



University of Cumbria

Annual Report

For the Year Ended 31 July 2019

Contents

	Page
Strategic Report	
• Foreword by the Chair of the Board of Directors	3
• Introduction by the Vice Chancellor	4
• Strategic review	5
• Financial review	8
Directors' and Corporate Governance Report	
• Governance	11
• Director / Trustee Remuneration	15
• Vice Chancellor Remuneration	15
• Public Benefit Statement	16
• Statement on Internal Control	17
• Risk Management	18
• Diversity and Employee Involvement	19
• Responsibilities of the Board of Directors	20
Financial Statements	
• Independent Auditor's Report	22
• 2018/19 Accounts including Accounting Policies	25

Strategic Report

Foreword by the Chair of the Board of Directors

As I and my fellow Directors look back at 2018/19, we are delighted by the wide range of achievements and successes across the University and the impact it is having on individuals, our communities and our economy. As we have attended graduation ceremonies this year, we have witnessed hundreds of individuals, many from localities or backgrounds which are under-represented in higher education, fulfilling their potential. As we celebrate with them, we see the mission of the University in action as students are equipped to thrive in employment and in their futures, many making significant contributions to our regions and in our key services and businesses.

We are pleased at the progress that is being made in improving the outcomes and experience of our students. As a Board our central priorities include how students view our University, how they value their time with us, and how we monitor their continuation on programmes, attainment and employment prospects. Key performance indicators are in place and, via our Access and Participation Plan, which the Board has been fully involved with establishing, we are keen to see further improvements for all students.

The success of our students reflects well on our staff. They have again demonstrated agility and dedication this year and we would wish to express our thanks to each of them. The Vice Chancellor and her newly formed senior team have provided clear and focussed leadership which has continued to raise aspirations and improve the quality of all we do. Through their efforts and those of many others, the University's profile has been heightened across our regions over the last year.

Effective governance is critical to our success and I wish to thank all the Directors and Associate Directors who have served in their key roles in 2018/19 and to particularly thank those whose terms of office ended this year for their commitment and enthusiasm and the impact that they have had on the University.

As we look ahead as a Board, we do so with some optimism and confidence. The external environment is uncertain and challenging, but the University will continue to respond effectively. This is seen in the growing diversity of our revenue, with more key contracts in place with leading employers in the private and public sectors. The Board will continue, working alongside management, to ensure that risks are well managed, that opportunities are seized and that the University continues to be financially sustainable and successful, whatever changes may arise in 2019/20 or beyond.

Mr Geoffrey Donnelly, Chair of the Board of Directors

Introduction by the Vice Chancellor

As we look back at 2018/19, and forward to the future, we have much to celebrate and to be confident in. As this Annual Report sets out, we have made significant progress across all aspects of our strategy. Higher proportions of students are continuing on their programmes, while they are studying they are expressing increasing levels of satisfaction and when they graduate, more are doing so with higher classifications, recognising their achievements and efforts and the significant impact of our staff.

We are proud of the quality of what we do and we were delighted this year to receive approval from the Privy Council for Research Degree Awarding Powers, which provides further evidence of our quality and our increasing influence and reach. Alongside this we were pleased to be admitted to the Office for Students' Register of English Higher Education Providers following a comprehensive registration process.

Our desire to work alongside the key employers and services within our regions and how well regarded our training is, is shown by our burgeoning apprenticeship and continuing professional development offers which we expect will grow further next year and beyond.

We aim to build on this success in 2019/20. Much groundwork has taken place this year in ensuring that the leadership and strategies are in place to enable us to go on listening and responding to our students and improving their experience and outcomes. As we reflect on improvements in these areas, we are committed to striving to do more. We are also focussed on ensuring that student recruitment, either via UCAS or in workplace settings, increases. To these ends, we have established five new academic Institutes and I am confident that these will help our staff and our students to flourish and help enable us to go on building effective partnerships with employers and across our regions.

Our continued focus on planning for the future is seen in our financial results. Having anticipated falls in income from full-time undergraduate programmes, investment was made in a several areas, resulting in a welcome increase in income compared to the prior year. Looking ahead, we consciously invested in staffing and infrastructure and expect to see the benefits from this in next and subsequent years.

The higher education and wider operating environment continues to change and brings with it opportunity and risk. Our refreshed approach to student recruitment and strengthened links with key employers provide us with many opportunities; our robust approach to risk management, horizon scanning and financial modelling equip us to plan ahead, respond effectively and mitigate the impact of challenges we face.

We are into the second year of our ambitious strategic plan; a plan that is accompanied by ambitious targets. I am confident that, with the steps we have taken in 2018/19, our operating plan for 2019/20, the combined efforts of our senior team and my hundreds of dedicated colleagues and the excellent oversight of our Board of Directors, we are well placed to achieve these ambitions.

Professor Julie Mennell, Vice Chancellor

Strategic Review

It is the University's mission to develop our region's talent and capabilities and to attract new talent to study, work and live. As we do this, our focus is on raising aspirations and educational attainment and our contribution to the social, cultural and economic well-being and prosperity of our communities.

As the 2018/19 year is reviewed against these ambitions and the University's Strategic Plan, with its emphasis on extending our learner base, enhancing our portfolio, the success of our students and graduates, equipping and enabling staff and our sustainability, there has been considerable progress and success.

The University has a clear set of key performance indicators and targets which act to raise ambition across the institution, highlight current trends and provide assurance that the objectives within the Strategic Plan are on track. Prominent among these measures, reflecting their centrality to all that we do, are the retention, degree outcomes, employment rates and satisfaction of our students. The data released in 2018/19 provides positive evidence of the impact of enhanced student support and data informed interventions.

Student satisfaction rates continue to improve. Positive feedback from our students led to a further rise in the University's position in the WhatUni survey, from 35th to 28th across the country's universities. Focussed work took place across 2018/19 to address areas of student feedback and concern and to respond swiftly and effectively. The success of this coordinated and responsive approach has been seen in both this survey's results and the data from the National Student Survey (NSS). The most recent NSS showed rises in satisfaction in all but one theme, with one remaining at the same level as the prior year. Improvements, such as the three percentage point rise in overall satisfaction to 78%, are pleasing and, as we enter 2019/20, are being built upon. Supported by clear plans, we have set ambitious targets that would see further improvements as we strive to offer our students the best possible experience with us.

Our students are increasingly continuing on programmes through to graduation and they are increasingly graduating with higher levels of attainment. The continuation rate of first degree full-time undergraduate students, a key sector wide metric, has risen for the second year in succession and now stands at 90.6%, an increase of 1.5 percentage points compared to the previous year. The dedication of our students and the impact of continued enhancements to teaching, learning and assessment is shown by the fact that 68.8% of all full-time students graduated with a first or 2:1, an improvement from 60.8% the year before.

While the University has seen rises in overall student outcomes measures, continuous improvement plans are in place that will address gaps in access and outcomes for groups of students who are underrepresented in our or the national student populations. Our Access and Participation Plan for the period to 2025, which has been approved by the Office for Students, identifies how the University will support all students to succeed. One way we do this is through our leadership of a 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). During 2018/19, we oversaw the use and distribution of over £1.6m of funds through this Programme, all focussed on assisting school and college students to understand the benefits of and take advantage of the opportunities higher education brings.

