



University of Cumbria

Annual Report

For the Year Ended 31 July 2018

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Strategic Report

Foreword by the Chair of the Board of Directors

I am delighted to have the privilege to serve as the Chair of the University's Board of Directors. At the start of my tenure in this important role, I join with fellow Directors and the University's Executive, staff, students and stakeholders in celebrating the successes of not just the last 12 months but, at the close of the University's 10th anniversary celebrations, the achievements since the University was formed. With effective governance led by the outgoing Chair, Euan Cartwright and his predecessors before him, the University has developed considerably and now plays a key role regionally and nationally in providing excellent teaching, learning and research opportunities to a wide range of students – including to school and college leavers, mature students and those in workplace settings.

The University has a clear and ambitious Strategic Plan in place. As a Board, we are pleased with the way in which plans to deliver it have been formed and put into place and the achievements it has led to in 2017/18. The Vice Chancellor and her team continue to bring focus and effective planning and delivery which has led to some excellent student outcomes, not least in the area of graduate employment. The partnerships the University has developed with key business and organisations, providing the skills they need to grow and succeed, are vital to the region's success. With the leadership we have in place, we are confident that these and other relationships will continue to develop further in 2018/19 and into the future.

This year was not without challenge or change. Internally, we have seen the benefits of reviews of structures and responsibilities and the excellent response of staff to different ways of working. Student recruitment to undergraduate programmes remains challenging, with increased competition coinciding with a reduced number of 18 year olds. Externally, there continues to be change, with the creation of the Office for Students, removal of NHS funding and bursaries for pre-registration healthcare students and the increasingly competitive nature of recruitment of undergraduate students. The challenges and opportunities presented have been managed well by the University, as shown by the stronger financial performance and across a range of key performance indicators. This is credit to our dedicated staff, the Vice Chancellor and her Executive and my fellow Directors and Associate Directors.

Change is likely to be a theme in 2018/19 and beyond, with the proposals from the review of Post 18 Education and Funding to be published in early 2019 and the developing influence of the Office for Students. The Board will continue to provide the leadership and oversight required to ensure that the University remains able to address risks and to maximise the many opportunities available to us and achieve the growth and success set out in the Strategic Plan.

Geoffrey Donnelly, Chair of the Board of Directors

Introduction by the Vice Chancellor

The University of Cumbria aims to be a catalyst for individual and regional prosperity and pride: to raise the aspirations and attainment of our young people; to provide routes into and through higher education; to address current and future skills needs; to attract new talent into our region to learn, work, live, settle and thrive, and to contribute to place and our communities. All with a firm emphasis on collaborative-working and partnerships.

As we end our ten-year anniversary celebrations, celebrating many successes since 2007, I am delighted with our achievements this year. We are maturing as a University, empowering our students with the skills, attributes and confidence necessary to maximise their potential. We are at the forefront of delivering professional higher-level learning to meet the demands of an ever-evolving workforce and emerging markets.

Key measures of our success are the views of our students and their outcomes. Our rapid rise to 35th in the student-informed survey 'WhatUni' coupled with some improvements in the National Student Survey results were welcome. There is still, however, much to do to improve student satisfaction further in 2018/19 and beyond. We will do this and have focused action plans in place with this purpose across our University. The fact that 97% of all of our graduates are employed or in further study within six months of graduation, and of those, 82% are in professional level jobs or study, is evidence of the quality of what we do and the support we provide to help students succeed. Student experience, value for money and student outcomes are central to the University's plans and strategy and it is pleasing to see evidence of the effectiveness of our approach in these and other areas.

As we grow we continue to change and develop, and to anticipate and address the needs of partners, employers and students. Evidence of this is seen in the successful launch of higher level apprenticeships at the University this year, helping provide skills in key sectors of the economy in partnership with businesses and other organisations. Current delivery is across a range of areas including Nursing, Project Management, Business, Health and Social Care and Healthcare Science, with more programmes in development for delivery in the coming year on a regional and national scale. Seen alongside our work with schools, NHS Trusts, Local Authorities, businesses and a wide range of employers, our work in this area demonstrates our commitment to support and drive the prosperity of our region and beyond.

Our ambition for 2018/19 and beyond is to build on past and present successes and developments. We plan for success in a wide range of areas, including student outcomes, experience and recruitment, partnerships with employers and other organisations, and with regard to research activities as we await the outcome of our Research Degree Awarding Powers submission. Additionally, in our reviews of core infrastructure and processes we are striving to further improve the quality of the vital operations that support all that we do.

We have a stronger financial position to work from, helped by a successful year in 2017/18, and the assets we need in place, via our people, place and partnerships, to deliver our plans. Our work to review our organisational structures and ways of working over the last 12 months has enhanced our efficiency and effectiveness and leaves us well placed to succeed in the future. As the Strategic Review sets out, there are external uncertainties such as the impact of increased competition, changes in regulation and a review of the core funding model for universities. We have shown in 2017/18 how proactively and effectively we respond to change and we are well placed to continue to respond to it and to grasp the significant opportunities that are also present. With a clear focussed strategy and operating plan in place, and dedicated teams striving for the same goals, I am confident that we will continue to succeed. Further inspiring, engaging and adding value to people's lives.

Professor Julie Mennell, Vice Chancellor

Strategic Review

The University continues to make considerable progress in achieving the objectives set out in our Strategic Plan. This Plan, with our vision to be a catalyst for individual and regional prosperity and pride at its heart, sets out how the University will raise aspirations, educational attainment and contribute to the well-being and vitality of our communities.

In this first year of the Plan, the University celebrated 10 years of achievement and success since formation in 2007. This year, over 2,000 further graduates joined the 30,000 who have been equipped with the skills and knowledge required for their careers across the last 10 years. Alongside the quality assessments provided by the Quality Assurance Agency for Higher Education, OFSTED and the Nursing and Midwifery Council, among others, the proportions of graduates entering employment or further study is a clear indication of the excellence of the University's provision. The latest data shows that 97% of all students are working or studying within six months of graduating from the University. 82% are in professional employment or further study, building on improvements across multiple years. These graduate destinations statistics reflect the dedication of our students, the staff who support them and the University's commitment to working with employers to create opportunities and to equip students for these.

Enabling our students to enter their chosen professions and progress in their careers is central to the University's mission. This, and other outcomes such as student satisfaction, continuation and achievement are key measures of the success of our strategy. In 2017/18, we were delighted to be ranked 35th nationally in the WhatUni student survey, a rise of 60 places compared to the prior year. We have continued to listen to the feedback provided in this survey and the National Student Survey as we seek to further improve the experience of our students. While the University's results improved across almost all the questions in the most recent National Student Survey, there is much work still to do and this is a key focus of efforts in 2018/19. We have increased our resources to support students who present to us with mental health issues and have rolled out a comprehensive training programme with additional support mechanisms to help students and staff identify colleagues who need support and equip them to make positive interventions. We have set clear and ambitious targets in all student outcome and experience areas, and intend to build on successes in 2017/18.

Our desire to raise the aspirations and attainment of individuals is a constant across the wide variety of education we provide and in our outreach, recruitment, student support, teaching and learning, through to our excellent employment and further study outcomes and beyond. We are proud to lead the regional partnership which aims to rapidly increase the number of young people from under-represented groups who go on into higher education, which is funded by the Office for Students under the National Collaborative Outreach Programme (NCOP). The work in this and a range of other initiatives in 2017/18 has helped ensure that the University continues to be accessible to all, demonstrating how seriously the University takes its core mission and duty, as a charity, to act for the public benefit. 37% of all students at the University are from localities which have the lowest numbers of people entering higher education. Compared to the national figure of 12%, 20% of our undergraduate students under 21 years old on entry are from these "low participation" neighbourhoods. Around 1% of students at the University are care-leavers and a higher proportion of students have a declared disability than across the University sector. These, and a range of other metrics, including the £1m spent on bursaries and scholarships in 2017/18, illustrate our commitment to the access and success of all.

