



THE LEADERSHIP & MANAGEMENT AWARDS 2014 WINNER : OUTSTANDING FINANCE TEAM

THE LEADERSHIP & MANAGEMENT AWARDS 2014 WINNER : OUTSTANDING STUDENT SERVICES TEAM



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The Chancellor, the Archbishop of York, Dr John Sentamu officially opened the university's new Business Interaction Centre in Carlisle on Thursday 21 November 2013.



Former trade minister Lord Digby Jones officially opened the University of Cumbria's Rural Growth Hub on Tuesday 22 April 2014.



Strategic report

Chairman's foreword

Vice Chancellor's report

Director of Finance and Resources' report

Chairman's foreword

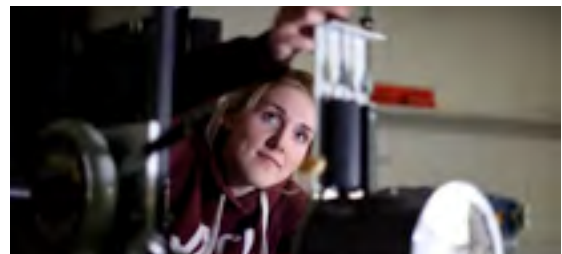
As incoming chair, I represent a board that is proud of the university's achievements to date and that is eager and ambitious for its ongoing development.



I join the university following another successful year for the institution. Alongside excellent student recruitment and increasing levels of student satisfaction, there have been a variety of other significant achievements this year. These include the agreement of a revised university vision and a refreshed academic strategy, which sets out our academic direction and timescales for seeking research degree-awarding powers.

The university has also successfully implemented a new academic structure and a revised business planning process that strengthens the links between the corporate strategy, academic planning and the financial planning processes, as well as estate and IT improvements.

The university continues to develop a robust performance-management framework which monitors progress towards the realisation of the corporate strategy. Through the university's strategic, financial and academic planning, the University Board has seen good progress to deliver the activities outlined in the 2013/14 annual operating plan.



In relation to financial sustainability, 2013/14 was another good year. The university has delivered an operating surplus of £7.2m on income of £70.2m, and an overall surplus of £7.6m, representing 10.8% of income.

The successes of the last 12 months follow the many achievements of recent years. I would like to record my thanks to the outgoing chair, Mr Stephen Henwood, who oversaw the transformation of the university over the past four years. Through the leadership of Stephen and the University Board, the management team and its staff, the university has developed and has delivered significant success in this period in what has been a challenging external environment.

income is a key priority as the university seeks to achieve its ambitions and invest in the experience of all its students. The University Board will support and monitor plans for new developments and we anticipate that these plans will add to the successes of this year.



Euan Cartwright
Chairman of the University Board

84%

**STUDENT
SATISFACTION
RATING UP
AGAIN!**

**OUR HIGHEST
EVER SCORE!**

NATIONAL STUDENT
SURVEY 2014

The university is proud of its success to date and has strong foundations on which to build. It faces the future with the confidence that it is able to effectively respond to the opportunities and challenges of the next 12 months and beyond. The growth and diversification of



Vice Chancellor's report

This year has been hugely significant in the ongoing development of our still young university, seeing it further establish itself as an institution of growing regional, national and international standing and reputation.



As we work towards our mission of providing and promoting excellent and accessible higher education, our objectives in 2013/14 were centred on enhancing quality, delivering growth and transforming the student learning and living environment.

Quality

We pride ourselves in providing a high-quality but very personal experience for our students. We have small, friendly campuses in beautiful locations. The majority of our academic study is based around small cohort sizes so that students get to know their fellow students and lecturers.

Our achievements in this area are reflected in the National Student Survey results, which were the best yet, with excellent feedback from our students about both their learning and the services that support their learning. The university has either maintained or improved its position in the three main national league tables.

I was delighted to see recognition of the quality of what we do, both from our students and nationally at sector awards this year. The university received two Times Higher Education Leadership and Management Awards and was highly commended for a third, more than any other university. To be named as the university with the 'Outstanding Student Support

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THE LEADERSHIP & MANAGEMENT AWARDS 2014 WINNER : **OUTSTANDING FINANCE TEAM**



Team' and 'Outstanding Finance Team' was an excellent achievement and one that reflects the hard work of staff in these areas and others in meeting the needs of students and stakeholders. We continue to review our processes to ensure that improvements are made and that operations are as efficient as possible, delivering excellent value for money for our students.

We are enormously proud of all our students and our Students' Union, but are particularly delighted to see one young person deservedly win the title of 'Student of the Year' at the National Union of Students Awards.

The quality of the university is also evidenced by how well our students are prepared for what they do after graduation. Learning through practical experience is at the heart of what the University of Cumbria stands for. Our vision is to have courses that are focused on the professions and are both business-relevant and research-informed.

The university is thrilled that 3,853 highly skilled students received degrees and awards this year and are ready to contribute to the economic success of the region and further afield. The

number of University of Cumbria students in employment or further study within six months of graduating is now one of the highest in the sector, at 93.1%.

These graduates came from a variety of backgrounds and we are rightly proud of our efforts to help every one of our students achieve their goals – wherever they are from and whatever their or their families' previous experience of higher education. The university supported thousands of students, who might otherwise not have accessed higher education, to work towards and achieve high-level academic and vocational qualifications and skills.



The university continues to recruit over 96% of its school-leaver full-time undergraduate students from state schools or colleges, and over one third of these students come from the lowest socio-economic groups. Over £2.5m was spent on bursaries and other activities to attract and support students.

In addition, this year the university achieved the Buttle UK Quality Mark for



Care Leavers to recognise our commitment to supporting young people who have been in care to access higher education.

As a charity, the university exists for the benefit of the public and we are serious about the achievement of this core objective, partly through activities that widen participation in higher education. The university's future plans reflect a continued commitment in this area and a desire to widen access further and to offer targeted and effective support to our diverse student population.



UK Quality Assured

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 (QAA) and, this year, performed well in a QAA thematic review of higher education provision in London as well as in a recent UK Border Agency visit.

The university is rated as "good" by OFSTED for its teacher training, with its London provision assessed as "excellent". Our health programmes are validated by the Nursing and Midwifery Council, and the most recent Mott MacDonald inspection was good. Much provision within the Faculty of Health and Science is externally regulated by professional, statutory and regulatory bodies, requiring approval, monitoring and re-approval in a continuous schedule of activity. Provision related to allied health professions all continued to meet the HCPC standards of education and training.

The university is focused on maintaining and enhancing its quality and has created two senior management roles within the faculties this year which are fully focused on this area. In addition, all academic staff are enrolled in the Higher Education Academy.

Growth

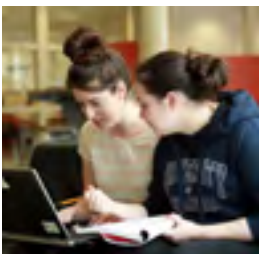
The university has clear ambitions to grow. We are developing a number of new markets and programme areas. The operating environment is a challenging one and there are risks that we face as a fledgling institution around building our reputation and capacity. However, there have been some notable achievements in this area this year.

The new areas being developed include new partnerships with employers and international organisations. The work carried out this year in the underlying processes and structures has been vital in laying foundations to enable expansion in the future.

A new academic structure was established with two faculties and nine departments committed to growth in income and student numbers.

The first phase of the redevelopment of the Ambleside campus was completed, ensuring that over 400 students each year can enjoy the unique experience of studying in the heart of the Lake District. Plans are in place to ensure that this campus is the hub of activity for the region and beyond.

Key partnerships were established or developed. The national changes in the delivery of teacher training, with more emphasis on school-led delivery, were



approached as an opportunity. Partnerships were formed with a number of schools, and over 200 students benefited from receiving training that was school-based and supported by the university with its wealth of experience in this area.

This collaboration with employers was seen in other areas too. Cumbria Constabulary signed a further five-year collaborative agreement with the university in March. This provides the framework of co-operation to deliver mutual benefits such as additional numbers of special constables, improved academic knowledge and quality of recruits, and the provision of academic development for police personnel. There was also an expansion in former military personnel in paramedic and other health professions undertaking a range of courses and, for our partnership with Army Medical Services, 150 serving personnel have been studying across our pre-hospital and emergency care, and paramedic practice courses.

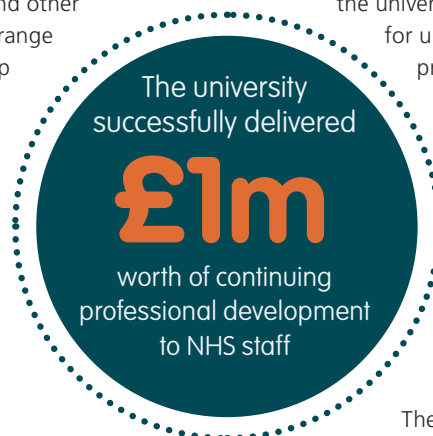
Work continues with NHS employers also. The university delivered over £1m worth of continuing professional development to NHS staff and, in addition, the university was announced as sole provider of a new national training course, the Graduate Diploma in Healthcare Sciences. Working in partnership with a range of NHS trusts in England, the university will train physics graduates to work in roles which are pivotal to the diagnosis and treatment of cancer.

The university aims to develop opportunities in the region, across the UK and internationally. As well as negotiations with major regional employers, collaboration has taken place with the Lake District National Park on projects including carbon-reduction programmes, water catchment and bio-diversity. I have also become a member of the park's partnership board.

Internationally, the main focus of activity has been on partnership development, particularly in China, Malaysia, Pakistan and Germany, with direct recruitment activity taking place in Nigeria, Libya, Cyprus, Germany, Bulgaria and Romania. As a result of developing relationships and activities over the year, the university exceeded its enrolment targets for undergraduate and postgraduate programmes.