In this, and many other ways, the University continues to act for the Public Benefit. This core duty as a charity flows through all we do and is reflected in the key highlights in this report. It is particularly evidenced by the make-up of our student body, with 98.1% of UK undergraduates aged under 21 upon commencement of their studies having attended state schools and 21.7% of this same group coming from neighbourhoods which have the lowest historical application rates to university; both of these metrics being significantly above the

average rate across the higher education sector. We continue to enrol and support a higher proportion of students with declared disabilities than the sector average and we have a focus on both school leavers and those accessing or returning to higher education later in life, with 60% of all students aged over 21.

A key way the University provides a benefit to the public is the central role we play in our communities. The social, cultural and economic well-being and prosperity of the localities we serve is supported by the variety of essential training and research we provide. Across our hospitals, medical practices, schools, police forces, ambulance services and a range of business and other organisations, University of Cumbria graduates provide essential services across our regions and to thousands of people. Significant sectors of the local economy such as forestry and the outdoors are supported by the University and its students and the cultural life of our region is greatly enhanced by our Arts provision and activities.

Our engagement with businesses and local organisations is increasingly responsive. In 2018/19, a chartered management degree apprenticeship was launched from the Ambleside campus which is blended to meet the management and business needs of the visitor economy. Partnerships with BAE Systems and Rolls Royce have led to the University's provision of MBAs this year which are focussed on further developing their workforces. Over 150 learners are now enrolled on apprenticeships – training that responds to the workforce planning and needs of organisations – and the University has recently been awarded, as part of a consortium, a five year contract to train police officers in the Surrey, Sussex and Hampshire forces from spring 2020. Following a successful tender process, we look forward to providing Paramedic Degree apprenticeships for the Ambulance Service Southern Alliance from 2020/21. Alongside our continued project management training at Sellafield and our clear alignment with local industrial strategies, these and other initiatives demonstrate the University's commitment to meeting the skills needs and the demands of our economy.

In order to continue to deliver its strategy in these and other ways, it is essential that the University maintains its quality and meets all the regulatory obligations expected of it. 2018/19 provided several clear indications that this has continued to be the case. Early in the year, the University was admitted to the Office for Students register of providers, following a submission and assessment process, without any specific conditions of registration. We take our obligations to comply with the ongoing conditions of registration which the Office for Students expects from all universities seriously and its priorities around improving student outcomes and experiences, tackling disadvantage and ensuring that we provide value for money, are priorities that are at the heart of what we seek to do. We look forward to working alongside the Office for Students as it continues to establish itself as the sector's regulator.

Our registration with the Office for Students was followed later in the year by a "good" assessment of the University's level 4 and 5 apprenticeship provision by OFSTED and then confirmation that the University was to be awarded Research Degree Awarding Powers (RDAP). This achievement came after 18 months of rigorous assessment by the Quality Assurance Agency. Together with projects such as the £2m four year project supported by the National Lottery Heritage Fund to reintroduce ten threatened species of native flora and fauna across the lowland of Morecambe Bay which began in 2018/19 and the ongoing partnership with the Sir John Fisher Foundation in STEM areas, the award of RDAP recognises the ability of our staff to develop new areas of knowledge and practice to benefit our economy and communities.

The year also saw realignments of the academic areas into five institutes which have been launched in early 2019/20. Each has structures tailored to ensuring that they have the necessary focus, resource and leadership to achieve the key goals of the Strategic Plan around their academic disciplines and expertise. All include an emphasis on learning and teaching, student experience and outcomes, demand-led portfolio and programmes and

student recruitment under-pinned by relevant research, professional practice and scholarship.

One of the key objectives of the new Institutes is that they continue to diversify and grow their income. While 2018/19 saw a reduction of 4% in overall full-time UK student numbers, overall income grew by just under £0.5m, reflecting successes in widening the sources of revenue, including employer based training. Student recruitment remains challenging and increasingly competitive and the University has invested in enhanced approaches and processes around its marketing and recruitment activities during the year ahead of the cycle which builds to 2020/21 entry.

As the University looks to the future, we expect and plan for further change. While those from remaining members of the European Union make up a relatively small part of the University's student population, Brexit does present a number of risks to the University. Depending on the nature of transition plans, Brexit may lead to even more competition in recruitment as institutions seek to recover falls in EU student numbers. This, together with other implications of Brexit, are being planned for and mitigated as best as possible given the scale of uncertainty. Positively, we are hopeful that increased Governmental focus on the need to recruit more teachers and healthcare professionals and significant funding for the upskilling of the NHS workforce will present considerable opportunities for the University in 2019/20 and beyond. Similarly, while there is uncertainty in the wider economy due to Brexit and other concerns, we are confident that we will continue to grow the types of provision which responds to the needs of employers.

Amid change, we are committed to our mission and strategy and see financial sustainability as critical to this. As explained in the Financial Report, the University consciously chose to invest in several areas in 2018/19 that have been central to the successes set out in this report. Through 2019/20 and beyond, we aim to build on these successes and incrementally increase our cash surpluses, which are essential to enable ongoing investment. As we do this, we are fully aware of the risks and challenges. We have had to plan for a 44% increase in employer's Teachers' Pension Scheme contributions which will lead to additional costs of £1m a year from September 2019. These and other cost increases, including inflationary pressures, come at a time when tuition fees and apprenticeship bandings remain static. The University also awaits the Government's response to the Post-18 Review of Education and Funding and has considered the implications of the recommendations outlined. Our focussed planning and risk management framework has and will enable us to identify these and other challenges early and to respond effectively. This will continue to involve us reviewing our operating models and to always challenge ourselves around the investment and disinvestment that is required.

The University's coherent strategy focussing on people, place and partnerships fully reflects why the University was originally established, and the progress made during 2018/19 provides a platform for future gradual improvements in performance and sustainability.

Financial Review

The 2018/19 year has seen a modest increase in income compared to 2017/18. This is evidence of initial success in achieving some of the key goals within the University's Strategic Plan which are focussed on arresting the decline in income and seeking income diversification and growth.

Given these objectives and the resourcing that is required to sustain and accelerate their achievement, the University chose to invest in year to support growth. This is reflected in the results for the year which show that while income grew by just under £0.5m, costs increased by £3.5m. Aside from a non-recurring pension accounting adjustment of £1.3m within staff costs, this increase was largely due to planned investment in key projects and activities in academic and support areas, staff cost inflation arising from the nationally agreed pay award and contractual increments of just over £1m and the costs of staff restructuring (£0.6m). These additional costs have led to a year-on-year reduction in the University's annual cash surplus, which excludes accounting adjustments, from £4.1m last year to £1.5m in this. Funding of increased expenditure has been met from a short term reduction in cash reserves, which closed at £11.9m.