The University provides learning and research opportunities to its diverse student body across an exciting range of subjects and related professions. Our portfolio and activities are increasingly shaped by and through partnership with regional and national employers. This is a key element of the Strategic Plan and it has continued to develop and flourish in 2017/18. Our Project Academy, working with Sellafeld Ltd, has provided training to 1,300 staff since

formation with 110 students registered in 2017/18. This essential training in project management has been provided to other employers, including at higher apprenticeship level. 2017/18 saw the first delivery of apprenticeships by the University. Aligned to regional skills needs and Government priorities, the University began training 75 apprentices, who are employees of businesses and organisations in the region and beyond. This included Morecambe Bay Trust's first nursing degree apprentices. This activity is expected to grow further in 2018/19, both in the region and nationally. Alongside paramedic training provided for ambulance services and in partnership with the military, our teacher education provision is thriving and we work with over 2,000 schools across Cumbria, Lancashire and London.

These and other successes in 2017/18 have been achieved at a time of considerable ongoing change within the higher education sector. Student recruitment is increasingly competitive and, of course, tuition fees remain capped and subject to a Governmental review. For the first time this year, tuition fees were introduced for pre-registration healthcare programmes such as nursing, which coincided with the removal of bursaries for new students in these subject areas, and there were further changes in national policy relating to the training of teachers. The environment provides both challenges and opportunities for the University, which the University is well placed to respond to.

The University experienced a reduction in undergraduate student numbers in 2017/18 as a result of falls in applications and acceptances in this and previous years. This was anticipated within the budget and was largely offset by new income streams and cost reductions at the end of the 2016/17 year. Student recruitment levels remain a key risk to the University and increasing recruitment is a key focus of the University's strategy. The cash surplus achieved of £4.1m is an improvement on the prior year and illustrates the University's ability to enhance its financial position at a time of considerable change and while continuing to invest in the experience of students. The opening of a new £8m teaching building in Lancaster took place in 2017/18 and a further £2.7m was spent on a range of capital and infrastructure development works and repairs.

As we enter 2018/19, further change is expected. The Office for Students, the sector's regulator, was established in April 2018; the University is now on their Register of English higher education providers. It is expected that the Office for Students will continue to consult on a range of changes to the way universities operate and what is required of them, which may have implications for the University. Any changes will be alongside the implementation of the outcomes of the Post-18 Education and Funding review which is due to report in early 2019 and which may alter the method and/or quantum of funding for universities. The University also expects that contribution rates related to the Teachers' Pension Scheme will rise significantly from September 2019. The risks presented by these and other factors are well understood by the University and will be managed and mitigated.

Financial Review

2017/18 was the first full financial year following the launch in 2017 of a new Strategic Plan, and it is very pleasing to report financial results that exceeded expectations in terms of income generation and both cost and cash management.

The University's financial performance and position has improved in 2017/18, providing a stronger basis from which to continue investing in the experience of our students and ensure continued delivery of the Strategic Plan. The challenges presented by historic falls in student recruitment and inflationary cost pressures were anticipated and addressed through a focus on income diversification and careful cost management. This approach has resulted in an improved Cash Surplus of £4.1m (7% of income), the key indicator used by the University to measure its underlying financial performance and a stronger Balance Sheet, with the cash balance held increasing by £1.8m to £14.9m.

	2017/18	2016/17
	£m	£m
Total Operating Income*	58.3	59.7
Operating Expenditure:		
Staff Costs	36.4	39.2
Restructuring	0.0	2.9
Non-Staff Costs	17.8	16.6
Total Operating Expenditure*	54.2	58.7
Cash Surplus	4.1	1.0
Accounting adjustments:		
Depreciation and impairments (expenditure)	3.9	3.5
Pension provision movements (expenditure)	2.9	2.6
Release of deferred capital grants (income)	0.8	0.7
Accounting Deficit (per financial statements)	-1.8	-4.4
Cash Balance (per financial statements)	14.9	13.1

**The Income and Expenditure figures in this table do not include the "accounting adjustments" which are required to be recorded in the financial statements. These accounting adjustments are listed separately in the table as they do not impact on the cash position. The Income and Expenditure figures stated in the table reconcile to those reported in the financial statements when these accounting adjustments are included.*

Financial Performance

The University has experienced successive reductions in its income over several years, largely as a result of changes to national teacher training policies and the shifts in recruitment patterns and demand that are related to this and to other factors. While income fell in 2017/18, the reduction was, at 2%, more modest than in recent years, reflecting the

work that has taken place to develop alternative income streams as well as to maintain and increase student recruitment levels across the University's diverse portfolio. Income from full-time students has been boosted through year-round recruitment to our London campus and through the securing of contracts with employers to deliver apprenticeships and a range of healthcare training. Building on these and other developments, it is expected that the 2018/19 financial year will see an increase in income as the University's Strategic Plan continues to be delivered.

University expenditure fell by £4.5m (6%) compared to last year. The financial benefits of the £2.9m restructuring costs in 2016/17 have been seen in year with a £2.9m (7%) reduction in staff costs. This has been achieved through the streamlining of processes and structures and the maintaining of student to staff ratios in academic departments. This reduction is stated after taking into account a 1.7% pay award for all staff and incremental progression for many, which accounts for a further 1.3% increase. Staff costs now stand at 62.4% of income, a reduction from a 65.7% rate in 2016/17.

Non-staffing expenditure increased by £1.3m (8%). This reflects increased investment in the condition and quality of teaching facilities and student accommodation as well as the costs associated with the delivery of a range of new and expanding income streams.

Financial Position

All key balance sheet indicators have improved in 2017/18. The current ratio of 1.7 and 95 days of liquidity reflect the careful cash management that has taken place and locate the University just marginally below the sector medians for both measures, per expected sector performance.

The University invested extensively in its estate and infrastructure in 2016/17, with £11.1m of capital additions leading to the construction of the Sentamu Building in Lancaster, new student accommodation in Ambleside, an extension to the Science laboratories in Carlisle and a range of other developments. During 2017/18, the final payments were made to complete these projects and a further £1.4m was invested in capital infrastructure. This was supplemented by £1.3m of costs, recorded as non-pay expenditure in the financial statements, which has been used to improve facilities and address maintenance needs. The most significant balance sheet movement is the favourable actuarial estimate of the University's share of the Local Government Pension Scheme Deficit. Improved asset returns and reduced liabilities as a result of a reduction in the discount rate, have led to a net £12.1m fall in the provision related to this area. In advance of the next scheme valuation as at 31 March 2019, this is a welcome improvement in the position.

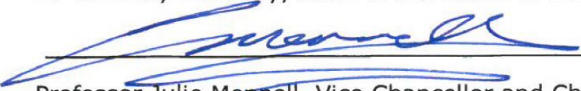
Going Concern

The financial statements are prepared on the going concern basis. The Board of Directors have reviewed the progress made during 2017/18, the objectives as set out in the Strategic Plan and Annual Operating Plan, and financial projections. Based on this review, the Board of Directors are satisfied that the University has adequate resources to continue for the foreseeable future.

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



Mr Geoffrey Donnelly, Chair of the Board of Directors



Professor Julie Mennell, Vice Chancellor and Chief Executive

Directors' and Corporate Governance Report

The Directors' and Corporate Governance report and statement on internal control covers the period from 1 August 2017 to 31 July 2018, and up to the date of approval of the audited financial statements.