The university was also delighted to develop some of its existing relationships, specifically by extending its provision in collaboration with Robert Kennedy College in Switzerland, and with the Hong Kong Institute of Education.

There is much work to do in order to grow student numbers and income but the efforts of this year, together with the continued activities to improve recruitment to core programmes, are expected to deliver results in 2014/15 and in the future.



Ambleside campus



Learning and living environment

The university's estates strategy was updated in 2013/14 with the central objectives of improving the quality of the buildings for the benefit of our students. A plan is in place to demolish or refurbish tired estate and to construct purpose-built, environmentally sustainable buildings.

This work began at Ambleside, where nearly £8m is being invested in creating an excellent campus. The poor-quality buildings have been refurbished and surplus estate sold, with the funds reinvested in teaching and learning areas. In addition all the university's own student accommodation was refurbished.

Master-planning work continues at Lancaster, and next year plans will be drawn up for the transformation of our estate in Carlisle.

The completion of this work will take several years and it is important that current students benefit from investment in their learning and living environment. £1m is being spent annually on improving existing spaces and student accommodation, with new kitchens in halls of residence and improved décor in teaching spaces. This supplements the £0.5m that was invested in 2013/14 in equipment used in teaching and learning.

Our investment in buildings, infrastructure and equipment demonstrates the university's commitment to always enhancing the experience of our students. This is seen in the approach to quality and it is the university's desire that, as we grow, more students will benefit from the unique education we offer. There are risks and challenges ahead, but also

dedicated staff and a strong and supportive University Board who together have a clear vision for the University of Cumbria.



Finally, this year we celebrate 50 years of higher education in Lancaster, where one of our legacy institutions, St Martin's College, first opened its doors to new students in 1964. Much has changed in higher education over that time, but now more than ever some things remain important. The University of Cumbria is committed not just to delivering high-quality courses, enabling research and inspiring students, but also to creating a welcoming environment where people know and support each other, promoting learning and development for all. I would hope that those students from 50 years ago would recognise these characteristics in today's university and its students and staff. These are the characteristics that will ensure success in 2014/15 and beyond.

Professor Peter Strike
Vice Chancellor



Director of Finance and Resources' report

The year 2013/14 was excellent financially for the university. A surplus of £7.2m (10.8% of income) before exceptional items was achieved, far exceeding the university's minimum target of 3% of income and the expected sector average. These results have been delivered amid continued changes in the operating and funding environment for higher education. Although this has led to a further reduction in income, operating costs have been tightly controlled, allowing the university to continue to invest in the development of its academic areas, its infrastructure and, crucially, the experience of its students. There was a series of non-recurring items which contributed to the excellent surplus, and some commitments that were expected this year will be accounted for next year.

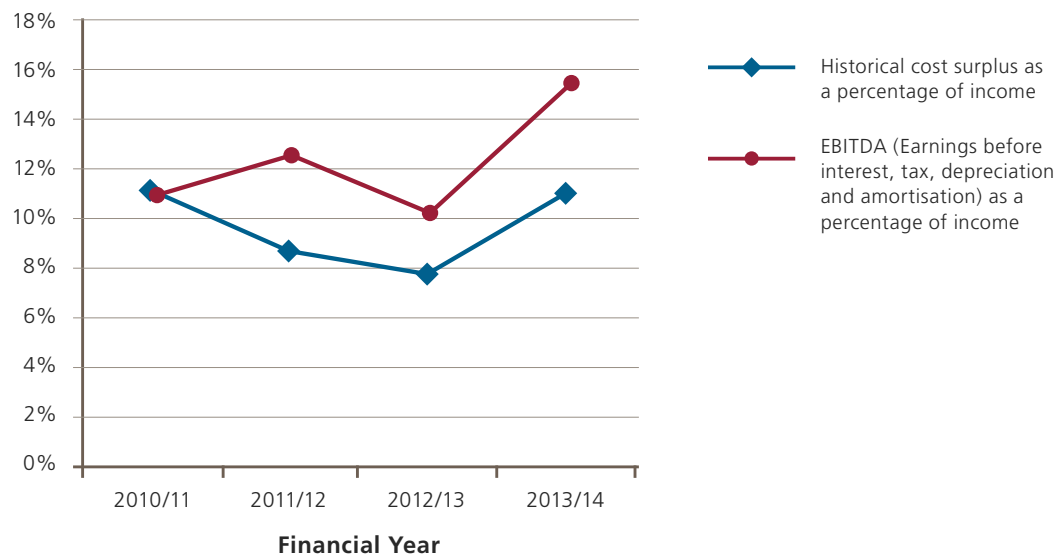
The growing cash reserves that have resulted from four successive years of significant surpluses provide a strong platform for the future as the university delivers its plans and strategies while seeking to take opportunities and address some key challenges, especially those around income growth, staff and pension cost pressures and the scale of investment required in the estate.

Summary of financial results

	2013/14 £m	2012/13 £m
Total income	70.2	73.6
Staff costs	39.2	40.6
Other expenditure	23.9	28.8
Total expenditure	63.1	69.4
Operating surplus	7.2	4.2
Exceptional item: pension settlement	0.0	1.2
Exceptional item: profit on sale of assets	0.4	0.0
Surplus on continuing operations	7.6	5.4
Historic cost adjustments	0.2	0.3
Historical cost surplus	7.8	5.7



Historical financial performance



Summary of key financial performance indicators

	2010/11	2011/12	2012/13	2013/14	Forecast sector mean - 2013/14*
Historical cost surplus as a percentage of income	11.20%	8.70%	7.7%	11.0%	2.8%
Net liquidity (days)	78	77	106	123	98
External borrowing as a percentage of income	22.4%	23.6%	17.0%	15.6%	27.0%
Discretionary reserves as a percentage of income	14.2%	26.20%	35.9%	50.3%	62.9%
Net cash inflow from operating activities as a percentage of total income	10.1%	3.80%	10.8%	12.2%	6.6%
Staff costs as a percentage of income	51.7%	52.80%	55.2%	55.8%	53.8%
Earnings before interest, tax, depreciation and amortisation (EBITDA) - £m	9,411	9,823	7,504	10,837	N/A
EBITDA as a percentage of income	10.9%	12.6%	10.2%	15.4%	N/A
Current ratio	1.1	1.2	1.9	2.5	N/A

*Forecast sector mean provided by HEFCE (Higher Education Funding Council for England)



Income

Income has reduced by £3.3m (4.5%) compared to the previous year. Lower income had been anticipated in the budget and largely resulted from both grant funding reductions and challenging student recruitment in some specific areas. Related to this, student accommodation and catering income is also lower than in 2012/13.

The decrease in funding body grants of £6.6m (35.5%) reflects the continued effect of changes

to the funding regime for higher education whereby direct

government funding of students has been replaced by tuition fees payable by students, with the majority obtaining funding via the Student Loans Company. This decrease is largely offset by the increase in tuition fees compared to 2012/13.

The university becomes the first public university in the world to accept Bitcoin for payment of fees



The university's corporate strategy is centred on growing income. Increasing revenues are required to further enhance the infrastructure, facilities and services that students utilise and to continue to develop key academic areas, including the expansion of research activities. Strategies focus on delivering incremental growth in income over the next five years, building on the various initiatives begun in 2013/14.

Expenditure

Expenditure was £6.3m (9%) lower than 2012/13.

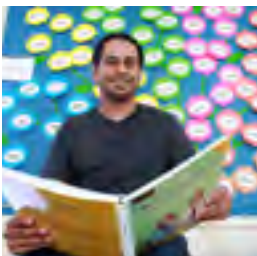
The most significant favourable variance came from the professional services, which included pay costs being £0.9m below budget. Owing to the decrease in income, staff costs as a percentage of income have risen to 56%, which is above the expected sector average. Given increasing pension costs, forthcoming pay awards and national insurance changes, the university is focused on controlling costs and ensuring that staff costs are in proportion to revenue.

Balance sheet

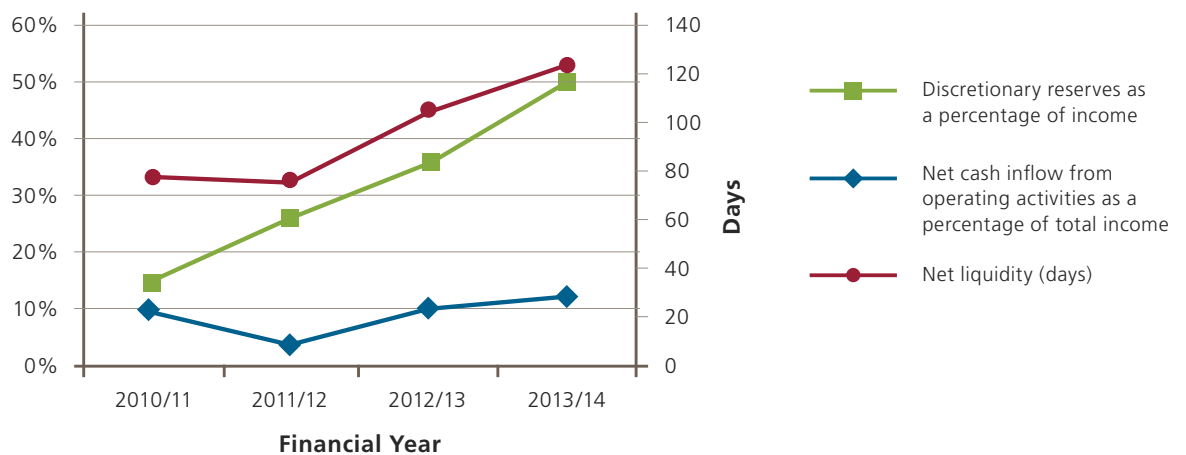
The increased strength of the balance sheet is demonstrated by the fact that discretionary reserves as a percentage of total income improved from 36% to 50% in 2012/13. This is a metric against which the university has improved rapidly in the last four years and continued progress towards the sector average in this area is anticipated in our financial plans.