	2018/19	2017/18
	£m	£m
Total Income	59.6	59.1
Expenditure		
Staff Costs:		
Operational	37.2	36.4
Fundamental Restructuring	0.6	0.0
Pension provision movement	2.5	1.7
Non-Staff Costs:		
Operational	19.4	17.8
Depreciation	3.8	3.9
Pension provision movement	0.9	1.1
Total Expenditure	64.4	60.9
Accounting Deficit	-4.8	-1.8
Accounting adjustments:		
Depreciation	3.8	3.9
Pension provision movements	3.4	2.9
Release of deferred capital grants	-0.9	-0.8
Cash Surplus	1.5	4.2
Cash Balance	11.9	14.9

Financial Performance

The University had experienced successive reductions in its income over several years, largely as a result of changes to national teacher training and pre-registration healthcare funding and policy and the shifts in recruitment patterns and demand that are related to these and to other factors. While these challenges remain, the rate of income reductions has slowed in recent years and 2018/19 saw an increase in overall income of just under £0.5m, the first rise in a decade. While recruitment in some portfolio areas has been lower than targeted, the University has seen significant growth in particular programmes and activities, most notably via contracts with employers, such as apprenticeships, and increased activity at our London campus.

Student recruitment has been challenging and we expect it to remain so for the foreseeable future. The effect of past and current volatility in student numbers can be seen in various figures in the financial statements, with a £1.0m fall in funding for full time home and EU via tuition fees and NHS grants and a £0.5m reduction in student residence income compared to last year.

Rather than responding to this by immediately reducing expenditure, the University has invested in a range of ways during 2018/19 in order to support current and future income growth and the experience of our students. Ongoing investment has seen new posts being created in several academic areas and focussed investment has taken place in the way we engage with prospective students. This has been achieved with a similar staff complement overall as last year, highlighting the University's focus on aligning its resources to its activities. Despite not increasing the staffing headcount, total gross salaries and pension contributions grew by 2.5%, which illustrates the impact of increases in the costs of employment which we must continue to manage.

The operating environment remains challenging and, in view of static tuition fees, inflationary pressures, forthcoming increases in pension contributions and other risks, such as potential changes as a result of the Post-18 Review of Education and Funding, the University has, alongside investment, continued to review its business model and to identify efficiencies and different ways of working. This year's £0.6m expenditure on fundamental restructuring is expected to lead to savings of double this in 2019/20 and further work is taking place to ensure that our processes and structures most appropriately support our students and the delivery of our Strategic Plan. Given the scale of the cost increases that need to be offset in 2019/20 and beyond, particularly a £1m annual increase in contributions to the Teachers' Pension Scheme, and the necessity to return the level of cash surplus to more appropriate levels, activity in 2019/20 will focus on a full review of the University's operating model, to ensure that resources are re-aligned efficiently and effectively.

The University is required to record movements in its Local Government Pension Scheme accounting deficit each year in the statement of comprehensive income. These non-cash adjustments account for £3.4m (5%) of overall expenditure. The increase in these costs compared to 2017/18 is due to the inclusion of a £1.3m past service cost as a response to the successful legal challenges to certain elements of the Government's 2015 public sector pension scheme arrangements on the grounds of age discrimination.

Financial Position

The 2018/19 budget set out the University's intention to use some cash reserves to fund investments in both operating and capital initiatives. At £11.9m, while lower than the prior year closing figure, the closing cash balance is healthy and provides 71 days of liquidity. Given the timing of the payment of funds from the Student Loans Company to the University, with 50% provided close to the end of the year, it is important that cash balances of this level are held.


The University used £1.9m of its generated cash on capital projects in 2018/19, a modest increase on 2017/18 levels. This was supplemented by £0.5m of enhancements to the estate which was recorded as non-pay expenditure in the financial statements. In view of a forthcoming disposal of a surplus part of the University's Lancaster campus, an impairment of £1.4m to land and building values at the site was recorded and was charged to the revaluation reserve. Alongside, this the University applied uplifts to the values of specialised academic and administrative properties which are valued on a depreciated replacement cost basis. The resulting £5.8m rise in values reflects the increase in locally adjusted building cost indices since the last professional valuation as at 31 July 2017.

Total creditors stand at £36.5m, of which just over £5m relates to payments due to suppliers in 2019/20. £21m of this relates to capital grants provided in this and previous years which are released over the life of the assets they were used to purchase, £4.3m represents cash received in advance of the University providing tuition or another service and £6m reflecting the outstanding loan balance. At 10% of income, the outstanding loan balance is low compared to most other universities and the debt servicing costs of just 1.2% of income are easily manageable.

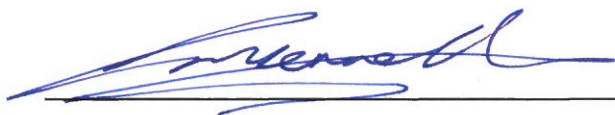
The most significant balance sheet movement compared to last year is the adverse change in the actuary's estimate of the University's share of the Local Government Pension Scheme (LGPS) deficit. Despite improved asset returns, the net deficit increased by £16.4m, largely due to a reduction in the discount rate used by the actuaries, alongside the £1.3m adjustment highlighted above. The increase of the LGPS deficit to £45.7m has given rise to a negative unrestricted income and expenditure reserve position. This is not, however, an indication of an underlying weakness, with unrestricted reserves related to University operations, excluding the LGPS deficit, standing at £45m.

While downward pension accounting movements have increased the liabilities recorded in the balance sheet, reversing similar sized gains in 2017/18, it is the triennial valuation of the LGPS rather than these accounting estimates that is of most significance when considering risks related to the scheme. The fund is due to report the results of the 31 March 2019 valuation later in the year and indications at this point are that the fund is in a strong position and will report a much more positive view of the University's asset and liability position than is presented in the balance sheet.

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 2018 to 31 July 2019, 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).

The University has adopted the Committee of University Chairs (CUC) Higher Education Code of Governance 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/vco/documents/legal/Statement-of-Primary-Responsibilities-2019-20.pdf>

The University Board of Directors, which meets at least five times each year, is the University's governing body. It is responsible for approving the corporate strategy and associated plans and budgets, monitoring the performance of the University and its executive, determining major business decisions and policies and 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 20.

The University's Board of Directors comprises persons who are appointed in accordance with its Articles of Association. During 2018/19 the Chair was Mr Geoffrey Donnelly 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 14.

Mr Geoffrey Donnelly took up the role of Chair of the Board in 2018/19 following a planned succession. Changes to the Chairs of the Board's committees has also been managed, with the 2018/19 chairs as 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 2019/20 has continued to seek 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.

Independent external effectiveness reviews are undertaken in line with the CUC Higher Education Code of Governance. The most recent independent external effectiveness review reported to University Board in January 2019. The review had a focus on the operations and effectiveness of both the Board and each of its committees, alongside benchmarking the Board's operations against the Code of Governance. No significant changes were proposed; the majority of the implications were implemented during the year.

The Chair leads an annual review of University Board effectiveness, with one to one meetings with each director at its heart. In addition, the majority of the Committees of the Board undertook a review of their own effectiveness in the last meeting of the year, with the outcomes reported to University Board.