Governance

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

Background

The University is a company limited by guarantee and is an exempt charity under the terms of Charities Act 2011. The University's structure of governance is as laid out in its revised Articles of Association, as approved by the Privy Council on 5 February 2016. The Articles of Association, require the University to have a Board of Directors and an Academic Board, each with clearly defined functions and responsibilities, to oversee and manage its activities and to support the achievement of its objectives.

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

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

The University Board of Directors, which meets at least six times each year, is the University's governing body. It is responsible for approving the corporate strategy and associated plans and budgets, monitoring the performance of the University and its executive, determining major business decisions and policies and is responsible for the overall framework of governance and management. It is specifically required to determine the educational character and mission of the University and to set its strategic direction. The responsibilities of the Board of Directors are set out in detail on page 19.

The University's Board of Directors comprises persons who are appointed in accordance with its Articles of Association. During 2017/18 the Chair was Mr Euan Cartwright and the Vice Chair was Professor Linda Challis. The membership includes the Vice Chancellor, a student director, who is an elected official from the Students' Union and, via open elections, a staff director. A full list of members is at page 12.

Through 2017/18 the succession from Mr Euan Cartwright to Mr Geoffrey Donnelly as Chair of the Board has been managed to allow a smooth transfer of responsibilities. Changes to the Chairs of the Board's committees has also been managed, with the 2018/19 chairs at a minimum attending the last meeting of the relevant committee in 2017/18. Membership of the committees has been managed to ensure sufficient continuity alongside refreshing the membership as appropriate to ensure fresh challenge.

In considering the composition of the University Board, its Nominations Committee takes account of the skills and experience of current directors, requirements of the Board required for effective discharge of its duties, and the need to ensure an appropriate balance and mix

of skills, expertise and experience as well as the diversity of the Board and its subcommittees. The Board currently has a good gender balance, but the age profile and ethnicity is less diverse, the recruitment of Directors for 2018/19 has sought to address this.

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 Chair leads an annual review of University Board effectiveness, with one to one meetings with each director at its heart. Independent external effectiveness reviews are also undertaken, in line with the CUC Governance Code of Practice. The most recent independent external effectiveness review was undertaken in 2014 with the next planned for 2018/19. The 2018/19 review will have a focus on the operations and effectiveness of both the Board and each of its committees, alongside benchmarking the Board's operations against the CUC HE Code of Governance.

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

Board Committees

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

Audit and Risk Committee (chaired by Mr David Allen in 2017/18; Ms Fiona Aiken in 2018/19) has responsibility for monitoring and reviewing the effectiveness of the University's systems of internal control, including risk management and financial controls, procedures, data and value for money.

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

The Committee will, 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 their review of the effectiveness of internal control.

Finance and Resources Committee (chaired by Mr Geoffrey Donnelly in 2017/18; Mr David Allen in 2018/19) has responsibility for advising and recommending to the Board on financial, estates and IT investment matters. It recommends to the University Board the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets and overall performance against the strategic plan.

Academic Governance Committee (chaired by Professor Linda Challis) provides the University Board with assurance that academic governance, and the associated internal control framework, is operating effectively to secure the quality of students' experience and the standards of the University's academic awards.

The Committee was established by the Board in response to its consideration of the revised framework for quality assessment and the accompanying requirement placed on English governing bodies by the Higher Education Funding Council of England (HEFCE) in respect of the annual assurance return, whereby the Board (governing body) was expected to confirm it had received assurances as to the quality of students' experience and the standards of the university's academic awards.

In line with its Terms of Reference, the Committee undertook an effectiveness review in June 2018 at the end of its first year of operation. The Committee concluded that its primary objective, to provide University Board with an informed evidence base with respect to academic quality and standards, and the quality of the student experience at the University, had been met. Enhancements to its Terms of Reference were agreed and incorporated into those in use for 2018/19.

Employment Policy Committee (chaired by Ms Jill Stannard) inter alia considers and recommends to the University Board on matters of Human Resource strategy and policy and monitors performance in relation to the approved HR Strategy. It also considers and recommends to the University Board on matters in respect of Health and Safety and Equality, Diversity and Inclusivity.

Nominations Committee (chaired by Mr Euan Cartwright in 2017/18; Mr Geoffrey Donnelly in 2018/19) considers nominations for appointment to the Board and its subcommittees. In considering the composition of the Board and its subcommittees, Nominations Committee takes account of skills and experience of Directors as well as the diversity of the Board and its subcommittees.

Remuneration Committee (chaired by Mr Geoffrey Donnelly in 2017/18; Professor Linda Challis in 2018/19) determines the remuneration and conditions of service of the most senior staff, including the Vice Chancellor. Through 2017/18 the Committee has paid close attention to the development of the new Committee of University Chairs' Higher Education Senior Staff Remuneration Code, adopting the Code in full at its July meeting.

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 relevant HEFCE, now Office for Students (OfS), requirements and for providing HEFCE, now the OfS, 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 her role by the Vice Chancellor's Executive (VCE), which meets regularly and shapes the strategic direction, performance and management of the University. VCE is the senior executive decision-making body and deals with all matters of policy.

The Vice Chancellor's Executive comprises the Vice Chancellor's direct reports. In 2017/18 the membership consisted of:

Professor Julie Mennell (Vice Chancellor)

Mr David Chesser (Chief Operating Officer)

Professor Trish Livsey (Deputy Vice Chancellor Academic) – to 15 June 2018

Professor Sara de Freitas (Deputy Vice Chancellor Academic) – from 5 March 2018

Dr Jean Brown (University Secretary) – from 1 April 2018

Ms Sandra Booth (Pro Vice Chancellor) – to 3 April 2018

Members of the University Board of Directors in 2017/18 and their attendance at University Board and relevant committees in 2017/18:

	Board (6 in year)	Finance & Resources Committee (6 in year)	Audit & Risk Committee (4 in year)	Academic Governance Committee (4 in year)	Employment Policy Committee (3 in year)	Nominations Committee (1 in year)	Remuneration Committee (3 in year)
Vice Chancellor							
Prof Julie Mennell (attendance noted where a member of a committee)	6	6		4	1	1	3
Chair of the Board of Directors							
Mr Euan Cartwright	6 (Chair)	5				1 (Chair)	3
Members of the Board of Directors							
Ms Fiona Aiken	6		4	4			
Mr David Allen	6		4 (Chair)				
Mrs Emma Bales (staff director)	5	6					
Mr Clive Bush	5	5					
Revd Cameron Butland	4				1		
Mr Robin Casson (resigned 17 November 2017)	2				1		
Prof Linda Challis	5	4		4 (Chair)		1	
Mr Geoffrey Donnelly	5	6 (Chair)				1 (as Chair designate)	3 (Chair)
Mrs Claire Hensman	6		4				3
Prof John Lee	5			4	2		
Miss Hannah Price (student director)	5			3			
Mrs Jill Stannard	5				3 (Chair)	1	3
Associate Directors							
Mr David Atkinson	N/a	2*					
Mr Kevin Engel (from 18/10/17 until resigned 08/05/18)	N/a	1					
Ms Jill Johnston	N/a				3		
Mr Peter Stafford (from 18/10/17)	N/a		3				
Mr Mark Renwick-Smith	N/a		3				
Mrs Pam Tatlow	N/a			3			

*due to ill health

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, the Vice Chancellor and the Staff Director, and they receive remuneration solely with regard to their employment.

The total expenses paid to or on behalf of Directors/Trustees and associate Directors in 2017/18 was £6,211 (2016/17: £5,084). Eight Directors/Trustees or associate Directors claimed expenses during the period. This relates to travel and subsistence expenses incurred in their official capacity in attending Board Meetings, Board Committees and meetings related to their roles as trustees.