The university has aimed to increase its cash balances during recent years in order to allow for further investment in infrastructure and to ensure financial sustainability. In 2013/14, the cash held increased from £17.5m to £20.2m, with net liquidity surpassing the expected sector mean for the first time.

This increase in cash did not come at the expense of investment: £6.1m was spent on key capital developments including the significant redevelopment and equipping of the Ambleside campus. This investment was partly funded through the disposal of four properties and the university intends to dispose of further surplus buildings during 2014/15, with the proceeds being reinvested in the estate.



Historical key balance sheet metrics



Pensions

During 2013/14 the university's deficit in relation to the Local Government Pension Scheme (LGPS) increased by £1.4m; the cost of pensions remains a key risk.

The triennial valuation of the scheme as at 31 March 2013 was completed during 2013/14. Following the valuation, the university's contributions to the scheme were split between current and past service. As a result, the university is continuing to contribute the required amounts for its current workforce and is now providing £0.9m per year to address its share of the past service deficit.

The university is conscious of the financial risks arising from participating in two final salary pension schemes. Although the rise in employer contributions to the LGPS will increase staff costs each year, this is intended to have medium- to long-term benefits through reductions to the £26.4m deficit which is recorded on the balance sheet. Further, the university has factored both the LGPS pension contribution increases and the forthcoming Teachers' Pension Scheme increases into its financial planning.

Kate McLaughlin-Flynn
Director of Finance and Resources



We were proud to graduate 3,853 students during 2013/14. We held eleven ceremonies in July 2014, and a further eight ceremonies in November 2014.



Our students got priceless hands-on experience at one of the UK's top music festivals, Kendal Calling 2014.



Corporate governance report

Governance

Public benefit statement

Director/Trustee remuneration

Statement on internal control

Risk management

Going concern

Responsibilities of the Board of Directors

Governance

The following section explains how the composition and organisation of the university's governance structures support 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 Memorandum and Articles of Association, as revised and implemented on 1 August 2007. The Memorandum and 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 published on the university's web pages at www.cumbria.ac.uk/AboutUs/Services/VCO/LegalStatusAndStatutoryInformation.aspx

Structure of governance

The university Board of Directors, which meets at least five 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 overseeing 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 27.

The university's Board of Directors comprises persons who are appointed in accordance with its Memorandum of Association. The chair is Mr Euan Cartwright and the vice chair is Dr Stephen Curl, with a second vice chair, Dr Hilary Crowe. The composition of the University Board is 21, with independent directors forming the majority. The membership includes the vice chancellor and, via open elections, a staff director and a student director. A full list of members is on page 21.

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.



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 next independent effectiveness review will take place in 2014/15.

The university maintains a register of interests of directors of the University Board and the University Executive Group (UEG), which is available on request via the university registrar and secretary.

Board committees

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

- Finance and resources committee**
 (chaired by Dr Stephen Curl) 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.
- Strategy and planning committee**
 (chaired by Dr Hilary Crowe) has responsibility for advising the University Board on strategy and planning in the medium to longer term.
- Employment policy committee**
 (chaired by Mr Geoff Donnelly) *inter alia* considers matters of human resource strategy and policy, makes recommendation to the University Board and monitors performance in relation to the

approved HR strategy. It also considers and recommends to the University Board on matters of health and safety strategy and policy, and equality, diversity and inclusivity strategy and policy.

- Nominations committee**
 (chaired by Dr Hilary Crowe) considers nominations for appointment to the University Board and its subcommittees. Nominations committee met during 2013/14 to oversee a public search-and-recruitment exercise which led to the University Board approving the appointment of a new chair from 1 August 2014 plus the appointment of three new directors.
- Remuneration committee**
 (chaired by Dr Stephen Curl) determines the remuneration and conditions of service of the most senior staff, including the vice chancellor. It met on five occasions in 2013/14.
- 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. Although senior executives attend meetings of the audit 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.

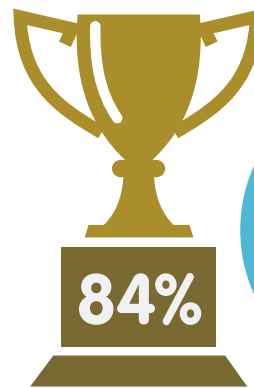


The risk-management element of the committee's role includes the review of the processes which lead to the statement on internal control in the corporate governance report. The committee will also, whenever appropriate, provide explicit confirmation to the Board that necessary actions have been, or are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



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 (Higher Education Funding Council for England) 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. The vice chancellor is supported in his role by the University Executive Group (UEG), which meets regularly and shapes the strategic direction, performance and management of the university. The UEG is the senior executive decision-making body and deals with all matters of policy.



Student satisfaction at highest level

National Student Survey 2014



Members of the University Board of Directors and University Executive Group 2013/14

	Notes	Attendance at Board in 2013/14 (maximum 5)
Vice Chancellor Professor Peter Strike	(2, 3, 4, 5, 6)	5
Chair of the Board of Directors Mr Stephen Henwood CBE	(2, 3, 5, 6)	5

Members of the Board of Directors

Mr David Allen	(1)	5
Mrs Emma Bales	(7)	4
The Very Revd Mark Boyling	(4)	4
Professor Linda Challis	(3, 5)	3
Dr Hilary Crowe	(3)	4
Dr Stephen Curl	(2)	4
Canon John Dell	(2, 3)	4
Mr Geoff Donnelly	(4)	4
Mrs Claire Hensman	(1, 5)	4
Mr Stuart Hyde	(4)	3
Mr Ian Johnson	(2)	2
The Right Reverend James Newcome, Bishop of Carlisle	(5)	2
Mr Bill Sang	(2, 3)	4
Mr John Sharp	(8)	4
Dr Keith Snell	(3)	5
Mrs Sheona Southern	(3)	5
Mr Daniel Tomlinson	(1)	5

Members of the University Executive Group in 2013/14

Professor Peter Strike (Chair) (Vice Chancellor)
Professor Liz Beaty (Pro Vice Chancellor) (to December 2013)
Mr Neil Harris (Registrar and Secretary)
Professor Sandra Jowett (Deputy Vice Chancellor)
Mrs Kate McLaughlin-Flynn (Director of Finance and Resources)
Mr Mike Berry (to October 2013)
Mrs Janet Whitworth (Chief Operating Officer)
The Reverend Canon Professor Robert Hannaford (Executive Dean, Faculty of Education, Arts and Business)
Dr Robin Talbot (Executive Dean, Faculty of Health and Science)

Notes

1. Audit committee
2. Finance and resources committee
3. Strategy and planning committee
4. Employment policy committee
5. Remuneration committee
6. Nominations committee
7. Staff director
8. Student director

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 not widely available or not easily accessible to previous generations of local people, 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.



70% of Tower Hamlets schools employ at least one University of Cumbria trained teacher.

Since our formation in 2007 the university has seen an overall increase in the proportion of young full-time undergraduate entrants from low participating neighbourhoods. In 2012/13 the university was ranked **21st** nationally for its performance in this area.



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 was £6,361 (2012/13: £8,277). 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 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 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 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 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, the UEG. This system supports achievement of the university's policies, aims and objectives, while 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.
- The audit 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 committee and, for management purposes, to the registrar and secretary.

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 the university's decision-making processes and culture, supporting effective planning and evaluation of its activities.

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

The regular management and reporting on progress against strategic objectives and risks is an aid in the quarterly re-evaluation of strategic risk by informing updates to risk-improvement plans. It creates a 'cascade' of risk management in which identified activities are mapped against the next highest level, demonstrating an upward flow of mitigating controls from operational to strategic. In 2013/14 the university took the opportunity to develop its risk-management processes, including specifically mapping both internal and external sources of assurance to the risks.

As activities progress and risks are improved at the lower level, this enables risks to be managed at the next level up: for example, management of project risks ensures the risks to the delivery of the university's annual operating plan are mitigated. An increase in a project risk flags a potential increase to the associated operating plan risk and so on up the hierarchy.

Annual operating plan projects are aligned to strategic risks as identified controls within risk-improvement plans. If an operating plan risk increases, this flags a potential impact on the efficacy of the control at the strategic risk level and thus affects the net risk score for that strategic risk.

The key risks identified and being managed by the university relate to:

- The risk to income from the current volatile operating environment. This includes: removal of the allocations of student numbers for certain courses, moving to a free market driven by students; potential changes to the funding available for courses sponsored through the NHS, where price reductions are likely; and the ongoing changes in teacher training, which have led to volatile student numbers and changes in provision.
- The institution is relatively new as a university. As such it is potentially vulnerable to events that damage its reputation as an institution.

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



Going concern

The university's business activities, together with the factors likely to affect its future development, performance and position, are set out in this operating 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. 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 continues to adopt the 'going concern' basis of accounting in preparing the annual financial statements.

We are proud of having achieved:

- Investors in People (IiP) Bronze award for leadership & management
- Mindful Employer status
- Two ticks disability scheme
- Change for life employer
- Stonewall partner



Responsibilities of the Board of Directors of the University of Cumbria

In accordance with the Education Reform Act 1988 and the Memorandum and Articles of Association 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.