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 Ms Fiona Aiken) 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 David Allen in 2018/19: Mr Peter Yates to date in 2019/20) 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.

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 people related matters. 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 Geoffrey Donnelly) 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 Professor Linda Challis) determines the remuneration and conditions of service of the most senior staff, including the Vice Chancellor. The Committee has adopted the new Committee of University Chairs' Higher Education Senior Staff Remuneration Code in full.

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 Office for Students (OfS) requirements and for providing 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 2018/19 the membership consisted of:

Professor Julie Mennell (Vice Chancellor)

Mr David Chesser (Chief Operating Officer/Deputy Vice Chancellor)

Mrs Jackie Arnold (Pro Vice Chancellor (Region and Employer Engagement)) – from 03/10/18

Dr Jean Brown (University Secretary)

Ms Michelle Leek (Pro Vice Chancellor (Director of Student and Staff Services)) – from 10/09/18

Professor Robert Trimble (Pro Vice Chancellor (Academic)) – from 18/02/19

Professor Brian Webster-Henderson (Pro Vice Chancellor (Health)) – from 03/12/18

Members of the University Board of Directors in 2018/19 and their attendance at University Board and relevant committees in 2018/19:

	Board (6 in year)	Finance & Resources Committee (5 in year)	Audit & Risk Committee (4 in year)	Academic Governance Committee (4 in year)	Employment Policy Committee (3 in year)	Nominations Committee (2 in year)	Remuneration Committee (3 in year)
Vice Chancellor							
Prof Julie Mennell (attendance noted where a member of a committee)	6	5		4	2	2	
Chair of the Board of Directors							
Mr Geoffrey Donnelly	6 (Chair)	5				2 (Chair)	3
Members of the Board of Directors							
Ms Fiona Aiken	6		4 (Chair)	4			
Mr David Allen	5	5 (Chair)					
Mrs Emma Bales (staff director)	3	5					
Mr John Batty (From 10/10/18)	6 (1 as Director designate)		3				
Miss Katie Brookes (student director from 5/7/19)	1			1			
Mr Clive Bush	1**	1**					
Revd Cameron Butland	4				3	0	
Prof Linda Challis	5			4 (Chair)		2	3 (Chair)
Mrs Claire Hensman	5		2				3
Ms Jill Johnston	4				2		3
Prof John Lee	5			1	3		
Mrs Jill Stannard	4				3 (Chair)	0	1
Mr Matthew Wisener (student director to 5/7/19)	5			4			
Mr Peter Yates (From 10/10/18)	6 (1 as Director designate)	5					
Associate Directors							
Mr David Atkinson	N/a	0*					
Mr Atta Hanfi (From 10/10/18)	N/a				1		
Mr Mark Renwick-Smith	N/a		3				
Mr Peter Stafford	N/a		3				
Mrs Pam Tatlow	N/a			4			

*due to ill health **due to sabbatical leave

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 2018/19 was £7,249 (2017/18: £6,211). Ten 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 2018/19 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 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 was recognised by the Directors on the Board: the report to Remuneration Committee referenced her contribution to 'turning around' the University in her first two years in office. It also noted that she had 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.

The 18 October 2018 meeting of Remuneration Committee considered the inputs as set out above and agreed that the Vice Chancellor should be awarded a 3.5% pay increase to be paid at the same time and in the same manner as increases paid to all staff. This included the 2% pay award to staff, which was confirmed following the meeting, and a further increase agreed following review of the benchmark data and the reporting on her performance in year. The size of this additional increase (1.5%) was based upon the size of the additions each year to staff salaries over and above the pay award. It was also agreed to pay an honorarium of £7,500 in recognition of the activities, initiatives and outcomes in the previous year, as cited above.

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 3, demonstrate that this is our focus in practice.

Statement on Internal Control

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.

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.
- Regular review of academic and financial performance, through Key Performance Indicators and detailed reports, and regular reviews of financial results including variance reporting and updates of forecast out-turns.
- 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. The Committee undertakes a detailed review of a significant risk area 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.
- The 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 approves the Internal Audit annual programme and 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, including financial control, together with recommendations for improvement.

- The internal audit function reports to the Audit and Risk Committee and for management purposes to the University Secretary.
- Clear definition of the responsibilities and delegated authority of Heads of Academic Departments and Directors of Professional Services.
- Any material weaknesses or breakdowns in internal control must be reported to the University Board.

The University and its Board of Directors are satisfied with the effectiveness of the system of internal control at the University. No reports of material internal control weaknesses have been made in 2018/19 or up to the point of the audited financial statements being approved.

Risk Management

The University has plans in place to enhance its reputation and standing 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. Risks are scored based on a risk profile, and the direction of travel of each risk is included within the risk register. The strategic risk register is reviewed regularly by the Vice Chancellor's Executive, at each meeting of the Audit and Risk Committee, and is presented in full to the Board of Directors.

Alongside the strategic risks, the risk register also captures the major operational and key compliance risks that the University faces, and operates a 'watch list' to capture potential areas of future risk.

- **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, this places 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 2018/19 towards the University's targets and benchmarks for a range of student outcomes. 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 2019/20.

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.

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.

Commitments to Equality, Diversity and Inclusion (EDI)

In alignment with meeting our public sector equality duty, the University is committed to addressing areas of under-representation and advancing equality of opportunity. The University utilises positive action statements and embeds EDI within the culture of the organisation via Athena Swan and Stonewall Champion commitments, in addition to internal review and monitoring. Equality impact assessments support our commitments and ensure that due regard is paid to potential impact on individuals and groups.

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.

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 2018 - 31 March 2019 is as follows:

Relevant Union Officials:

Number of employees who were relevant union officials during the relevant period	9
Full-time equivalent employee number	8.4

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

Percentage of time	Number of employees
0%	0
1-50%	8
51-99%	0
100%	1

Percentage of total pay bill spent on facility time*:

	£'000
Total cost of facility time	£65,259
Total pay bill	£36,240,717
Percentage of the total pay bill spent on facility time	0.18%

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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* Trade union representatives at the University are entitled to paid time off to carry out trade union duties, for example casework and representation of employees, and the details of this are disclosed above as "facility time". The University does not provide paid time off for trade union activities, for example conference attendance, and therefore no sums are included in the tables above in respect of such activities.

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 entire control and management of the University of Cumbria. As part of this responsibility it is required to present an annual report which includes audited financial statements, a statement on corporate governance and a statement on internal control for each financial year.

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, the Statement of Recommended Practice on Accounting in Higher and Further Education Institutions, the Accounts Direction issued by the Office for Students and other relevant accounting standards. In addition, within the terms and conditions of the 'Regulatory Notice 2: Regulation up to 31 July 2019 of providers that were previously funded by HEFCE', 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 group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

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.
- An assessment of the group and parent University's ability to continue as a going concern has taken place, disclosing, as applicable, matters related to going concern.
- The going concern basis of accounting has been used unless they either intend to liquidate the group or the parent University or to cease operations, or have no realistic alternative but to do so.