Vice Chancellor Remuneration

The University has adopted the Committee of University Chairs' Higher Education Senior Staff Remuneration Code, published in June 2018, in full. One aspect of this, the annual Remuneration Committee report to the Board for the 2017/18 financial year, can be found at <https://www.cumbria.ac.uk/about/publications/>.

In line with the publication requirements of the Office for Students' Accounts Direction, the element of this report that covers the process for setting the Vice Chancellor's remuneration and the justification of this remuneration is set out below.

The Remuneration Committee took a range of comparative data on remuneration of vice chancellors elsewhere in the sector into account when determining the initial remuneration package for the Vice Chancellor on appointment.

Since her appointment Remuneration Committee have taken the starting point for the annual review of the Vice Chancellor's remuneration to be the nationally agreed pay award. The Committee has then taken a range of inputs into account in determining any uplift – these have included: comparative data from the Universities and Colleges Employer Association's Senior Staff Remuneration Survey; detailed information provided by the Committee of University Chairs' Vice-Chancellor Salary Survey; the external operating environment; plus the performance of the Vice Chancellor over the past year.

The mechanism adopted to judge the performance of the Vice Chancellor is based on two processes: the first is an appraisal, between the Chair of the Board and the Vice Chancellor, on progress against her objectives for the year; the second is from interviews between the Chair of the Board and all board directors on a one to one basis, to obtain their feedback on the 'health' of the University and the contribution made by the Vice Chancellor. This is then fed into the Remuneration Committee by the Chair of the Board.

The University has operated within a challenging external environment through 2017/18, with competitive pressure on student recruitment following the removal of the student number cap continuing, alongside the impact of the removal of bursaries for a range of health disciplines and the ongoing changes to teacher education. Internally there was significant focus on the implementation of the revised staffing structures and introduction of a new senior team, whilst working to improve student outcomes and experience and going through the formal scrutiny process for Research Degree Awarding Powers.

The value and performance of the Vice Chancellor through the 2017/18 academic year has been recognised by the Directors on the Board: the report to Remuneration Committee references her drive and enthusiasm and her contribution to 'turning around' the University in her first two years in office. She has also built a range of partnerships and networks in the region and nationally which enhance the University's contribution to its place and underpins its academic ambitions.

This will be taken into account in determining the Vice Chancellor's remuneration effective from 1 August 2018.

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 Articles of Association make specific provisions for the advancement of learning and knowledge by teaching and research and for enabling students to obtain the advantages of university education.

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

The University's aims and objectives are centred on benefitting the public and the achievements of this year, as set out in more detail within the Strategic Report from page 5, demonstrate that this is our focus in practice.

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.

The Board has delegated day to day responsibility for the maintenance of a sound system of internal control to the Vice Chancellor and through them to the Vice Chancellor's Executive.

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.
- A robust planning process is undertaken on an annual basis, which is linked to budgeting at institutional and department and service levels.
- The Board receives regular reporting on Key Performance Indicators, including those relating to the financial and academic performance of the University.
- Comprehensive Financial Regulations are in place, which are approved by the Board. The Regulations include a range of matters relating to the financial management of the University and link to detailed procedures including the Scheme of Delegation, the Counter Fraud Policy and Response Plan and the Bribery Prevention Policy.
- The Audit and Risk Committee of the Board provides oversight of the risk management policy and risk register process. It receives reports at each of its meetings from the University management on how risk is being managed, supported by a suite of Key Performance Indicators. In 2017/18 the Committee instigated a detailed review of a significant risk area to take place at the start of the majority of their meetings.
- The Board receives the full minutes of each Audit and Risk Committee meeting and a verbal report on the business of the meeting from the Chair of the Audit and Risk Committee. These updates include matters relating to 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 Board reviews the Risk Register at regular intervals, together with the controls that have been implemented to mitigate or manage key risks.
- Audit and Risk Committee has agreed with the external providers of the internal audit function appropriate audit planning arrangements and also audit methodology and approach, so that the audit function conforms to the latest professional standards reflecting the adoption of risk management.
- The Audit and Risk Committee receives regular reports from the Internal Auditors, which include an independent opinion on the adequacy of the effectiveness of the University's system of internal control together with recommendations for improvement.

- The internal audit function reports to the Audit and Risk Committee and for management purposes in 2017/18 to the Director of Finance and Resources; in 2018/19 to the University Secretary.
- Any material weaknesses or breakdowns in internal control must be reported to the University Board. No such reports have been made in 2017/18 or up to the point of the Financial Statements being approved.

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

Risk Management

The University has plans in place to enhance its standing and reputation within in the sector and to grow revenues in a competitive environment. Whilst it is determined to develop and expand through income diversification and an enhanced academic offer, 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 parts of the institution, through the acceptance by all staff of their shared responsibility for the good organisation of the institution.

The University regularly reviews the strategic risks it faces and identifies the controls that are in place, or are newly required, to mitigate these as well as the sources of assurance which provide confirmation that controls are effective. The strategic risk register is reviewed at each meeting of the Audit and Risk Committee, and is presented in full to the Board of Directors.

The current key institutional risk areas are set out below. Along with the other risks which are identified, each is actively managed and their mitigation is a central element of the annual operating plan for 2018/19 and the medium term strategic plan.

- **Maintaining a sustainable business model:** The strategic plan focusses on sustainability, identifying opportunities for growth and highlights the need for cost constraint and positive cash management. Income is increasingly diversified and key partnerships have been built with partners and employers. However, the University has faced challenges to its student recruitment in several areas and, with capped tuition fees, inflationary cost pressures, including from pensions changes, place pressure on budgets.
- **Ability to grow student numbers:** The University has experienced a decline in overall student numbers over recent years. Plans are in place to address this. The operating environment continues to be challenging with increased competition and, especially in teacher training and pre-registration healthcare areas, subject to changes in Government policy.
- **Student outcomes to improve in line with sector:** Progress has been made in 2017/18 towards the University's targets and benchmarks for a range of student outcomes, most particularly in the levels of employment and professional level employment. Further and sustained improvement in student outcomes is essential, including those of student groups which have not historically had the same level of outcomes as other groups both nationally and at the University. This is at the heart of the University's mission and is key to improvements in the University's attractiveness and its position in league tables. Several strands of the strategic plan focus on these and related areas and, through clear action plans and effective student engagement, we expect that this risk will be increasingly mitigated throughout 2018/19.

Diversity and Employee Involvement

The University is committed to nurturing an environment where its applicants, employees, students and visitors are treated fairly and with respect at all times. This is a key focus of the training we provide, the policies and procedures that we have put in place and is a central element of our values. We recognise that if we provide a fully inclusive working and studying environment, via which we demonstrate the behaviours that we uphold, we will assist everyone to perform individually and collectively to the best of their ability.