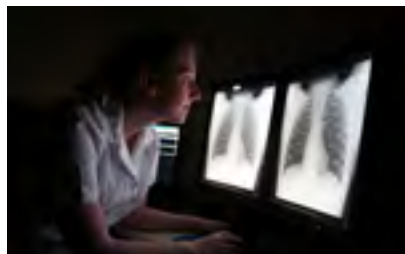
The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the university and enable it to ensure that the financial statements are prepared in accordance with the revised Instrument and Articles of Government, the Audit Code of Practice issued by the Higher Education Funding Council for England (HEFCE), 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 financial memorandum agreed between HEFCE and the Board of Directors of the University of Cumbria and in accordance with company law, the Board 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 Board of Directors has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements 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; and
- financial statements are prepared on the 'going concern' basis unless it is inappropriate to presume that the university will continue in operation. The Board 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 Board of Directors has taken reasonable steps to:

- ensure that funds from HEFCE and the Teaching Agency/National College for Training and Leadership are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and the Funding Memorandum with the Agency 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; and
- 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 Board of Directors,
- financial regulations detailing financial controls and procedures, approved by the audit committee in consultation with the finance and resources committee,

- a professional internal audit team whose annual programme is approved by the audit 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.

The statement of the responsibilities of the Board of Directors is signed on behalf of the Board by:



Mr Euan Cartwright, Chair of the Board of Directors



Professor Peter Strike, Vice Chancellor and Chief Executive

Date: 25 November 2014





The University of Cumbria and Cumbria Constabulary sign a further five-year collaborative agreement in March 2014.



University lecturer and 'outdoor philosopher' Dr Kate Rawles delivers a series of talks about her impressive 4,553-mile bike ride from Texas to Alaska.



Employee health and well-being was top of the agenda during a visit by Professor Dame Carol Black in July 2014.



University researchers Theo Bampouras and Dr Susan Dewhurst have been awarded more than £130,000 to fund a project aimed at preventing falls in older people.



A group of our students rubbed shoulders with acts such as Disclosure and The 1975 while gaining valuable work experience at Blackpool Rocks—the North West's biggest winter indoor music festival.



Journalism student Jack Stride was awarded a 'Do It' award of just under £3,000 to fund *Campus*, a project he came up with in his final year of studies.



Our university

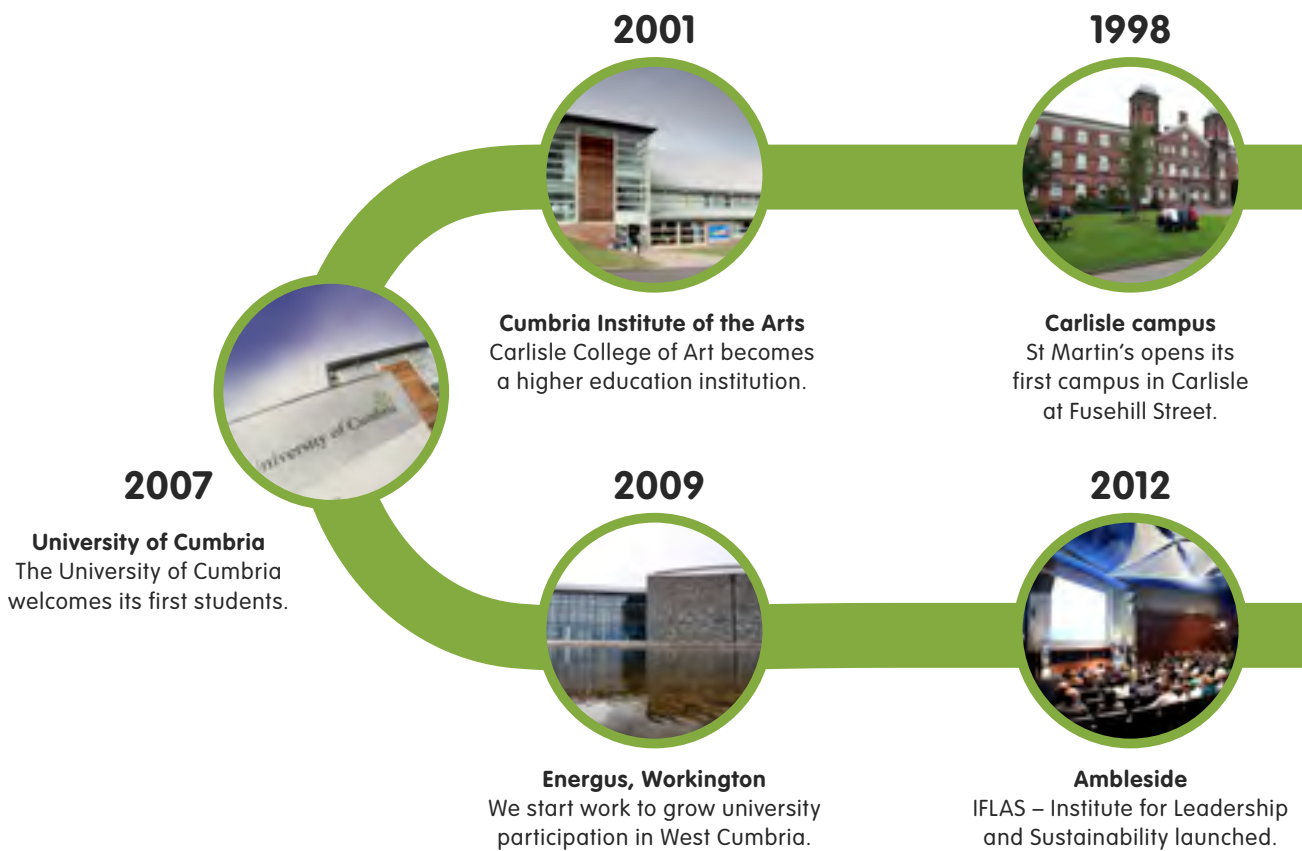
Our long history

Our staff achievements

Our students' success

Our honorary fellows

Our long history

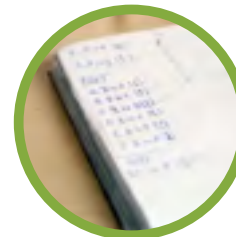


The University of Cumbria has a long history dating back to the 19th century.

The institutions that came together to form the university in 2007, including St Martin's College and Cumbria Institute of the Arts, can trace their roots back all the way to 1822.

Here is a little about their history and the most recent developments in the life of the University of Cumbria.

2014



Carlisle and Lancaster
 First Director of our new Institute of Education appointed.

1822



Society for the Encouragement of Fine Arts formed to help young artists in Carlisle. Becomes the Academy of Arts the following year.

1891



Renowned educator Charlotte Mason opened her House of Education, later to become Charlotte Mason College.

1996



Charlotte Mason College
St Martin's absorbs Charlotte Mason College.

1964



St Martin's College
Founded by the Church of England to train teachers on the site which is now our Lancaster campus.

1950



Carlisle College of Art
The successor institution to the Academy of Arts is established.

2013



Lancaster
The new University of Cumbria Business School (UCBS) begins work.

2013



London
Our university site moves to new premises in London.

2013



Carlisle
Carlisle Business Interaction Centre opens, catering for students and business.

2013



Barrow-in-Furness
Our University Centre opens in Furness College, Barrow-in-Furness.

2013



Ambleside
A major redevelopment of our Lake District campus begins.

Our staff achievements

We pride ourselves in the skills and contribution of our staff, many of whom are practitioners in their field as well as delivering their lecturing commitments.



Professor Jem Bendell

The director of the Institute for Leadership and Sustainability (IFLAS) has been selected to join a group of world leaders in business and politics to study the latest leadership approaches at Harvard University.

Karen Lockney received the Terry Furlong Award for Research from the National Association for the Teaching of English (NATE) in recognition of her paper 'Writing the Unseen Poem: can the writing of poetry help to support pupils' engagement in the reading of poetry?', presented at their conference.



The Faculty of Health and Science has become a partner in the Clinical Research Hub/Lancaster Health Hub hosted by Lancaster University. The purpose of the hub is to establish a cross-sectoral research platform to drive forward world-leading innovation in healthcare research and stimulate regional economic growth.

www.lancaster.ac.uk/shm/work/clinical_research_hub/about/

Dr Fiona Powley, Associate Dean Quality, Learning and Student Experience in the Faculty of Education, Arts and Business, has been appointed to the National NSS Institutional Working Group. This offers the university an excellent insight into NSS developments and the opportunity to share in the good practice of a wide range of other institutions.

Ruth Harrison-Palmer published a book in October, with David Waugh from Durham University, for *Learning Matters: Teaching systematic synthetic phonics*.

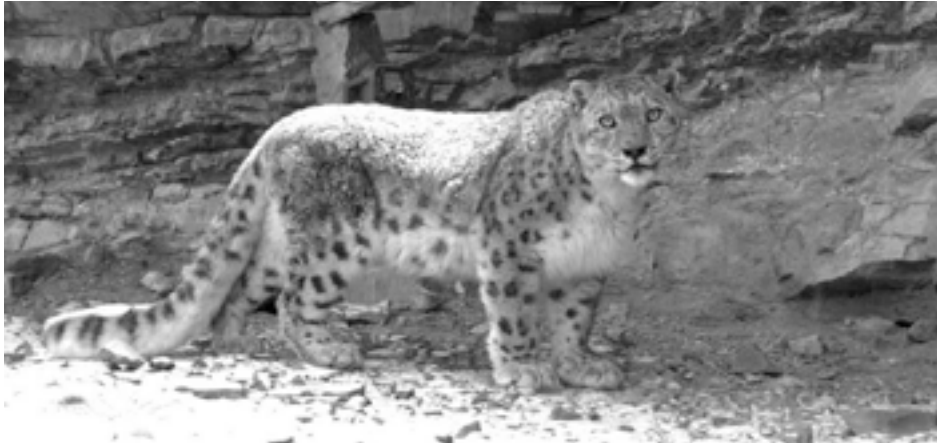


A former colleague, **Ciara Phillips**, who was a lecturer in fine art for the university, is one of the four artists nominated this year for the prestigious Turner Art prize.



