



## **Annual Report For the Year Ended 31 July 2022**

### **Company Information**

The University is an exempt charity, a company limited by guarantee, registered in England and Wales.  
*Registration Number:* 06033238;  
*Registered Office Address:* Fusehill Street, Carlisle, Cumbria, CA1 2HH

The University's subsidiary company, UoC Trading, is a company limited by guarantee, registered in England and Wales.  
*Registration Number:* 02809881;  
*Registered Office Address:* University Of Cumbria, Bowerham Road, Lancaster, Lancashire, LA1 3JD

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# Strategic Report

## Foreword by the Chair of the Board of Directors

From a Board perspective, 2021/22 has felt like a year in which some challenges for the University of Cumbria have receded while new ones have emerged.

2020/21 was dominated by the Covid pandemic and all the unanticipated demands this placed on our students and staff. 2021/22 saw a gradual return to some key elements of university life, such as face to face teaching. However, it was still an exhausting year, particularly for our many staff and students who were closely involved with the NHS. Higher education was not fully “back to normal”, despite everyone’s best efforts.

In addition, as the most intensive Covid disruptions reduced, the invasion of Ukraine produced a fresh set of unexpected challenges. In an inter-connected world the human cost of this must concern us all, but the economic consequences have had the most immediate impact. Costs of essential goods are rising on a scale not seen for decades. We are an institution whose major source of income – the undergraduate student fee – is capped by law in cash terms. High inflation will inevitably affect us.

This is occurring at a time when we are deeply involved with capital projects of great importance for the places we serve. The Citadels project in Carlisle offers the chance to refurbish and repurpose Thomas Telford’s Grade 1 Crown Court buildings, which dominate the southern end of the city centre. They have stood empty for some years. 18 months ago our University, supported by the local authority, secured a generous central government grant towards the substantial costs of the work. We are committed to making it a success. However, costs and prices have risen very steeply in recent months, and it is clear that the original budget envelope will not now deliver the project as it was conceived. We, with our partners, will need to have honest conversations about the implications.

Similarly, though on a smaller scale, we are delighted to be part of the Barrow Town Deal’s Learning Quarter plans. The intention is to construct a new university campus on Barrow Island, beside the BAE Systems Submarine Academy of Skills and Knowledge, which would hugely enhance our ability to support the skills needs of the company and its considerable supply chain, and of Barrow more generally. Central government support was secured a year ago, but the cost estimates are requiring significant modifications. In 2022/23 we will all have to decide how to proceed.

The Board, therefore, sees challenges ahead. Last year the University grew its income and reserves, and recorded its first operating surplus for seven years. We will need to maintain the good financial management that has produced these results. Our University strategy remains consistent; to work with others in identifying and responding to the diverse needs of Cumbria; its people, its employers and its communities. This has led us, for example, to place particular emphasis on offering apprenticeships alongside our established degree courses. We aim to continue to react quickly and imaginatively to the world around us, looking at what will be wanted in the future as well as what was valued in the past.

As ever, I am very grateful to all the staff of the University, and to my fellow Directors and Associate Directors, who voluntarily give their time, skills and knowledge to help the University. We are fortunate to have such a strong and committed group.

**Mr Martin Williams, Chair of the Board of Directors**

## **Introduction by the Vice Chancellor**

2021/22 involved successes and challenges in equal measure.

Our strong financial performance highlighted the appropriateness and benefits of our strategy to address region and sector higher-level skills needs. This has seen us diversifying income streams through commercial contracts, and a focus on up-skilling and reskilling in the workplace, complementing the more traditional academic delivery based on our campuses. The latter an area of renewed focus for 2022/23 and beyond, both in terms of recruitment and retention.

During the year our degree apprenticeship student body grew to over 1,500, with students in areas spanning paramedic practice, policing, project management, management, nursing and forestry, with further growth planned, and we introduced new provision in supply chain and logistics to address regional and national skills gaps.

Other successful achievements in the year included the outcome of the Research Excellence Framework 2021 (REF2021) where we saw a marked improvement since the REF2014 submission, with a doubling of the number of academics submitted, an 11% increase in outputs classed as internationally excellent in terms of originality, significance and rigour, along with a commensurate reduction in lower ratings. This outcome, along with other initiatives led to an increase of over 100% in the level of Research and Knowledge Exchange funding available to the University.