Disabled employees

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

Employee Involvement

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

Trade Union Facility Time

Under the Trade Union Act 2016, the University is required to publish information on the time provided to enable trade union officials for trade union duties and activities ("facility time"). The required information relating to trade union facility time for period 1 April 2017 - 31 March 2018 is as follows:

Relevant Union Officials:

Number of employees who were relevant union officials during the relevant period	10
Full-time equivalent employee number	9.4

Percentage of time spent on facility time by Relevant Union Officials:

Percentage of time	Number of employees
0%	0
1-50%	9
51-99%	1
100%	0

Percentage of total pay bill spent on facility time:

	£'000
Total cost of facility time	£86
Total pay bill	£37,046
Percentage of the total pay bill spent on facility time	0.23%

Paid trade union activities:

Time spent on paid trade union activities as a percentage of total paid facility time hours	0%
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Responsibilities of the Board of Directors of the University of Cumbria

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

The Board of Directors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the Articles of Association, the Office for Students Terms and Conditions of Funding, Regulatory Notice 2 and Accounts Direction, 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 the Memorandum of Assurance and Accountability between the Higher Education Funding Council for England and the Board of Directors of the University of Cumbria, and subsequent Office for Students requirements as set out in Regulatory Notice 2, and in accordance with Company Law, the University Board of Directors through its designated office holder (the Vice Chancellor), is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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

- Suitable accounting policies are selected and applied consistently.
- Judgments and estimates are made that are reasonable and prudent.
- Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

The University Board of Directors has taken reasonable steps to:

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

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

- Clear definition of the responsibilities and delegated authority of Heads of Academic Departments and Directors of 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.
- The maintenance of a comprehensive suite of information across all aspects of data on students, staff and finance, which is readily accessible.
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approved levels set by the University Board of Directors.
- Financial regulations detailing financial controls and procedures, approved by Audit and Risk Committee in consultation with Finance and Resources Committee.
- A professional Internal Audit team whose annual programme is approved by the Audit and Risk Committee and endorsed by the University Board of Directors, and whose Head provides the Board with a report on internal audit activity within the University and an independent opinion on the adequacy and effectiveness of the University's system of internal control, including financial control, together with recommendations for improvement.

Financial Statements

Independent Auditor's Report

Opinion

We have audited the financial statements of the University of Cumbria ("the University") for the year ended 31 July 2018 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheet, the Consolidate and University Cash Flow and related notes, including the statement of accounts policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2018, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*;
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

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

Going concern

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

Other information

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

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

- we have not identified material misstatements in the other information;

- in our opinion the information given in Strategic and Financial Review and the Directors' Corporate Governance Report which together constitute the strategic report and the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Board of Directors' responsibilities

As explained more fully in their statement set out on page 19, the Board of Directors' (who are the Directors of the University company for the purposes of company law) is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the Office for Students and Research England Audit Codes 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 Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Statutes (or articles of government for post 1992 institutions);
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

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

This report is made solely to the Board of Directors in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board of Directors for our audit work, for this report, or for the opinions we have formed.



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

22 NOVEMBER 2018

Consolidated & University Statement of Comprehensive Income and Expenditure

Year Ended 31 July 2018

		Year Ended 31/7/18 £'000	Year ended 31/7/17 £'000
Income	Notes		
Tuition fees and education contracts	1	46,508	47,551
Funding body grants	2	4,505	4,504
Research grants and contracts	3	528	350
Other income	4	7,472	7,841
Investment income	5	54	50
Donations and endowments	6	66	37
Total income		59,133	60,333
Expenditure			
Staff costs	7	38,127	40,680
Fundamental restructuring costs	7	0	2,907
Other operating expenses		17,621	16,301
Depreciation	10	3,865	2,858
Impairments		0	629
Interest and other finance costs	8	1,314	1,372
Total expenditure	9	60,927	64,747
Deficit before gains		(1,794)	(4,414)
Gain on disposal of fixed assets		2	0
Deficit before tax		(1,792)	(4,414)
Taxation		0	0
Deficit for the year		(1,792)	(4,414)
Unrealised surplus on revaluation of land and buildings	10	0	46,255
Actuarial gain in respect of Local Government Pension Scheme	22	14,908	4,106
Actuarial gain in respect of enhanced pension provision		8	0
Total comprehensive income for the year		13,124	45,947
Represented by:			
Restricted comprehensive income for the year		6	(53)
Unrestricted comprehensive income for the year		14,198	(255)
Revaluation reserve comprehensive income for the year		(1,080)	46,255
Attributable to the University		13,124	45,947
Attributable to the non-controlling interest		0	0
		13,124	45,947

All items of income and expenditure relate to continuing activities.

Consolidated and University Statement of Changes in Reserves Year ended 31 July 2018

Consolidated	Income and expenditure account		Revaluation reserve	Total
	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000	£'000
Balance at 1 August 2016	162	1,869	9,344	11,375
Deficit from the income and expenditure statement	(53)	(4,361)	0	(4,414)
Other comprehensive income	0	4,106	46,255	50,361
Total comprehensive income for the year	(53)	(255)	46,255	45,947
Transfers between revaluation and income and expenditure reserve	0	240	(240)	0
Balance at 1 August 2017	109	1,854	55,359	57,322
Deficit from the income and expenditure statement	6	(1,798)	0	(1,792)
Other comprehensive income	0	14,916	0	14,916
Total comprehensive income for the year	6	13,118	0	13,124
Transfers between revaluation and income and expenditure reserve	0	1,080	(1,080)	0
Balance at 31 July 2018	115	16,052	54,279	70,446

University	Income and expenditure account		Revaluation reserve	Total
	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000	£'000
Balance at 1 August 2016	162	1,772	9,344	11,278
Deficit from the income and expenditure statement	(53)	(4,361)	0	(4,414)
Other comprehensive income	0	4,106	46,255	50,361
Total comprehensive income for the year	(53)	(255)	46,255	45,947
Transfers between revaluation and income and expenditure reserve	0	240	(240)	0
Balance at 1 August 2017	109	1,757	55,359	57,225
Deficit from the income and expenditure statement	6	(1,798)	0	(1,792)
Other comprehensive income	0	14,916	0	14,916
Total comprehensive income for the year	6	13,118	0	13,124
Transfers between revaluation and income and expenditure reserve	0	1,080	(1,080)	0
Balance at 31 July 2018	115	15,955	54,279	70,349

Consolidated and University Cash Flow


Year ended 31 July 2018


	Notes	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Cash flow from operating activities			
Deficit for the year		(1,792)	(4,414)
Adjustment for non-cash items			
Depreciation	10	3,865	2,858
Impairments	10	0	629
Increase in debtors	12	(320)	(561)
Decrease in creditors	13	(373)	(911)
Increase in pension provisions	15	2,802	2,539
Decrease in other provisions	15	(521)	(277)
Adjustment for investing or financing activities			
Investment income	5	(54)	(50)
Interest payable	8	192	210
Profit on the sale of fixed assets		(2)	0
Capital grant income		(795)	(663)
Net cash inflow/ (outflow) from operating activities		3,001	(640)
Cash flows from investing activities			
Proceeds from sales of fixed assets		2	0
Capital grants receipts		1,295	3,206
Investment income		54	97
Payments made to acquire fixed assets		(1,812)	(13,009)
		(461)	(9,706)
Cash flows from financing activities			
Interest paid		(182)	(205)
Interest element of finance lease		0	(5)
Repayments of amounts borrowed		(566)	(535)
Capital element of finance lease		0	(161)
		(748)	(906)
Increase / (decrease) in cash and cash equivalents in the year		1,792	(11,252)
Cash and cash equivalents at beginning of the year	17	13,094	24,346
Cash and cash equivalents at end of the year	17	14,886	13,094

Consolidated and University Balance Sheet As at 31 July 2018

	Notes	As at 31 July 2018		As at 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Fixed assets	10	119,043	119,043	121,495	121,495
Investments	11	0	10	0	10
		<u>119,043</u>	<u>119,053</u>	<u>121,495</u>	<u>121,505</u>
Current assets					
Assets held for sale	10	700	700	697	697
Trade and other receivables	12	3,907	3,907	4,156	4,156
Cash and cash equivalents	17	14,886	14,886	13,094	13,094
		<u>19,493</u>	<u>19,493</u>	<u>17,947</u>	<u>17,947</u>
Less:					
Creditors: amounts falling due within one year	13	(11,504)	(11,611)	(12,232)	(12,339)
Net current assets		7,989	7,882	5,715	5,608
Total assets less current liabilities		127,032	126,935	127,210	127,113
Creditors: amounts falling due after more than one year	14	(26,341)	(26,341)	(27,008)	(27,008)
Provisions					
Pension provisions	15	(30,006)	(30,006)	(42,120)	(42,120)
Other provisions	15	(239)	(239)	(760)	(760)
Total net assets		70,446	70,349	57,322	57,225
Restricted Reserves					
Income and expenditure reserve - restricted reserve	16	115	115	109	109
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		16,052	15,955	1,854	1,757
Revaluation reserve		54,279	54,279	55,359	55,359
Total Reserves		70,446	70,349	57,322	57,225

The financial statements were approved by the Governing Body on 26 November 2018 and were signed on its behalf on that date by:


 _____ Mr Geoffrey Donnelly, Chairman of the Board of Directors


 _____ Professor Julie Mennell, Vice Chancellor

Statement of Accounting Policies for the year ended 31 July 2018

1. Basis of preparation

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

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

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

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

2. Basis of consolidation

The consolidated financial statements include the University and its subsidiary for the financial year to 31 July 2018.