Research conducted by lecturer **Kevin Wilson-Smith** has been examining the challenges faced by army reservists returning to their civilian occupations after active service abroad.

Kevin presented the findings of his research at the Annual Conference of the British Psychological Society in Birmingham in May.



A Snow Leopard Conservation Grant has been awarded by the Snow Leopard Network, for a project to be undertaken in partnership with Kazakh National University and Central Queensland University, Australia.

During 2014/15, a team of five experienced scientists and conservationists from the University of Cumbria will be using 'trailcams' or camera traps to carry out a population survey of snow leopard numbers in the Almaty State Nature Reserve, Kazakhstan. They will also model the potential impacts of climate change in the reserve, mainly in relation to changes in the treeline.

The university's Active Ageing Research Group (AARG) has featured widely in the Scottish press after publishing its findings, about the health benefits gained by older women through Scottish country dancing, in the *Journal of Aging and Physical Activity*. The researchers found that this type of physical activity can delay the ageing process on locomotion-related activities of older women and benefit their functional ability. The team has also been successful in receiving £136,051 of external research funding (over three years) from the North Lancashire-based Dowager Eleanor Peel Charitable Trust.

The university won in two categories in this year's Times Higher Education Leadership and Management awards. **'Outstanding Finance Team'** and **'Outstanding Student Services Team'** – and was highly commended in the Leadership and Management category.



The Student Services prize was for the highly successful Head Start project. This is a pre-entry academic skills course delivered entirely online. Designed to bridge the gap into higher education study, it provides students with an early insight into academic skills needed at university. This programme is part of our support infrastructure that spans the entire student lifecycle.

The university has also been shortlisted for the 2014 Times Higher Education Awards in the category for Outstanding Contribution to Leadership Development. The submission featured a sustainable leadership programme designed to develop a strategic and deliberate approach to succession planning and talent management.

Our students' success

It has been a fantastic year for students, with widespread success across a range of subject areas.

Dominic Boulding, a third-year wildlife and media student, received first prize in the 'Wildscapes' category of the RSPB Scotland photo competition.

In the RTS National Student Awards, the winner of the 'Regional Student Award: Factual' category was 2013 graduate **Alessandro Baratto's** work *Arribada*, filmed on location in Costa Rica. At the same event, the main 'Best Promotion or Commercial' category was won by 2012 graduate **Cain Scrimgeour**.



University nursing students **Bethany Brockbank** and **Katie Chapman** have raised over £5,000 to assist relief programmes in the Philippines.

Policing, Investigation and Criminology student **Natalie Atkinson** filmed with the BBC to present a documentary 'Banged up and left to fail'. Later in the year, Natalie was named Endsleigh Student of the Year at the annual National Union of Students' awards, and was also presented with the Vice Chancellor's Special Student Award in recognition of her outstanding contribution to the university.

The Students' Union (UCSU) achieved 'Silver Award' accreditation in the Students' Union Evaluation Initiative (SUEI) – a UK Government-backed NUS quality-assurance model designed to measure engagement and performance, while helping unions to deliver improved outcomes for their members.



The Iolanthe Midwifery Trust 2014 annual awards were announced in April and University of Cumbria student **Maureen Wahedi** was awarded one of the student prizes.



Eloise Eddington was runner-up in the UK's only scholarships for Student Nurses and Midwives, run by Cavell Nurses' Trust. Eloise was nominated for the Community scholarship.

Our honorary fellows

Honorary fellowships are awarded in recognition of individuals who have made outstanding contributions to the university and/or in support of a variety of causes linked to the work of the university. During the academic year 2013/14, fifteen honorary fellowships were awarded.



Susan Aglionby

in recognition of her outstanding contribution to organic farming and services to the Cumbrian community



Baroness Caroline Cox

in recognition of her outstanding contribution to international humanitarian and human rights.



Peter Woolaghan

BEng CEng FIMechE
in recognition of his outstanding contribution to the development of the engineering and technology industry on the west coast of Cumbria



Professor Dr John R Ashton CBE

in recognition of his outstanding and lifelong contribution to the public health service



Ben Helfgott MBE, D.Univ (Southampton), Hons D.Lit (Ed)

in recognition of his outstanding services to the community



Maddy Prior MBE

in recognition of her outstanding service and lifelong contribution to folk music



**Professor Sir Adam Roberts
KCMG, FBA**

in recognition of his outstanding service to the study and practice of international relations



Dame Sue Ion FREng

in recognition of her outstanding service to the nuclear industry and to science and engineering.



Simon Greenall

in recognition of his outstanding contribution to the television and film industry



Euan Cartwright

in recognition of his outstanding contribution to the development of arts and culture and for service to higher education in Cumbria



**Cedric Robinson MBE,
Queen's Guide to the Sands**

in recognition of his outstanding service to the community and significant contribution to supporting charitable causes, both locally and globally



Juliet Westoll MBE DL

in recognition of her outstanding contribution to service in Cumbria and her charitable work in supporting Cumbrian initiatives



Chris Tomlinson OBE

in recognition of her outstanding service to tourism and business in Cumbria and for her charitable work in support of Cumbrian initiatives



Pam Eland

in recognition of her outstanding contribution to the campaigning and advocacy of Lesbian, Gay, Bisexual and Transgender rights and responsibilities



Steve Holdup

in recognition of his outstanding contribution to education and the development of teachers



Financial statements

Independent auditor's report

Statement of principal accounting policies

Consolidated income and expenditure account

Statement of group historical cost surpluses and deficits

Statement of group total recognised gains and losses

University and consolidated balance sheet

Consolidated cash flow statement

Notes to the consolidated financial statements

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

We have audited the group and University financial statements (the "financial statements") of the University of Cumbria for the year ended 31 July 2014 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). This report is made solely to the Board of Directors, and to the company's members, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988 and to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Board of Directors and to the company's members those matters we are required to state to it 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 Board of Directors and the company's members for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Directors and auditor

As explained more fully in the Statement of Responsibilities set out on pages 17 and 18, the Board of Directors (and the Directors of the company for the purposes of company law) is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2014 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education and the Companies Act 2006.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Report of the Board of Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

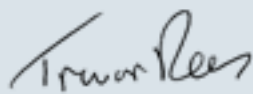
Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control (included as part of the Report of the Board of Directors) is inconsistent with our knowledge of the University and group.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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 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.



Trevor Rees (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St James' Square
Manchester
M2 6DS

Notes:

(a) The maintenance and integrity of the University of Cumbria website is the responsibility of the governing body; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of principal accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below.

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (the SORP) and in accordance with applicable Accounting Standards. They conform to guidance published by the Higher Education Funding Council for England.

Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Basis of Consolidation

The consolidated financial statements include the University and its subsidiary undertakings for the financial year to 31 July 2014. The financial statements of the Students' Union are not consolidated as it is a separate entity over which the University does not have control or significant influence.

Recognition of Income

Income from research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Income from specific endowments and donations is included to the extent of the relevant expenditure incurred during the year, together with any related contributions towards overhead costs.

Recurrent grants from the Funding Councils are recognised in the period to which they relate.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors.

Non-recurrent grants from Funding Council or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Pension Schemes

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.

Tangible Fixed Assets

a) Land and Buildings

Land and Buildings are stated at valuation. Valuations take place every five years with an interim valuation in the third year after a full valuation.

Buildings are depreciated over their expected lives of 50 years. Land is not depreciated.

Assets under construction are not depreciated.

Refurbishments are depreciated over their expected useful lives, up to a maximum of 20 years.

b) Furniture and Equipment

Furniture and equipment, excluding computers, costing less than £2,000 (including any irrecoverable VAT) per individual item or group of related items, is written off to the income and expenditure account in the year of acquisition. All other furniture and equipment is capitalised at cost and is depreciated over the asset's expected useful life, up to a maximum of fifteen years.

c) Computer Equipment

Computer equipment, costing less than £2,000 (including any irrecoverable VAT) per individual item or group of related items, is written off to the income and expenditure account in the year of acquisition. All other computer equipment is capitalised at cost and is depreciated over the asset's useful life, up to a maximum of ten years.

d) Capital Grants

Where assets are acquired or constructed with the aid of specific grants, they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to the income and expenditure account over the expected useful life of the assets.

e) Impairments

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

f) Repairs and Maintenance

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the income and expenditure account in the period it is incurred.

Leased Assets

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Leasing agreements which transfer to the University substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the

inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

Provisions

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

Stock

Stocks are valued at the lower of cost or net realisable value.

Taxation Status

The University is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. Subsidiary companies are liable to corporation tax.