The University Board of Directors is responsible for keeping proper accounts and proper records in relation to the accounts. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

The University Board of Directors has taken reasonable steps to:

- Ensure that 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.
- Ensure that funds from the Office for Students, Research England, the Department for Education and other sources are used only for the purposes for which they have been given and in accordance with all relevant terms and conditions.
- 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.

Independent Auditor's Report to the Board of Directors of the University of Cumbria

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the University of Cumbria ("the University") for the year ended 31 July 2019 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, Consolidated and University Cash Flow and Consolidated and University Balance Sheet, the and related notes, including the accounting policies in note 1.

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 2019, 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; and
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students, other than where the University has applied the allowance to early adopt the requirements of paragraph 12(d) of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

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

The Board of Directors has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease their operations, and as they have concluded that the Group and the University's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the Board of Directors' conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the University will continue in operation.

Other information

The Board of Directors is responsible for the other information, which comprises the Strategic Review and the Directors' and 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 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.

Board of Directors responsibilities

As explained more fully in their statement set out on page 20, the Board of Directors 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

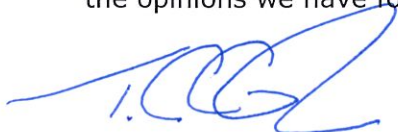
We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

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; and
- funds provided by the Office for Students and Research England have been applied in accordance with these conditions and the 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 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

28 November 2019

Consolidated & University Statement of Comprehensive Income and Expenditure

Year Ended 31 July 2019

		Year Ended 31 July 2019	Year ended 31 July 2018
		£'000	£'000
Income	Notes		
Tuition fees and education contracts	1	46,393	46,508
Funding body grants	2	5,661	4,505
Research grants and contracts	3	375	528
Other income	4	7,053	7,472
Investment income	5	79	54
Donations and endowments	6	14	66
Total income		59,575	59,133
Expenditure			
Staff costs	7	39,757	38,127
Fundamental restructuring costs	7	565	0
Other operating expenses		19,185	17,621
Depreciation	10	3,792	3,865
Interest and other finance costs	8	1,089	1,314
Total expenditure	9	64,388	60,927
Deficit before gains		(4,813)	(1,794)
Gain on disposal of fixed assets		0	2
Deficit before tax		(4,813)	(1,792)
Taxation		0	0
Deficit for the year		(4,813)	(1,792)
Unrealised surplus on revaluation of land and buildings	10	4,462	0
Actuarial (loss) / gain in respect of Local Government Pension Scheme	22	(13,022)	14,908
Actuarial (loss) / gain in respect of enhanced pension provision		(44)	8
Total comprehensive income for the year		(13,417)	13,124
Represented by:			
Restricted comprehensive income for the year		(10)	6
Unrestricted comprehensive income for the year		(16,789)	(33,137)
Revaluation reserve comprehensive income for the year		3,382	46,255
Attributable to the University		(13,417)	13,124
Attributable to the non-controlling interest		0	0
		(13,417)	13,124

All items of income and expenditure relate to continuing activities.

Consolidated and University Statement of Changes in Reserves Year ended 31 July 2019

Consolidated	Income and expenditure account		Revaluation reserve	Total
	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000	£'000
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 1 August 2018	115	16,052	54,279	70,446
Deficit from the income and expenditure statement	(10)	(4,803)	0	(4,813)
Other comprehensive income	0	(13,066)	4,462	(8,604)
Total comprehensive income for the year	(10)	(17,869)	4,462	(13,417)
Transfers between revaluation and income and expenditure reserve	0	1,080	(1,080)	0
Balance at 31 July 2019	105	(737)	57,661	57,029

University	Income and expenditure account		Revaluation reserve	Total
	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000	£'000
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 1 August 2018	115	15,955	54,279	70,349
Deficit from the income and expenditure statement	(10)	(4,803)	0	(4,813)
Other comprehensive income	0	(13,066)	4,462	(8,604)
Total comprehensive income for the year	(10)	(17,869)	4,462	(13,417)
Transfers between revaluation and income and expenditure reserve	0	1,080	(1,080)	0
Balance at 31 July 2019	105	(834)	57,661	56,932

Consolidated and University Cash Flow

Year ended 31 July 2019

	Notes	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Cash flow from operating activities			
Deficit for the year		(4,813)	(1,792)
Adjustment for non-cash items			
Depreciation	10	3,792	3,865
Impairments	10	0	0
Increase in debtors	12	(1,367)	(320)
Decrease in creditors	13	(1,152)	(373)
Increase in pension provisions	15	3,390	2,802
Decrease in other provisions	15	(48)	(521)
Adjustment for investing or financing activities			
Investment income	5	(79)	(54)
Interest payable	8	190	192
Profit on the sale of fixed assets		0	(2)
Capital grant income		(895)	(795)
Net cash inflow/ (outflow) from operating activities		(982)	3,001
Cash flows from investing activities			
Proceeds from sales of fixed assets		0	2
Capital grants receipts		488	1,295
Investment income		94	54
Payments made to acquire fixed assets		(1,885)	(1,812)
		(1,303)	(461)
Cash flows from financing activities			
Interest paid		(193)	(182)
Interest element of finance lease		0	0
Repayments of amounts borrowed		(516)	(566)
Capital element of finance lease		0	0
		(709)	(748)
Increase / (decrease) in cash and cash equivalents in the year		(2,994)	1,792
Cash and cash equivalents at beginning of the year	17	14,886	13,094
Cash and cash equivalents at end of the year	17	11,892	14,886

Consolidated and University Balance Sheet

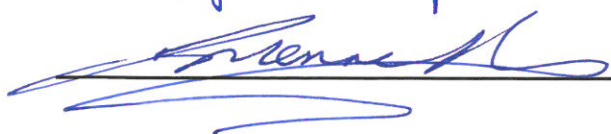
As at 31 July 2019

	Notes	As at 31 July 2019		As at 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Fixed assets	10	123,017	123,017	119,743	119,743
Investments	11	0	10	0	10
		<u>123,017</u>	<u>123,027</u>	<u>119,743</u>	<u>119,753</u>
Current assets					
Trade and other receivables	12	5,270	5,270	3,907	3,907
Cash and cash equivalents	17	11,892	11,892	14,886	14,886
		<u>17,162</u>	<u>17,162</u>	<u>18,793</u>	<u>18,793</u>
Less:					
Creditors: amounts falling due within one year	13	(11,099)	(11,206)	(11,504)	(11,611)
Net current assets		6,063	5,956	7,289	7,182
Total assets less current liabilities		129,080	128,983	127,032	126,935
Creditors: amounts falling due after more than one year	14	(25,398)	(25,398)	(26,341)	(26,341)
Provisions					
Pension provisions	15	(45,711)	(45,711)	(29,299)	(29,299)
Other provisions	15	(942)	(942)	(946)	(946)
Total net assets		57,029	56,932	70,446	70,349
Restricted Reserves					
Income and expenditure reserve - restricted reserve	16	105	105	115	115
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		(737)	(834)	16,052	15,955
Revaluation reserve		57,661	57,661	54,279	54,279
Total Reserves		57,029	56,932	70,446	70,349

The financial statements were approved by the Governing Body on 21 November 2019 and were signed on its behalf on that date by:



Mr Geoffrey Donnelly, Chair of the Board of Directors



Professor Julie Mennell, Vice Chancellor

Statement of Accounting Policies for the year ended 31 July 2019

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;
- Financial Reporting Standards (FRS 102);
- the Office for Students Accounts Direction dated June 2018 with the exception of the Vice Chancellor Remuneration, Pay Multiple disclosure (Note 7), which has been prepared through early adoption of the updated Accounts Direction 2019/20, published October 2019; and
- the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments).