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

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

3. Income recognition

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

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

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

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

Statement of Accounting Policies (continued) for the year ended 31 July 2018

3. Income recognition (continued)

Grant funding

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

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

Donations and endowments

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

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

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

Capital grants

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

4. Accounting for retirement benefits

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

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

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

Statement of Accounting Policies (continued) for the year ended 31 July 2018

5. Employment benefits

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

6. Finance leases

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

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

7. Service Concession Arrangements

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

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

8. Operating leases

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

9. Foreign currency

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

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

Statement of Accounting Policies (continued) for the year ended 31 July 2018

9. Foreign currency (continued)

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

10. Fixed assets

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

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

Land and buildings

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

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

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

Leasehold land is depreciated over the life of the lease.

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

Equipment

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

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

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

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

Borrowing costs

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

Statement of Accounting Policies (continued) for the year ended 31 July 2018

11 Investments

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

12 Cash and cash equivalents

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

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

13 Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

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

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

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

14 Taxation

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

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

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

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

15 Reserves

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

Notes to the Accounts

for the year ended 31 July 2018

		Year Ended 31 July 2018	Year Ended 31 July 2017
		Consolidated & University	Consolidated & University
	Notes	£'000	£'000
1 Tuition fees and education contracts			
Full-time home and EU students		33,717	31,952
Full-time international students		540	442
Part-time students		3,733	3,349
Apprenticeship income: ESFA		282	0
Apprenticeship income: employers		36	0
Education Contracts (NHS)		8,200	11,808
		46,508	47,551
2 Funding body grants			
Recurrent grant			
Office for Students / HEFCE		2,682	2,602
Specific grants			
Office for Students / HEFCE / Research England		472	592
Department for Education/ NCTL		26	173
Office for Students / HEFCE / Research England - capital grant release		602	479
National Collaborative Outreach Programme		723	658
		4,505	4,504
3 Research grants and contracts			
Research councils & charities		528	350
		528	350
4 Other income			
Residences		2,655	2,941
Catering		0	12
Conferences		379	332
Other capital grants		193	184
Other income		4,245	4,372
		7,472	7,841
5 Investment income			
Investment income on restricted reserves	16	1	1
Other investment income		53	49
		54	50
6 Donations and endowments			
Donations with restrictions	16	64	14
Unrestricted donations		2	23
		66	37

Notes to the Accounts for the year ended 31 July 2018

7 Staff costs

	Year Ended 31 July 2018 Consolidated & University £'000	Year Ended 31 July 2017 Consolidated & University £'000
Salaries	28,645	30,973
Social security costs	3,001	3,146
Occupational Pension Scheme Costs:		
Employer Contributions	4,681	5,014
Changes in pension provisions	1,744	1,441
Compensation for loss of office	56	3,013
	38,127	43,587

Compensation for loss of office was payable to 3 staff in 2017/18 (2016/17: 119). The Compensation for loss of office figure in 2016/17 includes an amount of £2.9m relating to fundamental restructuring costs. This is shown separately in the Consolidated Statement of Income and Expenditure.

Average full-time equivalent staff numbers by category:	No.	No.
Academic	336	370
Academic support and other support staff	482	524
	818	894

Notes to the Accounts for the year ended 31 July 2018

7 Staff costs (Continued)

Vice Chancellor Remuneration	Year Ended 31 July 2018	Year Ended 31 July 2017
	£	£
Salary	185,074	181,980
Employer pension contributions	30,497	29,955
Total including pension costs	<u>215,571</u>	<u>211,935</u>

The salary payments to the Vice Chancellor are stated before salary sacrifice deductions of £19 for on-campus car parking (2016/17: £213). This scheme was closed to all staff in September 2017.

Vice Chancellor Remuneration - Pay Multiple

The University is required to disclose the relationship between the Vice Chancellor's remuneration and that of all other employees, expressed as a pay multiple.

The Vice Chancellor's basic salary is 5.7 times (2016/17: 5.7) the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The Vice Chancellor's total remuneration is 6.0 times (2016/17: 6.0) the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the provider of its staff.

As permitted in the Office for Students guidance, the University has not included the costs of atypical or agency workers. This is due to it not being possible to gather the additional information required in the time available between the guidance being issued and the finalisation of the financial statements.

Vice Chancellor Remuneration - Justification

The justification for the Vice Chancellor's total remuneration is included on page 13 of the Annual Report.

Senior Staff Remuneration

The table below provides details of the number of staff paid a full-time equivalent basic salary of over £100,000, before salary sacrifice arrangements.

	Year Ended 31 July 2018	Year Ended 31 July 2017
	No.	No.
£100,000 to £104,999	1	0
£105,000 to £109,999	0	3
£110,000 to £114,999	0	0
£115,000 to £119,999	1	1
£120,000 to £124,999	0	0
£125,000 to £129,999	0	0
£130,000 to £134,999	0	0
£135,000 to £139,999	0	0
£140,000 to £144,999	1	0
£145,000 to £149,999	0	0
£150,000 to £154,999	0	0
£155,000 to £159,999	0	0
£160,000 to £164,999	0	0
£165,000 to £169,999	0	0
£170,000 to £174,999	0	0
£175,000 to £179,999	0	0
£180,000 to £184,999	0	1
£185,000 to £189,999	1	0
	<u>4</u>	<u>5</u>

Senior Staff Remuneration - Compensation for Loss of Office

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£'000	£'000
Compensation payable recorded within staff costs	0	363
	Number	Number
Number of staff paid	0	2

Notes to the Accounts for the year ended 31 July 2018

7 Staff costs (Continued)

Key management personnel

While the oversight, control and governance of the University is the responsibility of the University Board of Directors, the day to day operations were led and managed by the Vice Chancellor and the other members of the Vice Chancellor's Executive.

In 2017/18 the Vice Chancellor's Executive comprised of the Vice Chancellor, Deputy Vice Chancellor, Pro-vice Chancellor, Chief Operating Officer and, from 1 April 2018, the University Secretary.

The figures below include gross salaries, employer's pension contributions, payments to an agency and payments to an external organisation for a seconded member of staff.

	Year ended 31 July 2018	Year ended 31 July 2017
	£'000	£'000
Key management personnel compensation	606	906

Payments to Trustees

The members of the University Board of Directors are the trustees for charitable law purposes. No trustee received any remuneration or waived payments from the University during the year. The total expenses paid to or on behalf of trustees and associate directors was £6,211 (2017: £5,084). This relates to travel and subsistence expenses incurred in their official capacity in attending Board Meetings, Board Committees and meetings related to their roles as trustees.