The University is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The University's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Investments

Listed investments held as fixed assets or endowment assets are stated at market value. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

Agency Arrangements

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

UNIVERSITY OF CUMBRIA

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 JULY 2014

	Notes	2013/14 £'000	2012/13 £'000
Income			
Funding body grants	1	11,953	18,536
Tuition fees and education contracts	2	48,037	42,977
Research grants and contracts	3	363	491
Other income	4	9,776	11,477
Endowment and investment income	5	118	85
Total income		70,247	73,566
Expenditure			
Staff costs	6	39,182	40,597
Other operating expenses		19,705	21,839
Depreciation	10	3,139	2,980
Impairments	10	58	2,772
Interest and other finance costs	7	992	1,173
Total expenditure		63,076	69,361
Surplus after depreciation of tangible fixed assets and before taxation		7,171	4,205
Taxation		0	0
Surplus before exceptional items		7,171	4,205
Exceptional items: continuing operations			
Profit on sale of fixed assets	9	381	0
Pension settlement on bulk transfer of staff	9	0	1,186
Surplus after depreciation of tangible fixed assets, tax and exceptional items		7,552	5,391
Surplus for the year transferred to accumulated income in endowment funds		(13)	0
Surplus for the year retained within general reserves		7,539	5,391

All items of income and expenditure arise from continuing operations

UNIVERSITY OF CUMBRIA

STATEMENT OF GROUP HISTORICAL COST SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 JULY 2014

	Notes	2013/14 £'000	2012/13 £'000
Surplus on continuing operations before taxation		7,552	5,391
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	20	176	258
Historical cost surplus for the year before taxation		<u>7,728</u>	<u>5,649</u>
Taxation		0	0
Historical cost surplus for the year after taxation		<u><u>7,728</u></u>	<u><u>5,649</u></u>

UNIVERSITY OF CUMBRIA

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JULY 2014

	Notes	2013/14 £'000	2012/13 £'000
Surplus on continuing operations after depreciation of assets, disposal of assets and tax		7,552	5,391
Unrealised surplus/ (deficit) on revaluation of fixed assets and investments		1,364	(4,212)
New endowments	19	27	4
Endowment income retained for year	19	13	0
Expenditure of endowments	19	(14)	(11)
Actuarial gain / (loss) in respect of pension scheme	28	(286)	4,454
Actuarial loss in respect of enhanced pension provision		(24)	(9)
Reconciliation			
Opening reserves and endowments		10,881	5,264
Total recognised gains and losses for the year		8,632	5,617
Closing reserves and endowments		19,513	10,881

UNIVERSITY OF CUMBRIA

BALANCE SHEET
AS AT 31 JULY 2014

		2013/14		2012/13	
	Notes	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Fixed assets					
Tangible assets	10	61,387	61,387	58,076	58,076
Investments	11	0	10	0	10
		<u>61,387</u>	<u>61,397</u>	<u>58,076</u>	<u>58,086</u>
Endowment assets	12	<u>143</u>	<u>143</u>	<u>117</u>	<u>117</u>
Current assets					
Assets held for resale	10	1,640	1,640	1,749	1,749
Stocks	13	29	29	28	28
Debtors	14	3,022	3,022	3,335	3,383
Cash at bank and in hand		20,249	20,249	17,482	17,482
		<u>24,940</u>	<u>24,940</u>	<u>22,594</u>	<u>22,642</u>
Creditors: amounts falling due within one year	15	(10,178)	(10,285)	(12,007)	(12,114)
Net current assets		<u>14,762</u>	<u>14,655</u>	<u>10,588</u>	<u>10,529</u>
Total assets less current liabilities		<u>76,292</u>	<u>76,195</u>	<u>68,781</u>	<u>68,732</u>
Creditors: amounts falling due after more than one year	16	(10,010)	(10,010)	(11,848)	(11,848)
Provisions for liabilities	17	(2,183)	(2,183)	(2,575)	(2,575)
Total net assets excluding pension liability		<u>64,099</u>	<u>64,002</u>	<u>54,358</u>	<u>54,309</u>
Net pension liability	28	(26,371)	(26,371)	(24,927)	(24,927)
Total net assets including pension liability		<u>37,728</u>	<u>37,631</u>	<u>29,431</u>	<u>29,382</u>
Deferred capital grants	18	<u>18,216</u>	<u>18,216</u>	<u>18,538</u>	<u>18,538</u>
Endowments	19				
Expendable		5	5	9	9
Permanent		138	138	108	108
		<u>143</u>	<u>143</u>	<u>117</u>	<u>117</u>
Reserves	20				
Income and expenditure account excluding pension reserve		35,331	35,234	26,435	26,386
Pension reserve		(26,371)	(26,371)	(24,927)	(24,927)
		<u>8,960</u>	<u>8,863</u>	<u>1,508</u>	<u>1,459</u>
Income and expenditure account including pension reserve		8,960	8,863	1,508	1,459
Revaluation reserve		10,408	10,408	9,268	9,268
Total funds		<u>37,728</u>	<u>37,631</u>	<u>29,431</u>	<u>29,382</u>

The financial statements were approved by the University Board on 25 November 2014 and were signed on its behalf on that date by:

Mr Euan Cartwright, Chairman of the Board of Directors

Professor Peter Strike, Vice Chancellor

UNIVERSITY OF CUMBRIA

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2014

	Notes	2013/14 £'000	2012/13 £'000
Net cash inflow from operating activities	21	8,548	7,957
Returns on investments and servicing of finance	22	(278)	(295)
Capital expenditure and financial investment	23	(3,938)	(2,829)
Financing	24	(1,552)	(1,556)
Increase / (decrease) in cash in the year		<u>2,780</u>	<u>3,277</u>
Reconciliation of net cash flow to movement in debt			
Increase / (decrease) in cash in the year		2,780	3,277
Change in debt	25	1,565	775
Change in net debt		<u>4,345</u>	<u>4,052</u>
Net funds at 1 August	25	5,114	1,062
Net funds at 31 July	25	<u>9,459</u>	<u>5,114</u>

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014

	Notes	2013/14 £'000	2012/13 £'000
1 Funding body grants			
Recurrent grants			
Higher Education Funding Council for England (HEFCE)		8,073	9,107
National College for Teaching and Leadership (NCTL) / Teaching Agency (TA)		2,862	5,624
Specific grants			
HEFCE		167	2,271
NCTL / TA		148	224
Deferred capital grants released in year			
Buildings	18	456	456
Equipment	18	247	854
		11,953	18,536
2 Tuition fees and education contracts			
Full-time home and EU students		32,975	28,456
Full-time international students		499	495
Part-time students		2,764	2,166
		36,238	31,117
Education contracts (NHS)		11,799	11,860
		48,037	42,977
3 Research grants and contracts			
Research councils and charities		363	491
		363	491
4 Other income			
Residences		3,068	3,196
Catering		851	1,195
Conferences		290	316
Release from deferred capital grants	18	321	315
Release of Energy Coast Campus Programme funding		390	510
Other income		4,856	5,945
		9,776	11,477
5 Endowment and investment income			
Income from short-term investments		118	85
		118	71

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014

	Notes	2013/14 £'000	2012/13 £'000
6 Staff costs			
Salaries		31,274	32,438
Social security costs		2,442	2,569
Occupational Pension Scheme Costs:			
Employer Contributions	28	4,146	4,085
FRS 17 adjustments	28	559	771
Restructuring costs		761	734
Total		39,182	40,597

Pension Settlement on Bulk Transfer of Staff

FRS 17 exceptional gain on settlement	29	0	(1,186)
Total		0	(1,186)

	2013/14 Number	2012/13 Number
Average staff numbers by major category		
Academic staff	343	369
Academic support and other support staff	602	617
	945	986

The numbers disclosed above relate to full-time equivalents.

	2013/14 £	2012/13 £
Annual emoluments of the Vice-Chancellor		
Salary	172,473	170,150
Benefits	0	0
	172,473	170,150
Pension contributions	16,234	23,991
	188,707	194,141

Annual remuneration of higher paid staff (other than the Vice-Chancellor), excluding employer's pension contributions, was within the ranges set out below

	2013/14 Number	2012/13 Number
£100,000 to £109,999	4	3
£110,000 to £119,999	2	1
	6	4

Two higher paid staff left the University's employment during 2013/14 and are included in the table above on a full year basis.

Compensation for loss of office of £100,000 was paid in 2013/14 to higher paid staff.

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014

	Notes	2013/14 £'000	2012/13 £'000
7 Interest and other finance costs			
Loans not wholly repayable within five years		359	358
FRS 17 Adjustment: Net interest on pension liabilities - LGPS	28	599	771
FRS 17 Adjustment: Net interest on pension liabilities - pension provision	17	34	44
		<u>992</u>	<u>1,173</u>

8 Analysis of total expenditure by activity

Academic departments and services		34,959	37,769
Administration and central services		18,950	18,696
Premises		6,543	5,656
Residences, catering and conferences		2,035	2,471
Impairments		58	2,772
Others		810	811
		<u>63,355</u>	<u>68,175</u>

Other operating expenses include:

External auditor's remuneration in respect of audit services		45	45
External auditor's remuneration in respect of non-audit services		3	12
In year operating lease rentals			
Land and buildings		1,473	2,039
Other		95	103

The operating lease payments above include £0.1m of expenditure (2012/13: £0.6m) which was provided for and charged to the Income and Expenditure Account in 2010/11. See Note 17 for further details.

Trustees

No trustee received any remuneration or waived payments from the group during the year. The total expenses paid to or on behalf of trustees was £6,361 (2012/13: £8,277). 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.

9 Exceptional items

FRS 17 exceptional gain on settlement	29	0	(1,186)
Profit on sale of fixed assets	10	(381)	0
		<u>(381)</u>	<u>(1,186)</u>

For more details of the exceptional items, please see the notes that are referenced above.