During the year the Towards 2030 Strategy for the University was finalised setting out the ambitions of the University for the period ahead, majoring on place, people and partnerships.

Informed by the Towards 2030 Strategy, the strategic risk register, the external context and environment and staff survey feedback, our three-year operating plan for 2022/23 - 2024/25 was finalised. This focuses on five themes: enhancing student experience and outcomes; review and refresh of our undergraduate and post graduate provision; enabling delivery through improved efficiency; delivering Towards T2030; and the delivery of our major capital and strategic projects, to transform our university presence, visibility and impact in Carlisle and Barrow.

With this a continued generation of a healthy level of cash resources and £63 million capital funding from the Borderlands Growth Deal Initiative, Carlisle Town Deal and Barrow Town Deal, these projects are currently planned to come to fruition in 2026 and 2024 respectively and will act as a physical catalyst to help the University increase the educational opportunities within the region to provide the much-needed skills bases for employers across a wide spectrum of markets. These and many other initiatives confirm the importance of the University to the region and the recognition by others of the importance of the University to its success.

The national student survey results for 2022 were published on 6 July and were not as we expected, particularly in practice-based areas relating to nursing and allied health. Whilst our overall position is poor with individual results disappointing it is important to reinforce that there are specific issues in specific areas for us to tackle, alongside driving overall improvements. Hence, we are taking a very focused and targeted approach to addressing the underlying causes and improving outcomes.

The early weeks of 2022/23 confirm that the coming twelve months will be another busy year for the University and we will be dealing with much volatility, uncertainty and unpredictability across a number of fronts, within our sector and beyond. This includes inflation, staff pay pressures and a continued student fee freeze.

I remain confident that we will continue to navigate well through the choppy waters and head winds we face and I am continually encouraged by the commitment, dedication and professionalism of our staff. I know we can rely on their support and input as we rise to both the opportunities and challenges ahead.

**Professor Julie Mennell, Vice Chancellor**

## Strategic Review

During 2021/22 we launched our refreshed strategy “the University of Cumbria Towards 2030”; a strategy that recognises and reaffirms that we are the University of Cumbria, for and from Cumbria and our localities, rooted in and serving our communities, with people, place and partnership at our heart. Our central vision is to transform lives and livelihoods through learning, applied research and practice – for now and for our future generations, inspiring and equipping our graduates, communities, economy and environment to thrive.

We were established as a University for a reason, and this drives us: to positively impact on our students, to increase higher education participation in our county, to address higher-level skills, sector and place needs, to co-create and apply new knowledge and to positively embrace our civic responsibilities. This role spans our geography, our public services, industry and regional sectors through to the arts and culture.

As we have delivered against these aspirations in 2021/22 and as we further operationalise our strategy in 2022/23 and beyond, our focus has been and will be on:

- *our students and graduates* - to equip them with the skills, confidence and attributes to realise their potential, to succeed in their workplace and careers, and to be active global citizens.
- *our academic and applied research focus* - to address region and demand-led opportunities, to accelerate and increase the expertise we export nationally and internationally and to co-create and apply new knowledge and practice.
- *people, practice & place* - the why, how, where and for whom, driving our thinking, culture and operations.

This Review highlights the significant progress that has been made during 2021/22 against these ambitions and outlines key areas of work for 2022/23 and beyond. As we review the year, it must be noted that it was once more a year influenced by the pandemic, and its impact will continue to be felt in various ways into 2022/23 and beyond. Some forms of restrictions applied until early 2022 and the University continued to direct resources to responding to the challenges these presented, always placing student and staff wellbeing at the heart of all decision making, ensuring the provision of safe facilities for teaching, learning and working. As the year progressed, many activities and practices began to return for the first time since early 2020, including multiple graduation ceremonies in the spring and summer where the successes of our students from the 2019/20, 2020/21 and 2021/22 years could be celebrated in person with friends, family and the wider University community.

As was evident at these ceremonies and through student recruitment activities during the year, the University’s range of programmes and impact on regional and national employers continues to broaden and deepen. On-campus undergraduate and postgraduate provision has been increasingly complemented by flexible and work-based learning, with our diverse student body once more growing significantly, rising by 10% to just under 7,000 FTE this year.