	Year Ended 31 July 2018	Year Ended 31 July 2017
	Consolidated & University	Consolidated & University
	£'000	£'000
8 Interest and other finance costs		
Loan interest	191	204
Finance lease interest	0	5
Net charge on Local Government Pension Scheme	22 1,105	1,144
Net charge on enhanced pension provision	18	19
	1,314	1,372

9 Analysis of total expenditure by activity

Academic departments and services	33,141	35,601
Administration and central services - operations	16,927	15,805
Administration and central services - Restructuring	56	3,013
Administration and central services - Pension adjustments	1,744	1,441
Premises	6,712	5,994
Residences, catering and conferences	1,444	1,305
Impairments	0	629
Research grants and contracts	852	908
Other expenses	51	51
	60,927	64,747

Other operating expenses include:

External auditors remuneration in respect of audit services	45	43
External auditors remuneration in respect of non-audit services	4	7
Operating lease rentals:		
Land and buildings	322	295
Other	132	103

Notes to the Accounts for the year ended 31 July 2018

10 Fixed Assets

	Freehold Land and Buildings	Equipment	Total
	£'000	£'000	£'000
Consolidated and University			
Cost or valuation			
At 1 August 2017	117,704	14,847	132,551
Additions	533	880	1,413
Disposals	0	(354)	(354)
At 31 July 2018	118,237	15,373	133,610
Consisting of valuation as at:			
31 July 2017	117,704	0	117,704
Cost	533	15,373	15,906
	118,237	15,373	133,610
Depreciation			
At 1 August 2017	0	11,056	11,056
Charge for the year	2,371	1,494	3,865
Disposals	0	(354)	(354)
At 31 July 2018	2,371	12,196	14,567
Net book value			
At 31 July 2018	115,866	3,177	119,043
At 31 July 2017	117,704	3,791	121,495

At 31 July 2018, freehold land and buildings included £21.7m (2017 - £21.7m) in respect of freehold land and is not depreciated.

Land and Buildings Revaluation

The University's land and buildings were revalued as at 31 July 2017 by Gerald Eve LLP, Chartered Surveyors at fair value in accordance with FRS 102. Specialised properties have been valued at depreciated replacement cost with residential properties, that are not deemed to be specialised, and property held for sale, valued at market value.

Assets held for Sale

At 31 July 2018 there were land and buildings with net book value of £0.7m (2017: £0.7m) within Current assets on the balance sheet. The values of these land and buildings held for sale are not included above. The land and buildings are no longer in use by the University, are not being replaced and there is a commitment to sell these assets.

Finance Leases

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

	Year ended 31 July 2018 £'000
Cost	780
Accumulated depreciation	(624)
Charge for year	(156)
Net book value	<u>0</u>

Notes to the Accounts for the year ended 31 July 2018

11 Non-Current Investments

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Subsidiary Companies	0	10	0	10
	0	10	0	10

The University owns 100% of the share capital of its subsidiary, UoC Trading Limited. This company did not trade in 2017/18 or 2016/17.

12 Trade and other receivables

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Other trade receivables	1,941	1,941	2,156	2,156
Prepayments and accrued income	1,966	1,966	2,000	2,000
	3,907	3,907	4,156	4,156

Notes to the Accounts

for the year ended 31 July 2018

13 Creditors : amounts falling due within one year

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Unsecured loans	507	507	566	566
Trade payables	2,504	2,504	2,238	2,238
Social security and other taxation payable	771	771	995	995
Accruals and deferred income	6,890	6,890	7,684	7,685
Deferred income - capital grants	832	832	749	749
Amounts due to subsidiary companies	0	107	0	107
	11,504	11,611	12,232	12,339

14 Creditors : amounts falling due after more than one year

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Unsecured loans	6,046	6,046	6,553	6,553
Deferred income	17	17	27	27
Deferred income - capital grants	20,278	20,278	20,428	20,428
	26,341	26,341	27,008	27,008

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

Analysis of loans:

Due within one year or on demand (Note 14)	507	507	566	566
Due between one and two years	521	521	494	494
Due between two and five years	1,072	1,072	1,273	1,273
Due in five years or more	4,453	4,453	4,786	4,786
Due after more than one year	6,046	6,046	6,553	6,553
	6,553	6,553	7,119	7,119

Notes to the Accounts for the year ended 31 July 2018

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

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

Lender	Term	Amount £'000	Interest rate %	Security
Barclays	2036	5,760	2.49 - variable	Unsecured
Barclays	2020	331	10.62 - fixed	Unsecured
Cumbria County Council	Reducing Balance	361	4.52 - variable	Unsecured
HEFCE / Office for Students	2020	101	0	Unsecured
		6,553		

15 Provisions for liabilities

Consolidated and University

	LGPS Pension £'000	Pension Enhancement £'000	Onerous Leases £'000	Leasehold Dilapidation £'000	Other £'000	Total £'000
At 1 August 2017	41,358	762	44	656	60	42,880
Utilised in year	0	(64)	(44)	(409)	(37)	(554)
Additions in 2017/18	0	0	0	0	7	7
Unused amounts reversed in 2017/18	0	0	0	(15)	(23)	(38)
Net movements charged to Income and Expenditure	2,849	17	0	0	0	2,866
Actuarial gain	(14,908)	(8)	0	0	0	(14,916)
At 31 July 2018	29,299	707	0	232	7	30,245

Pension enhancement

The enhanced pension provision relates to liabilities to former staff from which the University cannot reasonably withdraw at the balance sheet date. In calculating the provision for enhanced pension costs an interest rate of 2.9% (2016/17: 2.3%) and an inflation rate of 2.1% (2016/17: 1.3%) have been assumed.

Onerous Leases

The University provided £2.2m in 2010/11 in respect of the future costs which are related to several property leases it held. This provision was made 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. The final lease ended in April 2018 resulting in the utilisation of the remaining provision.

Leasehold Dilapidation

The University utilised £0.4m of its leasehold dilapidation provision during 2017/18 upon the termination of two lease agreements. A £0.2m provision remains in respect of the liability for dilapidation works at a property which is occupied by the University under a lease agreement.

Notes to the Accounts for the year ended 31 July 2018

16 Restricted Reserves

Reserves with restrictions are as follows:

	2018 Total £'000	2017 Total £'000
Opening balance	109	162
New donations	64	14
Investment income	1	1
Expenditure	(59)	(68)
(Decrease) / increase in market value of investments	0	0
Total restricted comprehensive income for the year	6	(53)
Closing balance	115	109

	2018 Total £'000	2017 Total £'000
Analysis of other restricted funds / donations by type of purpose:		
Hardship Support	2	1
Study Support	111	106
Prize funds	2	2
	115	109

17 Cash and cash equivalents

Notes	At 1st August 2017 £'000	Cash Flows £'000	At 31st July 2018 £'000
Cash and cash equivalents	13,094	1,792	14,886
	13,094	1,792	14,886

18 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2018:

	31 July 2018 Consolidated & University £'000	31 July 2017 Consolidated & University £'000
Commitments contracted for	26	47
	26	47

Notes to the Accounts for the year ended 31 July 2018

19 Lease obligations

Total rentals payable under operating leases:

	31 July 2018		31 July 2017	
	Land and Buildings £'000	Other leases £'000	Total £'000	Total £'000
Payable during the year	322	132	454	398
Future minimum lease payments due:				
Not later than 1 year	311	131	442	442
Later than 1 year and not later than 5 years	807	262	1,069	991
Later than 5 years	0	0	0	146
Total lease payments due	1,118	393	1,511	1,579

20 Subsidiary undertakings

The University owns 100% of the share capital of its subsidiary, UoC Trading Limited, which is incorporated in the United Kingdom. This company did not trade in 2017/18 or 2016/17.

