contribution rates from 1 September 2016 increased to 16.48% of pensionable pay (including a 0.08% levy for administration).
- Total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion.
- An employer cost cap of 10.9% of pensionable pay.

The total University contribution into the scheme in 2016/17 was £2.5m (2015/16 £2.4m).

## Notes to the Accounts for the year ended 31 July 2017

### 22 Pension Schemes (continued)

#### LGPS

The Lancashire County Pension Fund is a funded defined benefit scheme, with assets held in separate trustee administered funds.

The employer contribution rate increased from 11.3% to 14% of pensionable salaries in April 2017 following the triennial valuation of the scheme. The total contribution of the University into the scheme in 2016/17 was £2.5m (2015/16: £3.0m). This included £0.5m that was paid into the Scheme in 2016/17 in respect of staff members who left the University's employment following restructuring and who, under the Scheme Regulations, were entitled to an unreduced pension. In addition, within the 2016/17 total contribution are £0.8m of payments which are made in order to recover the University's share of the scheme's past service deficit.

The scheme is valued every three years by professionally qualified independent actuaries with the rates of contribution payable being determined by the trustees on the advice of the actuaries. The results of the valuation as at 31 March 2016 were released during 2016/17 and these are detailed in the table below. As well as setting out the key assumptions made by the actuary, the table shows that, at 31 March 2016, there was a shortfall of £690m and that the assets were sufficient to cover 90% of the scheme's liabilities. This represents an improvement compared to the prior valuation which calculated a shortfall of £1,377m.

<b>Latest Actuarial Valuation</b>	<b>31 March 2016</b>
	<b>£m</b>
Total Assets	6,036
Total liabilities	(6,726)
<b>Past service surplus / (shortfall)</b>	<b>(690)</b>
Funding level	90.0%
Discount rate	4.4%
Pension increase per annum	2.2%
Salary scale increases per annum (short-term)	1.0%
Salary scale increases per annum (long-term)	3.7%
Pension increases in payment	2.2%

The University has applied FRS 102 and the following disclosures relate to the accounting standard. The University recognises any gains or losses in each period in the Consolidated Statement of Comprehensive Income and Expenditure. The material assumptions used by the actuary at 31 July 2017 were:

	<b>2016/17</b>	<b>2015/16</b>
	( <b>%</b> )	( <b>%</b> )
Price increases (CPI)	2.2	1.7
Salary increases	3.7	3.2
Pension increases	2.2	1.8
Discount rate	2.6	2.6

#### LGPS (continued)

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	<b>2016/17</b>	<b>2015/16</b>
	( <b>Years</b> )	( <b>Years</b> )
<i>Retiring today</i>		
Males	22.6	23.0
Females	25.2	25.6
<i>Retiring in twenty years</i>		
Males	24.9	25.2
Females	27.9	27.9

## Notes to the Accounts for the year ended 31 July 2017

### 22 Pension Schemes (continued)

#### Scheme assets

The assets in the scheme were:

	31-Jul-17	Fair value as at 31-Jul-16	31-Jul-15
	£m	£m	£m
Equities	42,016	33,091	23,980
Government bonds	1,818	0	3,834
Corporate bonds	2,201	2,143	1,812
Property	9,954	8,144	6,343
Cash	4,403	3,001	906
Other	35,317	39,350	32,832
<b>Total</b>	<u>95,709</u>	<u>85,729</u>	<u>69,707</u>

The following amounts at 31 July 2017 were measured in accordance with the requirements of FRS102:

	Year Ended 31-Jul-17 £'000	Year Ended 31-Jul-16 £'000
<b>Analysis of the amount shown in the balance sheet for Scheme</b>		
Scheme assets	95,709	85,729
Scheme liabilities	(137,067)	(128,608)
<b>Deficit in the scheme – net pension liability recorded within pension provisions (Note 16)</b>	<u>(41,358)</u>	<u>(42,879)</u>
<b>Analysis of the amount charged to staff costs (note 7):</b>		
Current service cost	(3,740)	(2,981)
Employer contributions - including pension strain payments	3,062	2,971
Curtailments	(685)	(327)
Past service costs	0	0
<b>Profit and loss charge</b>	<u>(1,363)</u>	<u>(337)</u>
<b>Analysis of the amount charged to interest and other finance costs (note 8):</b>		
Interest cost	(3,339)	(3,862)
Expected return on assets	2,263	2,691
Administrative expenses	(68)	(55)
<b>Profit and loss charge</b>	<u>(1,144)</u>	<u>(1,226)</u>
<b>Total profit and loss charge</b>	<u>(2,507)</u>	<u>(1,563)</u>
<b>Analysis of actuarial gain/(loss) in respect of Scheme</b>		
Remeasurement of assets	(1,078)	11,164
Remeasurement of liabilities	5,184	(20,193)
<b>Total actuarial gain / (loss)</b>	<u>4,106</u>	<u>(9,029)</u>
<b>Movement in deficit in the year</b>		
Deficit in scheme at beginning of year	(42,879)	(32,287)
Amount charged to staff costs	(1,363)	(337)
Amount charged to interest and other finance costs	(1,144)	(1,226)
Actuarial gain / (loss)	4,106	(9,029)
<b>Deficit in scheme at end of year</b>	<u>(41,280)</u>	<u>(42,879)</u>

## Notes to the Accounts for the year ended 31 July 2017

### 22 Pension Schemes (continued)

#### History of experience gains and losses – LGPS

	31-Jul 2017	31-Jul 2016	Year to 31-Jul 2015	31-Jul 2014	31-Jul 2013
<b>Difference between actual and expected return on scheme assets:</b>					
Amount (£'000)	5,184	11,164	4,002	(2,695)	6,395
% of assets at end of year	5%	13%	4.4%	-4.4%	10.4%

	Year to 31-Jul-17 £'000	Year to 31-Jul-16 £'000
<b>Analysis of movement in the present value of LGPS liabilities</b>		
Present value of LGPS liabilities at the start of the year	128,608	101,994
Current service cost	3,740	2,981
Interest cost	3,339	3,862
Past service cost	0	0
Actual member contributions	923	948
Actuarial loss	1,078	20,193
Curtailments	685	327
Actual benefit payments	(1,306)	(1,697)
<b>Present value of LGPS liabilities at the end of the year</b>	<b>137,067</b>	<b>128,608</b>

### 23 Accounting estimates and judgements

In the application of the Group's accounting policies, management is required to make estimates and judgements about complex transactions or those involving uncertainty about future events.

Although judgements have been made in producing these financial statements, none are believed to have a significant effect on the amounts that have been recognised.

The financial statements contain estimated figures that are based on the assumptions made by the University. Estimates are made taking into account historical experience, current trends, professional advice and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The balance in the University's balance sheet at 31 July 2017 for which there is a significant risk of a material adjustment in the forthcoming financial year is the Local Government Pension Scheme liability (£41.4m). Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Mercers, a firm of consulting actuaries, is engaged, via Lancashire County Council, to provide the University with expert advice about the assumptions to be applied. However, a small change in these assumptions can lead to significant movements in the liability.

The University's land and building values are measured using the revaluation method. The University has a policy of ensuring that all land and buildings are revalued at least every five years by a qualified external valuer such that the fair value is not materially different to the current value. The external valuer is provided with all relevant information about the University's land and buildings and provides a valuation that complies with accounting and surveying standards. When reviewing such valuations, the University considers the appropriateness of the judgements that have been applied, including the valuation basis for specific land and buildings.