Apprenticeship delivery was the main growth area within this, with over 1,500 students enrolled on programmes spanning Paramedicine, Policing, Project Management, Nursing and other healthcare areas and Business. This reflects our ongoing focus on helping address skills gaps in our region and beyond, building on long-standing and developing new relationships with organisations, including NHS Trusts, seven of England’s Ambulance Trusts, several police forces and Sellafield Ltd, BAE and a range of other key employers. Our successes in apprenticeship contracting and delivery demonstrates our growing reputation for excellence and illustrates our focus equipping students with the skills to succeed in their workplaces and in using our expertise to support our wider economy. We expect further growth into 2022/23 and were delighted to enrol 25 students on the country’s first Level 6 Forestry apprenticeship in September, where Forestry Commission staff benefit from

academic studies in forestry management at the University, practical experience in Commission area teams across England, and nine months of wider sector placements to further build their skills and experience, enhancing future employment prospects.

Alongside employer-based delivery, our strategy places an emphasis on sustained growth in undergraduate and postgraduate on-campus student recruitment. Intakes across the last two years have overall been higher than in 2019/20 but with some variations between locations and courses, with areas of growth and shrinkage; variability we have seen in 2022/23 so far also. 2021/22 broadly delivered to expectations with recruitment to pre-registration health courses matching the previous year's high intake and came in at 30% above the levels we achieved pre-pandemic. Demand softened slightly for teacher education programmes, mirroring patterns across the sector. Our remaining undergraduate recruitment was consistent with previous years apart from in Arts where numbers reduced in line with the scaling back of our offer in Performing Arts. Overseas recruitment showed modest growth reflecting the changes made to our agent base, growth we have sustained in 2022/23, but activity in London for our top up business programmes was reduced due to the highly competitive nature of the London market.

As we drive to increase student numbers, further meet employer needs and deliver a range of ambitions within our strategy, the importance of two significant capital projects – the Citadels developments in Carlisle and a new campus in Barrow – cannot be understated. The Citadels project is the development of a new £77.5m campus in Carlisle, funded by £50m of Borderlands Growth Deal money, £4m from the Carlisle Town Fund and the remaining £23.5m by the University. The successful delivery of this project will allow the University to consolidate its activities on to one site in Carlisle and provide it with state-of-the-art modern facilities to provide stimulus to the ambition to increase participation in higher education from the region and encourage more students to come to Carlisle to live and study.

Plans were developed throughout 2021/22 with our partners at Cumbria County Council, Carlisle City Council and the Cumbria LEP and planning permission was obtained in early August 2022. The intention is to have the campus fully operational by September 2026, inclusive of the new Centre for Digital Transformation and the Carlisle Business Exchange. This is a complex project but one which will be transformational for the University, the City and the Region and it also has the benefit of bringing back into use the Citadels, the two iconic historic court buildings right in the centre of Carlisle.

The Barrow project focusses on a recognised higher education “cold spot” at Barrow on the Furness peninsula. In collaboration with Barrow Borough Council, BAE Systems, local businesses and stakeholders, planning permission has been obtained for a new £11m University Campus located beside BAE Systems’ Submarine Academy of Skills and Knowledge. £9m of funding has been approved from the BrilliantBarrow Town Deal and the new facility is set to complete in summer of 2024. Expanding on the University’s current programme offer of Business management, project Management and Supply Chain Logistics to BAE employees, new courses will also be developed in Advanced Manufacturing, computing and Supply Chain Logistics. This initiative forms part of the transformative Barrow Learning Quarter (BLQ), which also includes a new Skills Hub at Furness College’s Rating Lane site.

It is exceptional that the University has received such significant sums to support its ambition and serve regional needs. This success demonstrates the growing influence and importance of the University and the recognition thereof both locally and nationally.

Given the strategic importance of both of these projects, management and governance arrangements have been established to ensure the projects remain on track, including the establishment of a Strategic Projects Oversight Board, chaired by the Vice Chancellor that will include not only these two projects but a selection of others that warrant special attention. Immediate focus of these projects is ensuring that they can be delivered within

their respective funding envelopes, with the impact of inflation on construction costs an ongoing challenge which we continue to work through.