The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

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 Board has considered the University's current financial position, the outlook across 2019/20 and beyond, fully considering key risks and how they are being or will be mitigated. The University has adequate financial resources and increasingly diversified income streams, much of which is derived from long-term contracts with partners. Detailed cash-flow modelling and forecasting is regularly performed, alongside sensitivity analysis, and this work shows that the University is able to meet its obligations for the foreseeable future. When costs need to be aligned to income levels, such as in this year and in 2019/20, the University responds effectively. Regular dialogue is held with the University's main lender, Barclays Bank PLC and they are made aware of any one-off events such as organisational restructuring which may affect covenant compliance. These covenants are calculated with reference to the University's income and expenditure and cashflows across the financial year and our modelling and forecasting, with the application of appropriate sensitivities, indicates that the University will continue to remain compliant with the lender's terms. These models and forecasts contain various assumptions, with the key income assumptions relating to retention and drop-out non-continuation rates for current students remaining broadly consistent with levels experienced previously. Key expenditure assumptions include the expectation that non-pay expenditure will be managed within forecasted levels and that any unforeseen costs can be absorbed by varying the amount and timing of expenditure that is not committed, which will ensure continued loan covenant compliance.

Having taken these factors into account, the Directors believe that the University is well placed to manage its business risks successfully despite facing an increasingly competitive environment and current uncertainties in the economy and in Government policy around higher education funding.

The Board of Directors has a reasonable expectation that the university 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 2019.

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 2019

3. Income recognition (continued)

Grant funding

Government revenue grants, including those from the Office for Students, 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 2019

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 bought 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 2019

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 2019

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 2019

		Year Ended 31 July 2019	Year Ended 31 July 2018
		Consolidated & University	Consolidated & University
	Notes	£'000	£'000
1 Tuition fees and education contracts			
Full-time home and EU students		35,854	33,717
Full-time international students		980	540
Part-time students		3,827	3,733
Apprenticeship income: ESFA		569	282
Apprenticeship income: employers		96	36
Education Contracts (NHS)		5,067	8,200
		46,393	46,508
2 Funding body grants			
Recurrent grant			
Office for Students		2,909	2,682
Specific grants			
Office for Students/ Research England		405	472
Department for Education		26	26
Office for Students /Research England - capital grant release		709	602
National Collaborative Outreach Programme		1,612	723
		5,661	4,505
3 Research grants and contracts			
Research councils & charities		375	528
		375	528
4 Other income			
Residences		2,113	2,655
Conferences		386	379
Other capital grants		186	193
Other income		4,368	4,245
		7,053	7,472
5 Investment income			
Investment income on restricted reserves	16	1	1
Other investment income		78	53
		79	54
6 Donations and endowments			
Donations with restrictions	16	3	64
Unrestricted donations		11	2
		14	66

Notes to the Accounts for the year ended 31 July 2019

7 Staff costs

	Notes	Year Ended 31 July 2019 Consolidated & University £'000	Year Ended 31 July 2018 Consolidated & University £'000
Salaries		29,329	28,645
Social security costs		3,063	3,001
Occupational Pension Scheme Costs:			
Employer Contributions		4,833	4,681
Changes in pension provisions	22	2,511	1,744
Compensation for loss of office - fundamental restructuring		565	0
Compensation for loss of office - other		21	56
		40,322	38,127

Compensation for loss of office was payable to 36 staff in 2018/19 (2017/18: 3) and is payable in all instances of loss of office, including where it occurs at the end of a fixed-term contract.

Average full-time equivalent staff numbers by category:

	No.	No.
Academic	348	336
Academic support and other support staff	471	482
	819	818

Notes to the Accounts for the year ended 31 July 2019

7 Staff costs (Continued)

Vice Chancellor Remuneration	Year Ended	Year Ended
	31 July 2019	31 July 2018
	£	£
Salary	191,550	185,074
Performance related pay	7,500	0
Employer pension contributions	31,567	30,497
Total including pension costs	<u>230,617</u>	<u>215,571</u>

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 5.8 times (2017/18: 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 6.9 times (2017/18: 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. The increase in the total remuneration multiple is due to the combination of the increase in the Vice Chancellor's total remuneration, as shown in the table above, and the decrease year on year in the overall median, which was as a result of the payment of a higher number of hourly paid staff, with the cost of each worker included in the calculation on a full time basis.

Vice Chancellor Remuneration - Justification

The justification for the Vice Chancellor's total remuneration is included on page 15 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	Year Ended
	31 July 2019	31 July 2018
	No.	No.
£100,000 to £104,999	1	1
£105,000 to £109,999	0	0
£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	1	0
£130,000 to £134,999	0	0
£135,000 to £139,999	0	0
£140,000 to £144,999	1	1
£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	0
£185,000 to £189,999	0	1
£190,000 to £194,999	1	0
	<u>5</u>	<u>4</u>

Senior Staff Remuneration - Compensation for Loss of Office

	Year Ended	Year Ended
	31 July 2019	31 July 2018
	£'000	£'000
Compensation payable recorded within staff costs	0	0
	Number	Number
Number of staff paid	0	0

Notes to the Accounts for the year ended 31 July 2019

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 2018/19 the Vice Chancellor's Executive comprised of the Vice Chancellor, Deputy Vice Chancellor and Chief Operating Officer, Pro Vice Chancellor (Academic), Pro Vice Chancellor (Health), Pro Vice Chancellor (Region & Employer Engagement), Pro Vice Chancellor and Director of Student and Staff Services, and 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 2019 £'000	Year ended 31 July 2018 £'000
Key management personnel compensation	746	606

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 £7,249 (2018: £6,211). 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 2019 Consolidated & University £'000	Year Ended 31 July 2018 Consolidated & University £'000
Notes		

8 Interest and other finance costs

Loan interest	190	191
Net charge on Local Government Pension Scheme	879	1,105
Net charge on enhanced pension provision	20	18
	1,089	1,314

9 Analysis of total expenditure by activity

Academic departments and services	36,589	33,141
Administration and central services - operations	15,640	15,805
Administration and central services - Restructuring	586	56
Administration and central services - Pension adjustments	3,410	2,866
Premises	6,152	6,712
Residences, catering and conferences	1,347	1,444
Research grants and contracts	664	852
Other expenses	0	51
	64,388	60,927

Other operating expenses include:

External auditors remuneration in respect of audit services	49	45
External auditors remuneration in respect of non-audit services	5	4
Operating lease rentals:		
Land and buildings	266	322
Other	125	132

Notes to the Accounts for the year ended 31 July 2019

10 Fixed Assets

	Freehold Land and Buildings	Equipment	Total
	£'000	£'000	£'000
Consolidated and University			
Cost or valuation			
At 1 August 2018	118,937	15,373	134,310
Additions	1,387	1,217	2,604
Surplus on revaluation	2,019	0	2,019
Impairment	(1,430)	0	(1,430)
Disposals	0	(2,119)	(2,119)
At 31 July 2019	120,913	14,471	135,383
Consisting of valuation as at:			
31 July 2017	39,459	0	39,459
31 July 2019	80,067	0	80,067
Cost	1,387	14,471	15,857
	120,913	14,471	135,384
Depreciation			
At 1 August 2018	2,371	12,196	14,567
Charge for the year	2,406	1,386	3,792
Written back on revaluation	(3,873)	0	(3,873)
Disposals	0	(2,119)	(2,119)
At 31 July 2019	904	11,463	12,367
Net book value			
At 31 July 2019	120,009	3,008	123,017
At 31 July 2018	116,566	3,177	119,743

At 31 July 2019, freehold land and buildings included £21.4m (2018 - £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. The next professional valuation of these assets will take place in July 2020.

The University has applied an uplift to the values of specialised academic and administrative properties which are valued on a depreciated replacement cost basis. This uplift of £5.8m reflected the increase in locally adjusted building cost indices since the last professional valuation as at 31 July 2017 and is made up of a £2.0m surplus on revaluation and the writing back of £3.8m of accumulated depreciation. This £5.8m gain has been credited in full to the Revaluation Reserve.

Gerald Eve LLP performed an impairment review of the land and buildings within an area of the Lancaster campus which is due to be disposed of in 2019/20. This led to an impairment of £1.4m which was debited in full to the Revaluation Reserve.

Notes to the Accounts for the year ended 31 July 2019

11 Non-Current Investments

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	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 2018/19 or 2017/18.

12 Trade and other receivables

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Other trade receivables	2,747	2,747	1,941	1,941
Prepayments and accrued income	2,523	2,523	1,966	1,966
	5,270	5,270	3,907	3,907

Notes to the Accounts

for the year ended 31 July 2019

13 Creditors : amounts falling due within one year

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Unsecured loans	521	521	507	507
Trade payables	1,487	1,487	2,504	2,504
Social security and other taxation payable	851	851	771	771
Accruals and deferred income	7,352	7,352	6,890	6,891
Deferred income - capital grants	888	888	832	832
Amounts due to subsidiary companies	0	107	0	107
	11,099	11,206	11,504	11,611

14 Creditors : amounts falling due after more than one year

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Unsecured loans	5,525	5,525	6,046	6,046
Deferred income	7	7	17	17
Deferred income - capital grants	19,866	19,866	20,278	20,278
	25,398	25,398	26,341	26,341

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.

14b Creditors: loans

Analysis of loans recorded within Notes 13 and 14 is as follows:

Due within one year or on demand	521	521	507	507
Due between one and two years	405	405	521	521
Due between two and five years	999	999	1,072	1,072
Due in five years or more	4,121	4,121	4,453	4,453
Due after more than one year	5,525	5,525	6,046	6,046
	6,046	6,046	6,553	6,553

Notes to the Accounts for the year ended 31 July 2019

14b Creditors: loans

The details of the University's outstanding loans at 31 July 2019 are as follows:

Lender	Term	Amount £'000	Interest rate %	Security
Barclays	2026	5,440	2.48 - variable	Unsecured
Barclays	2020	199	10.62 - fixed	Unsecured
Cumbria County Council	No fixed	347	4.52 - variable	Unsecured
Office for Students	2020	60	0	Unsecured
		6,046		

15 Provisions for liabilities

Consolidated and University

	LGPS Pension £'000	Pension Enhancement £'000	Leasehold Dilapidation £'000	Other £'000	Total £'000
At 1 August 2018	29,299	707	232	7	30,245
Utilised in year	0	(65)	0	(3)	(68)
Additions in 2018/19	0	0	0	0	0
Unused amounts reversed in 2018/19	0	0	0	0	0
Net movements charged to Income and Expenditure	3,390	20	0	0	3,410
Actuarial loss	13,022	44	0	0	13,066
At 31 July 2019	45,711	706	232	4	46,653

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 2.0% (2018/19: 2.9%) and an inflation rate of 2.2% (2017/18: 2.1%) have been assumed.

Leasehold Dilapidation

A £0.2m provision remains in place 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 2019

16 Restricted Reserves

Reserves with restrictions are as follows:

	2019 Total £'000	2018 Total £'000
Opening balance	115	109
New donations	3	64
Investment income	1	1
Expenditure	(14)	(59)
Total restricted comprehensive income for the year	(10)	6
Closing balance	105	115

	2019 Total £'000	2018 Total £'000
Analysis of other restricted funds / donations by type of purpose:		
Hardship Support	0	2
Study Support	105	111
Prize funds	0	2
	105	115

17 Cash and cash equivalents

	Notes	At 1st August 2018 £'000	Cash Flows £'000	At 31st July 2019 £'000
Cash and cash equivalents		14,886	(2,994)	11,892
		14,886	(2,994)	11,892

18 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2019:

	31 July 2019 Consolidated & University £'000	31 July 2018 Consolidated & University £'000
Commitments contracted for	495	26
	495	26

Notes to the Accounts for the year ended 31 July 2019

19 Lease obligations

Total rentals payable under operating leases:

	31 July 2019		31 July 2018	
	Land and Buildings	Other leases	Total	Total
	£'000	£'000	£'000	£'000
Payable during the year	266	125	391	454
Future minimum lease payments due:				
Not later than 1 year	300	127	427	442
Later than 1 year and not later than 5 years	890	39	929	1,069
Later than 5 years	7	0	7	0
Total lease payments due	1,197	166	1,363	1,511

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 2018/19 or 2017/18.

Notes to the Accounts for the year ended 31 July 2019

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 2018/19 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	738
University of Cumbria Students' Union	2	448	44	0
UNIAC	0	147	0	8
Tullie House Museum and Art Gallery	0	11	0	0
Energy Coast University Technical College	6	25	0	0
University Hospitals of Morecambe Bay NHS Foundation Trust	53	0	33	0
Rydal Hall Ltd	0	4	0	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 operating its payroll, with payroll costs paid on the Students' Union's behalf and then recovered. The University's Articles of Association require that the President of the Students' Union is a Director of the University.

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.

Energy Coast University Technical College

The University is a member of the Energy Coast University Technical College. During the year, the University distributed funds to the College to support access into higher education. As part of this, the College commissioned the University to complete a research project on its behalf.

University Hospitals of Morecambe Bay NHS Foundation Trust

During 2018/19, the University received income from the Trust for the use of facilities and staff training. One Director of the University is a non-executive Director of the Trust.