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014

10 Tangible assets

	Freehold Land and Buildings £'000	Furniture and Equipment £'000	Motor Vehicles £'000	Computers £'000	Assets in the Course of Construction £'000	Total £'000
Consolidated and University						
Cost and valuation						
At 1 August 2013	53,362	9,112	117	12,985	1,334	76,910
Additions - at cost	4,515	771	5	817	0	6,108
Transfer between categories	1,334	0	0	0	(1,334)	0
Gain on revaluation	1,081	0	0	0	0	1,081
Impairments	(255)	0	0	0	0	(255)
Disposals	(1,099)	(6)	0	(95)	0	(1,200)
At 31 July 2014	58,938	9,877	122	13,707	0	82,644
Depreciation						
At 1 August 2013	362	7,122	94	9,507	0	17,085
Charge for the year	1,002	904	12	1,221	0	3,139
Written back on revaluation	(480)	0	0	0	0	(480)
Disposals	(25)	(6)	0	(95)	0	(126)
At 31 July 2014	859	8,020	106	10,633	0	19,618
Net book value						
At 31 July 2014	58,079	1,857	16	3,074	0	63,026
At 31 July 2013	53,000	1,990	23	3,478	1,334	59,825

Valuation of freehold and buildings

A revaluation of land and buildings at the Ambleside Campus was carried out by CB Richard Ellis Limited on 31 July 2014 and at all other campuses on 31 July 2013. The valuer was qualified for the purpose of the valuation in accordance with RICS Appraisal and Valuation Standards. The valuation was carried out on the basis of depreciated replacement cost for specialised properties and existing use value for non-specialised properties.

The valuation of the Ambleside campus resulted in a net increase in the net book value of the University's freehold land and buildings of £0.9m.

Assets held for resale

At 31 July 2014, land and buildings with net book value of £1.6m were transferred to Current Assets on the balance sheet. The sale of these assets is expected during 2014/15.

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014

10 Tangible assets (continued)

All assets shown in the balance sheet are included at historical cost value, with exception of Freehold Land and Buildings, which are shown at revalued amounts.

Under the terms of establishment of the University, the Church of England retains an interest in the former freehold properties of St Martin's College.

11 Investments

	Notes	2013/14		2012/13	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Subsidiary companies	30	0	10	0	10
		<u>0</u>	<u>10</u>	<u>0</u>	<u>10</u>

12 Endowment assets (consolidated and university)

	2013/14 £'000	2012/13 £'000
Balance at 1 August	117	124
New endowments invested	39	4
Decrease in cash balances held for endowment funds	(13)	(11)
Balance at 31 July	<u>143</u>	<u>117</u>

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014

	2013/14		2012/13	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
13 Stock				
Stocks of goods for resale	29	29	28	28
14 Debtors: amounts falling due within one year:				
Debtors	987	987	1,184	1,184
Prepayments and accrued income	2,035	2,035	2,151	2,151
Amounts due from subsidiary companies	0	0	0	48
	3,022	3,022	3,335	3,383
15 Creditors: amounts falling due within one year				
Loans	1,495	1,495	1,416	1,416
Obligations under finance leases	146	146	146	146
Trade creditors	2,619	2,619	2,516	2,516
Social security and other taxation payable	782	782	823	823
Accruals and Deferred Income	5,136	5,136	7,106	7,106
Amounts due to subsidiary companies	0	107	0	107
	10,178	10,285	12,007	12,114
16 Creditors: amounts falling due after more than one year				
Loans	8,970	8,970	10,455	10,455
Obligations under finance leases	322	322	468	468
Accruals and Deferred Income	718	718	925	925
	10,010	10,010	11,848	11,848

The details of the University's loans are as follows:

Lender	Amount Outstanding 31 July 2014 £'000	Term	Interest rate	Security
Barclays Bank plc	7,040	2036	2.21% - variable	Fixed charge over halls of residence at Brampton Road campus
Cumbria County Council	426	Indefinite (reducing balance)	4.52% - variable	Unsecured
Barclays Bank plc	742	2020	10.62% - fixed	Fixed charge over halls of residence at Brampton Road campus
HEFCE - SDF loan for major restructuring costs	2,000	2016	0.00%	Unsecured
HEFCE - RGF loan for energy efficiency projects	257	2018	0.00%	Unsecured
	10,465			

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014

16 Creditors (continued)

Finance Lease

The University entered into a finance lease during 2012/13 for equipment installed as part of the upgrade to its data centre. The leased equipment had net book value of £0.6m at 31 July 2014 (2012/13: £0.8m). An obligation of £0.5m (2012/13: £0.6m) has been recognised on the balance sheet and the amount payable in the future under this lease has been analysed as follows:

	2013/14 £'000	2012/13 £'000
Payable in next year	146	146
Payable in two to five years	322	468
	468	614

17 Provisions for liabilities

	Onerous Leases £'000	Enhanced Pensions £'000	Dilapidations £'000	Funding Review £'000	Other £'000	Total £'000
Consolidated and University						
At 1 August 2013	589	799	639	548	0	2,575
Arising in year	224	58	0	0	45	327
Utilised in year	(103)	(68)	0	0	0	(171)
Transfer from / to the Income and Expenditure Account	0	0	0	(548)	0	(548)
At 31 July 2014	710	789	639	0	45	2,183

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 2013/14, the University increased its provision for one of the sites by £0.2m following clarification of the lease terms.

Enhanced Pensions

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 4.06% (2012/13: 4.28%) and a net interest rate of 2.25% (2012/13: 2.50%) have been assumed.

Dilapidations

The University provided £0.6m in 12/13 in respect of the liability for dilapidations works at two leased properties.

Funding Review

The University provided £0.5m in 2012/13 in relation to a review of funding which was received in previous financial years. Following the outcome of the review, this was released in the year.

18 Deferred capital grants

	Funding Council £'000	Other Grants £'000	Total £'000
Consolidated and University			
At 1 August 2013			
Buildings	16,301	1,163	17,464
Equipment	573	501	1,074
Total	16,874	1,664	18,538
Received in year			
Buildings	453	138	591
Equipment	0	111	111
Total	453	249	702
Released to income and expenditure account			
Buildings (notes 1 and 4)	456	31	487
Equipment (notes 1 and 4)	247	290	537
Total	703	321	1,024
At 31 July 2014			
Buildings	16,298	1,270	17,568
Equipment	326	322	648
Total	16,624	1,592	18,216

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014

19 Endowments (consolidated and University)

	Restricted Permanent £'000	Restricted Expendable £'000	2014 Total £'000	2013 Total £'000
Balances at 1 August 2013				
Accumulated income	108	9	117	124
Changes during the year:				
New endowments	24	3	27	4
Investment income	12	1	13	0
Expenditure	(6)	(8)	(14)	(11)
Balances at 31 July 2014	138	5	143	117

20 Reserves

	Notes	Year ended 31 July 2014	
		Consolidated £'000	University £'000
Income and expenditure reserve excluding pension reserve			
At 1 August 2013		26,435	26,386
Surplus retained for the year		7,539	7,491
Transfer from revaluation reserve		224	224
Actuarial loss on Local Government Pension Scheme	28	(286)	(286)
Actuarial loss on enhanced pension provision	17	(24)	(24)
Pension scheme charge to general reserves		1,444	1,444
At 31 July 2014		35,331	35,234
Pension reserve			
At 1 August 2013		24,927	24,927
Actuarial loss on Local Government Pension Scheme		286	286
Charge to income and expenditure account		1,158	1,158
At 31 July 2014		26,371	26,371
Revaluation reserve			
At 1 August 2013		9,268	9,268
Gain on revaluation of fixed assets		1,465	1,465
Impairment of fixed assets		(101)	(101)
Transfer from revaluation reserve to general reserve in respect of:			
Depreciation charged on revalued assets		(176)	(176)
Sale of fixed assets		(48)	(48)
At 31 July 2014		10,408	10,408

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014

	Notes	2013/14 £'000	2012/13 £'000
21 Reconciliation of surplus before tax to net cash flow from operating activities			
Surplus after depreciation of tangible fixed assets at valuation and before tax		7,171	4,205
FRS 17 gain on settlement (exceptional item in Income and Expenditure account)	9	0	1,186
Depreciation	10	3,139	2,980
Impairments	10	58	2,772
Deferred capital grants released to income	18	(1,024)	(1,625)
Pension costs less contributions payable	28	1,158	356
Investment income	5	(118)	(85)
Interest payable	7	359	358
(Increase) / decrease in stocks	13	(1)	(2)
(Increase) / decrease in debtors and prepayments	14	313	(897)
Increase / (decrease) in creditors and accruals	15	(2,115)	(1,494)
Increase / (decrease) in provisions	17	(392)	208
(Profit) / Loss on disposal of subsidiary company		0	(5)
Net cash inflow / (outflow) from operating activities		8,548	7,957
22 Returns on investments and servicing of finance			
Interest received		64	45
Interest paid		(342)	(340)
		(278)	(295)
23 Capital expenditure and financial investment			
New endowment funds received	19	27	4
Endowment funds expended	19	(14)	(11)
Payments made to acquire fixed assets	10	(6,108)	(3,015)
Receipts from sale of fixed assets	10	1,455	0
Deferred capital grants received	18	702	193
Net cash inflow / (outflow) for capital expenditure and financial investment		(3,938)	(2,829)
24 Financing			
New financing acquired - HEFCE RGF		238	19
Repayments of amounts borrowed		(1,644)	(1,408)
Capital element of finance lease rental payments		(146)	(167)
		(1,552)	(1,556)

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014

25 Analysis of changes in net debt

	Notes	At 1 August 2013 £'000	Cash Flows £'000	Non-cash Changes £'000	At 31 July 2014 £'000
Endowment assets	12	117	13	13	143
Cash at bank and in hand		17,482	2,780	(13)	20,249
Debts due within one year		(1,562)	(79)	0	(1,641)
Debts due after one year		(10,923)	1,631	0	(9,292)
		<u>5,114</u>	<u>4,345</u>	<u>0</u>	<u>9,459</u>

	2013/14	2012/13
	Consolidated and University £'000	Consolidated and University £'000

26 Capital Commitments

Provision has not been made for the following capital

Commitments contracted for:	390	2,764
	<u>390</u>	<u>2,764</u>

27 Amounts disbursed as agent (consolidated and
University)**HEFCE - Access to Learning Fund**

Excess of income over expenditure at 1 August	10	10
Funding council grants	195	201
Interest earned	3	3
Grants paid	(188)	(204)
Excess of income over expenditure at 31 July	<u>20</u>	<u>10</u>

NCTL / TA - Training Bursaries

Excess of income over expenditure at 1 August	19	60
Funding council grants	4,063	3,854
Returned to Funding Council	0	(60)
Grants paid	(4,256)	(3,835)
Excess of (expenditure) over income at 31 July	<u>(174)</u>	<u>19</u>

NHS - Health visitor bursaries

Excess of income over expenditure at 1 August	9	43
Funding council grants	58	20
Interest earned	0	0
Grants paid	(57)	(54)
Excess of income over expenditure at 31 July	<u>10</u>	<u>9</u>

The grants and bursaries detailed above are available solely to assist students. The University acts solely as paying agent. These disbursements are therefore excluded from the Income and Expenditure account.