Notes to the Accounts for the year ended 31 July 2018

21 Related Party Transactions

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

The following balances in the 2017/18 financial statements relate to transactions with entities in which an interest was declared and are disclosed as per the requirements of FRS102.

	Income £'000	Expenditure £'000	Debtors £'000	Creditors £'000
Cumbria Local Enterprise Partnership	18	0	0	757
University of Cumbria Students' Union	0	458	30	37
UNIAC	0	94	0	6
Tullie House Museum and Art Gallery	1	12	1	0

Cumbria Local Enterprise Partnership

The University received grant funding in 2016/17 towards the cost of construction of a teaching and research building in Carlisle from the Cumbria Local Enterprise Partnership. While utilised in full at the time of construction, this is accounted for in the financial statements as deferred income, within the Creditors notes (13 and 14). This funding is released as income at the same rate as the depreciation expenditure related to the building. The Vice Chancellor is a Director of the Cumbria Local Enterprise Partnership.

University of Cumbria Students' Union

The Students' Union is an independent charity which receives grant funding from the University. The University provides a range of services to the Students' Union including its payroll costs, which are paid on the Students' Union's behalf and then recovered. The University's Articles of Association require that a Director of the University's Board is the President of the Students' Union.

UNIAC

UNIAC is a shared internal audit service owned by a consortium of higher education institutions, including the University of Cumbria. One member of the Vice Chancellor's Executive is on a secondment from UNIAC. One member of the University's Senior Leaders Team is a Director of UNIAC.

Tullie House Museum and Art Gallery

Tullie House in Carlisle periodically hosts University functions. The Vice Chancellor is a trustee and board member of Tullie House.

Notes to the Accounts for the year ended 31 July 2018

22 Pension Schemes

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

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

The University also offers staff the opportunity to join a defined contribution pension scheme via NEST.

The pension costs for the University and its subsidiaries were:

	Year ended 31 July 2018			Year ended 31 July 2017		
	Employer Contributions	Changes in Pension Provisions	Total Pension Costs	Employer Contributions	Changes in Pension Provisions	Total Pension Costs
	£'000	£'000	£'000	£'000	£'000	£'000
TPS	2,304	0	2,304	2,477	0	2,477
LGPS	2,377	2,849	5,226	2,537	2,585	5,122
Total Pension Costs	4,681	2,849	7,530	5,014	2,585	7,599

TPS

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

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

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

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

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

- Employer contribution rates from 1 September 2016 increased to 16.48% of pensionable pay (including a 0.08% levy for administration).

- Total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion.

- An employer cost cap of 10.9% of pensionable pay.

The total University contribution into the scheme in 2017/18 was £2.4m (2016/17 £2.5m).

Notes to the Accounts for the year ended 31 July 2018

22 Pension Schemes (continued)

LGPS

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

The employer contribution rate increased from 11.3% to 14% of pensionable salaries in April 2017 following the triennial valuation of the scheme. The total contribution of the University payable into the scheme in 2017/18 was £2.4m (2016/17: £2.5m). In addition, within the total contribution, payments of £0.6m in 2017/18 (2016/17: £0.8m) were made in order to recover the University's share of the scheme's past service deficit. In 2016/17, an additional £0.5m was accounted for in respect of staff members who left the University's employment following restructuring and who, under the Scheme Regulations, were entitled to an unreduced pension.

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

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

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

The University has applied FRS 102 and the following disclosures relate to the accounting standard. The University recognises any gains or losses in each period in the Consolidated Statement of Comprehensive Income and Expenditure. The material assumptions used by the actuary at 31 July 2018 were:

	2017/18	2016/17
	(%)	(%)
Price increases (CPI)	2.1	2.2
Salary increases	3.6	3.7
Pension increases	2.2	2.2
Discount rate	2.9	2.6

LGPS (continued)

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

	2017/18	2016/17
	(Years)	(Years)
<i>Retiring today</i>		
Males	22.7	22.6
Females	25.4	25.2
<i>Retiring in twenty years</i>		
Males	25.0	24.9
Females	28.0	27.9

Notes to the Accounts for the year ended 31 July 2018

22 Pension Schemes (continued)

Scheme assets

The assets in the scheme were:

	31-Jul-18	Fair value as at 31-Jul-17	31-Jul-16
	£m	£m	£m
Equities	46,108	42,016	33,091
Government bonds	3,571	1,818	0
Other bonds	630	2,201	2,143
Property	9,662	9,954	8,144
Cash	945	4,403	3,001
Other	44,111	35,317	39,350
Total	<u>105,027</u>	<u>95,709</u>	<u>85,729</u>

The following amounts at 31 July 2018 were measured in accordance with the requirements of FRS102:

	Year Ended 31-Jul-18 £'000	Year Ended 31-Jul-17 £'000
Analysis of the amount shown in the balance sheet for Scheme		
Scheme assets	105,027	95,709
Scheme liabilities	(134,326)	(137,067)
Deficit in the scheme – net pension liability recorded within pension provisions (Note 15)	<u>(29,299)</u>	<u>(41,358)</u>
Analysis of the amount charged to staff costs (note 7):		
Current service cost	(4,043)	(3,740)
Employer contributions - including payments related to restructuring	2,731	2,984
Curtailments	(432)	(685)
Profit and loss charge	<u>(1,744)</u>	<u>(1,441)</u>
Analysis of the amount charged to interest and other finance costs (note 8):		
Interest cost	(3,550)	(3,339)
Expected return on assets	2,509	2,263
Administrative expenses	(64)	(68)
Profit and loss charge	<u>(1,105)</u>	<u>(1,144)</u>
Total profit and loss charge	<u>(2,849)</u>	<u>(2,585)</u>
Analysis of actuarial gain/(loss) in respect of Scheme		
Remeasurement of assets	5,327	5,184
Remeasurement of liabilities	9,581	(1,078)
Total actuarial gain / (loss)	<u>14,908</u>	<u>4,106</u>
Movement in deficit in the year		
Deficit in scheme at beginning of year	(41,358)	(42,879)
Amount charged to staff costs	(1,744)	(1,441)
Amount charged to interest and other finance costs	(1,105)	(1,144)
Actuarial gain / (loss)	14,908	4,106
Deficit in scheme at end of year	<u>(29,299)</u>	<u>(41,358)</u>

Notes to the Accounts for the year ended 31 July 2018

22 Pension Schemes (continued)

History of experience gains and losses – LGPS

	Year to				
	31-Jul	31-Jul	31-Jul	31-Jul	31-Jul
	2018	2017	2016	2015	2014
Difference between actual and expected return on scheme assets:					
Amount (£'000)	5,327	5,184	11,164	4,002	(2,695)
% of assets at end of year	5.1%	5.4%	13.0%	4.4%	-4.4%

	Year Ended	Year Ended
	31-Jul-18	31-Jul-17
	£'000	£'000
Analysis of movement in the present value of LGPS liabilities		
Present value of LGPS liabilities at the start of the year	137,067	128,608
Current service cost	4,043	3,740
Interest cost	3,550	3,339
Past service cost	0	0
Actual member contributions	837	923
Actuarial gain / loss	(9,581)	1,078
Curtailments	432	685
Actual benefit payments	(2,022)	(1,306)
Present value of LGPS liabilities at the end of the year	134,326	137,067

23 Accounting estimates and judgements

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

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

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

The balance in the University's balance sheet at 31 July 2018 for which there is a significant risk of a material adjustment in the forthcoming financial year is the Local Government Pension Scheme net liability of £29.3m. Estimation of the net liability for pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Mercers, a firm of consulting actuaries, is engaged, via Lancashire County Council, to provide the University with expert advice about the assumptions to be applied. However, a small change in these assumptions can lead to significant movements in the net liability.

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