Rydal Hall Ltd

The University used the facilities at Rydal Hall for two events during the year. One Director of the University is a Director of Rydal Hall Ltd.

Notes to the Accounts for the year ended 31 July 2019

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 2019			Year ended 31 July 2018		
	Employer Contributions	Changes in Pension Provisions	Total Pension Costs	Employer Contributions	Changes in Pension Provisions	Total Pension Costs
		£'000	£'000		£'000	£'000
TPS	2,429	0	2,429	2,304	0	2,304
LGPS	2,405	3,390	5,795	2,377	2,849	5,226
Total Pension Costs	4,834	3,390	8,224	4,681	2,849	7,530

TPS

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed 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 2016 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 (as amended). The valuation report was published by the Department for Education on 5 March 2019. The key results of the valuation are:

- Employer contribution rates from 1 September 2019 increased to 23.68% of pensionable pay (including a 0.08% levy for administration), compared to the 16.48% applied during 2018/19.
- Total scheme liabilities for service to the effective date of £218.1 billion, and notional assets of £196.1 billion, giving a notional past service deficit of £22.0 billion.

The total University contribution into the scheme in 2018/19 was £2.4m (2017/18 £2.3m).

Notes to the Accounts for the year ended 31 July 2019

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 total contribution of the University payable into the scheme in 2018/19 was £2.4m (2017/18: £2.4m). This includes contributions made on behalf of current employees at a rate of 14% of pensionable pay and payments of £0.6m (2017/18: £0.6m) in order to recover the University's share of the scheme's past service deficit.

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

The results of the next valuation are due to be released in late 2019 and any changes to contribution rates will take effect from 1 April 2020.

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 2019 were:

	2018/19	2017/18
	(%)	(%)
Price increases (CPI)	2.2	2.1
Salary increases	3.7	3.6
Pension increases	2.3	2.2
Discount rate	2.2	2.9

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:

	2018/19	2017/18
	(Years)	(Years)
<i>Retiring today</i>		
Males	22.8	22.7
Females	25.5	25.4
<i>Retiring in twenty years</i>		
Males	25.1	25.0
Females	28.2	28.0

Notes to the Accounts for the year ended 31 July 2019

22 Pension Schemes (continued)

Scheme assets

The assets in the scheme were:

	31 July 2019	Fair value as at 31 July 2018	31 July 2017
	£m	£m	£m
Equities	57,881	46,108	42,016
Government bonds	0	3,571	1,818
Other bonds	1,937	630	2,201
Property	10,656	9,662	9,954
Cash	2,180	945	4,403
Other	48,436	44,111	35,317
Total	121,090	105,027	95,709

The following amounts at 31 July 2019 were measured in accordance with the requirements of FRS102:

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Analysis of the amount shown in the balance sheet for Scheme		
Scheme assets	121,090	105,027
Scheme liabilities	(166,801)	(134,326)
Deficit in the scheme – net pension liability recorded within pension provisions (Note 15)	(45,711)	(29,299)
Analysis of the amount charged to staff costs (note 7):		
Current service cost	(3,628)	(4,043)
Employer contributions - including pension costs related to restructuring	2,437	2,731
Past service cost (see Note 23)	(1,320)	0
Curtailments	0	(432)
Profit and loss charge	(2,511)	(1,744)
Analysis of the amount charged to interest and other finance costs (note 8):		
Interest cost	(3,868)	(3,550)
Expected return on assets	3,053	2,509
Administrative expenses	(64)	(64)
Profit and loss charge	(879)	(1,105)
Total profit and loss charge	(3,390)	(2,849)
Analysis of actuarial gain/(loss) in respect of Scheme		
Remeasurement of assets	12,557	5,327
Remeasurement of liabilities	(25,579)	9,581
Total actuarial gain / (loss)	(13,022)	14,908
Movement in deficit in the year		
Deficit in scheme at beginning of year	(29,299)	(41,358)
Amount charged to staff costs	(2,511)	(1,744)
Amount charged to interest and other finance costs	(879)	(1,105)
Actuarial gain / (loss)	(13,022)	14,908
Deficit in scheme at end of year	(45,711)	(29,299)

Notes to the Accounts for the year ended 31 July 2019

22 Pension Schemes (continued)

History of experience gains and losses – LGPS

	31 July 2019	31 July 2018	Year to 31 July 2017	31 July 2016	31 July 2015
Difference between actual and expected return on scheme assets:					
Amount (£'000)	12,557	5,327	5,184	11,164	4,002
% of assets at end of year	10.4%	5.1%	5.4%	13.0%	4.4%

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Analysis of movement in the present value of LGPS liabilities		
Present value of LGPS liabilities at the start of the year	134,326	137,067
Current service cost	3,628	4,043
Interest cost	3,868	3,550
Past service cost	1,320	0
Actual member contributions	853	837
Actuarial gain / loss	25,579	(9,581)
Curtailments	0	432
Actual benefit payments	(2,773)	(2,022)
Present value of LGPS liabilities at the end of the year	166,801	134,326

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.

Pensions

The balance in the University's balance sheet at 31 July 2019 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 £45.7m. 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.

McCloud Court Ruling

As a result of successful legal challenges during the year to certain elements of the Government's 2015 public sector pension scheme arrangements on the grounds of age discrimination, it is probable that there will be an increase in benefits for some members of the scheme. The scheme actuaries have estimated the additional past service liabilities as at 31 July 2019 at £1.32m and this is recorded in full in the financial statements as a past service cost. This impact is estimated and this estimate incorporates certain assumptions around in particular real pay growth relative to CPI inflation. Differences between actual pay growth relative to CPI inflation and this assumption would result in differences in the actual additional liabilities incurred, but the additional liabilities included in the defined benefit obligation at the balance sheet date represents a best estimate on the part of the actuaries.

Notes to the Accounts for the year ended 31 July 2019

23 Accounting estimates and judgements (continued)

Pensions (continued)

Guaranteed Minimum Pension (GMP) Court Ruling

The law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. Previously, there was no consensus or legislative guidance as to how this might be achieved in practice for ongoing schemes, but the October 2018 Lloyds Bank court judgment has now provided further clarity in this area.

In response to this judgement, HM Treasury stated that “public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgment”. As a result, the scheme actuaries have advised that it is not appropriate to include any provision in respect of this ruling and the University has not reflected any increased liability.

However, there is a separate issue regarding the requirement for public service schemes to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The scheme actuary's judgement is that any additional costs associated with providing full CPI pension increases beyond April 2021 should not be recognised at this time given uncertainties about their application. On this basis, and after review of the associated data which shows that any such obligation would be immaterial, the University has not reflected any increased liability related to this aspect of the ruling.

Valuation of land and buildings

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 three 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.

Between valuations, the University reviews the carrying values of its land and buildings with the assistance of the external valuer. In 2018/19 University applied an uplift to the values of specialised academic and administrative properties which are valued on a depreciated replacement cost basis. This resulted in a £5.8m increase in value of these properties, reflecting increases in construction costs since the last full valuation.