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014

28 Pension schemes

The University has two principal pension schemes, the Teachers' Pensions Scheme England and Wales (TPS) and the Lancashire County Pension Fund - Local Government Pension Scheme (LGPS).

The pension costs for the University and its subsidiaries were:

	2013/14 £'000			2012/13 £'000		
	Employer Contributions	FRS 17 Adjustment	Total Pension Costs	Employer Contributions	FRS 17 Adjustment	Total Pension Costs
TPS	2,062	0	2,062	2,207	0	2,207
LGPS	2,084	559	2,643	1,878	771	2,649
Total pension cost	4,146	559	4,705	4,085	771	4,856

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 17 "Retirement benefits" (FRS17), 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 FRS17 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 were set at 16.48% of pensionable pay (including a 0.08% levy for administration), an increase from the current 14.1% that is payable;
- 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 new employer contribution rate for the TPS will be implemented in September 2015.

The total University contribution into the scheme in 2013/14 was £2.1m.

LGPS

The Lancashire County Pension Fund is a funded defined benefit scheme, with assets held in separate trustee administered funds. The total contribution of the University into the scheme in 2013/14 was £2.1m (2012/13: £1.9m). The current employer contribution rate is 11.3% of pensionable salaries. From 1 April 2014, the University has been making contributions, which will total £0.9m each year, in order to recover its 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 2013 were released during 2013/14 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 2013, there was a shortfall of £1,377m and that the assets were sufficient to cover 78% of the scheme's liabilities. Note that, in calculating the employer contribution rate, the University opted to assume that salaries would rise by 4.1% per annum in both the short and long-term.

Latest Actuarial Valuation	31 March 2013
	£m
Total Assets	5,011
Total liabilities	(6,388)
Past service surplus / (shortfall)	(1,377)
Funding level	78.0%
Discount rate	4.8%
Pension increase per annum	2.6%
Salary scale increases per annum (short-term)	1.0%
Salary scale increases per annum (long-term)	4.1%
Long term CPI inflation	2.6%

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014

28 Pension schemes (continued)

Local Government Pension Scheme (continued)

The University has applied FRS 17 and the following disclosures relate to this standard. The University recognises any gains or losses in each period in the Statement of Total Recognised Gains and Losses. The material assumptions used by the actuary at 31 July 2014 were:

	2013/14 (%)	2012/13 (%)
Price increases (CPI)	2.3	2.4
Salary increases	3.8	4.4
Pension increases	2.3	2.4
Discount rate	4.3	4.6

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

	2013/14 (Years)	2012/13 (Years)
<i>Retiring today</i>		
Males	22.8	22.1
Females	25.3	24.8
<i>Retiring in twenty years</i>		
Males	25.0	23.9
Females	27.7	26.7

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014

28 Pension schemes (continued)

Local Government Pension Scheme (continued)

The assets in the LGPS scheme and the expected rates of return were:

	2013/14		2012/13		2011/12	
	Long-term return	Fund value £'000	Long-term return	Fund value £'000	Long-term return	Fund value £'000
Equities	7.00%	30,636	7.00%	31,543	7.00%	33,940
Bonds - Government	3.20%	123	3.30%	4,243	2.50%	2,652
Bonds - Other	4.10%	16,396	4.30%	12,666	3.40%	9,387
Property	6.20%	5,917	5.70%	5,103	6.00%	4,773
Cash	0.50%	1,479	0.50%	2,890	0.50%	2,121
Other	7.00%	7,088	7.00%	5,042	7.00%	159
		61,639		61,487		53,032

The following amounts at 31 July 2014 were measured in accordance with the requirements of FRS17:

	2013/14 £'000	2012/13 £'000
Analysis of the amount shown in the balance sheet		
The University's estimated asset share	61,639	61,487
Present value of the University's scheme liabilities	(88,010)	(86,414)
Deficit in the scheme - net pension liability	(26,371)	(24,927)
Analysis of the amount charged to staff costs within operating surplus		
Current service cost	(2,642)	(2,666)
Past service cost	0	0
Settlements and curtailments	0	1,186
Total operating charge	(2,642)	(1,480)
Analysis of the amount that is credited to other finance income / (charged to interest payable)		
Expected return on pension scheme assets	3,376	2,973
Interest on pension scheme liabilities	(3,975)	(3,744)
Net return / (charge)	(599)	(771)
Analysis of the amount that would be recognised in the statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	(2,695)	6,365
Changes in assumptions underlying the present value of scheme liabilities	2,409	(1,911)
Actuarial gain / (loss) recognised in STRGL	(286)	4,454
Movement in deficit in the year		
Deficit in scheme at beginning of year	(24,927)	(29,025)
Movement in the year:		
Current service costs	(2,642)	(2,666)
Employer Contributions	2,083	1,895
Past service costs	0	0
Net return on assets	(599)	(771)
Impact of settlements and curtailments	0	1,186
Actuarial gain / (loss)	(286)	4,454
Deficit in scheme at end of year	(26,371)	(24,927)

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014

28 Pension schemes (continued)

Local Government Pension Scheme (continued)

	2013/14 £'000	2012/13 £'000
Analysis of the movement in the present value of the scheme liabilities		
At beginning of the year	86,414	82,057
Current service cost	2,642	2,666
Interest cost	3,975	3,744
Contributions by scheme participants	889	898
Actuarial (gains) / losses	(2,409)	1,911
Settlements	0	(3,596)
Benefits/transfers paid	(3,501)	(1,266)
Past service cost	0	0
At end of the year	<u>88,010</u>	<u>86,414</u>
Analysis of the movement in the market value of the scheme assets		
At beginning of the year	61,487	53,032
Expected rate of return on scheme assets	3,376	2,973
Actuarial gains / (losses)	(2,695)	6,365
Contribution by the employer	2,083	1,895
Contributions by scheme participants	889	898
Benefits paid	(3,501)	(1,266)
Settlements	0	(2,410)
At end of the year	<u>61,639</u>	<u>61,487</u>

History of experience gains and losses

	2013/14 £'000	2012/13 £'000	2011/12 £'000
Cumulative			
Difference between the expected and actual return on scheme assets:			
Amount (£'000)	(2,695)	6,365	1,733
Percentage of scheme assets	-4.4%	10.4%	3.3%
Experience gains / (losses) on scheme liabilities			
Amount (£'000)	4,418	0	0
Percentage of present value of scheme liabilities	5%	0%	0%
Total amount recognised in statement of total recognised (gains) / losses:			
Amount (£'000)	286	(4,454)	4,427
Percentage of present value of scheme liabilities	0.3%	5.2%	5.4%

Defined benefit scheme assets do not include any of the University's own financial instruments, or any property occupied by the University.

The estimated employer contribution to the defined benefit scheme for the year to 31 July 2015 is £2,435,000

UNIVERSITY OF CUMBRIA**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014****29 Pension Settlement on Bulk Transfer of Staff**

The transfer of the University's Further Education provision to Askham Bryan College in August 2011 led to a number of staff leaving the University's employment and joining the College under the Transfer of Undertakings (Protection of Employment) Regulations. 62 of these staff were members of the Local Government Pension Scheme (LGPS) which is operated by the Lancashire County Council for University staff and by the North Yorkshire Pension Fund for Askham Bryan College employees.

The LGPS Regulations require that a transfer of assets is made between the two Funds in recognition of the transfer of liabilities. The transfer is governed by the Regulations which provide for the transfer to be determined by agreement between the two fund actuaries.

Agreement was reached during 2013 and this resulted in the transfer of £3.6m of liabilities and £2.4m of assets from the Lancashire County Council to the North Yorkshire Pension Fund. This resulted in a gain on settlement of £1.2m which was recognised in the Income and Expenditure Account in 2012/13 as an exceptional item.

30 Subsidiary undertakings

The University owns 100% of the share capital of the UoC Trading Limited which did not trade in 2012/13 or 2013/14. Moorbury Limited and Sunnyglen Limited were 100% owned by The University until 15 April 2014 when they were dissolved.

31 Disclosure of related party transactions

Due to the nature of the University's operations and the composition of the Board of Directors, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board may have an interest. All transactions involving organisations in which a member of the Board may have an interest are conducted at arm's length and in accordance with the University's financial regulations. No transactions in 2013/14 were identified which should be disclosed under Financial Reporting Standard 8 'Related Party Disclosures'. The Group has taken advantage of the exemption set out in FRS 8 and has not disclosed intra-group transactions.





Registered Office:

University of Cumbria

Fusehill Street
Carlisle
Cumbria
CA1 2HH

Tel: 01228 616234

Company Limited by Guarantee: 06033238

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For other formats (for example Braille) please contact the Vice Chancellor's Office on 01228 616056.