While planning for these two transformational projects has taken place, the University has continued to invest and renew its infrastructure during 2021/22. Supported in part by Health Education England and Office for Students' grants, £3.8m was spent across a range of estates, IT and equipment projects, including the upgrading of medical imaging suites in Carlisle and Lancaster, equipment to enable healthcare learning using virtual reality and simulation and a range of investments to facilitate flexible learning, teaching and working, including investment in laptops and iPads.

As is set out in more detail in the Financial Review, 2021/22 was a successful year financially, providing the resources to deliver the capital investment outlined and to build a strong platform as we plan for major strategic projects. Our focus on diversifying income streams across recent years has led to increased resilience within the University's financial model and this has helped us record year on year income growth of 14% and to invest in the additional resources needed to support this growth and our range of ambitions. Cash reserves grew by just under £4m, of particular importance as we accumulate cash to help fund the Citadels and Barrow projects - and even after the significant non-cash accounting adjustments that are needed to comply with accounting standards, the financial statements show that the University delivered an accounting surplus of £0.5m in the year, our first for seven years. Given inflationary pressures, competition in student recruitment, the prospect of contraction in Government spending and the ongoing need to invest to support the experience and outcomes of our students, we are encouraged by the financial position and our prospects but are not complacent. Our focus remains on risk-based long-term planning and careful financial management as we seek to deliver our strategy.

2021/22 saw further developments in the Office for Student's approach to regulation of the higher education sector, including in its approach to the requirement for providers to deliver successful outcomes for all its students, referred to as condition of registration 'B3'. The outcomes and experience of our students is central to our strategy and operations and our focus is on supporting our students to complete their studies, achieve excellent degree outcomes and to enter employment equipped with the knowledge and skills required.

While there are areas of challenge, especially with higher numbers of students taking breaks in their learning or withdrawing during the pandemic and with its ongoing impact and legacy, as well as from pressures related to the cost of living, performance in most of the key metrics in the continuation, completion and progression to employment areas has been consistently strong compared to Office for Student thresholds and benchmarks. Given our focus on preparing students for the workplace and our engagement with employers, the excellent statistic released in 2021/22 that 96% of all University graduates were in employment or further study 15 months after completion of their studies, as per the Graduate Outcomes Survey, has been rightly emphasised. We have set ambitious targets for further improving outcomes within our strategy, building especially on recent investments made in support for students at risk of withdrawal and have set a range of new targets within our Access and Participation Plan to ensure that these ambitions are met across our whole student body.

While not formally measured as part of the thresholds and metrics released under B3, the satisfaction of our students with the University is of central importance for the University and several measures are included within the Teaching Excellence Framework, which the University will make its submission against in January 2023. Along with student recruitment, student experience and satisfaction is rightly placed at the top of the University's annual operating plan and is the focus of staff across academic and service areas. As mentioned within the Vice Chancellor's foreword, the 2022 National Student Survey (NSS) results overall were disappointing for us, prompting additional new thinking, approaches and challenge for some of our areas of delivery. While the performance in some themes such as



Assessment and Feedback were above or close to the sector average, the headline Overall Satisfaction rate fell from 70% to 66% compared to the sector average of 76%. Noting that the students surveyed represent just 5% of our student headcount, we consider this outcome to be a proxy for the opinions of a wider group of students and have examined the results closely and with seriousness. The outcomes vary significantly across our portfolio with some strong results in areas such as Psychology and the Arts but poorer ones within Nursing and Midwifery which represents 21% of our overall respondent base. We believe we have identified specific targeted actions that should lead to sustained improvements as we move forward.

Focussing on our research and knowledge exchange activities, 2021/22 was marked by progress towards our ambition to enhance our academic and research focus. The results of REF 2021 showed that while the University's volume of research activity is relatively low, there are pockets of high-quality research across its disciplines and particularly within the Institutes of Science and Environment, Arts and Health, with these areas having research which was deemed to be world leading or internationally excellent and impactful. While there is work to do to increase volumes and quality of research activity, a fact emphasised by our location several places above the bottom of the overall rankings, there was constructive recognition from the REF research environment panel that the University is on a developmental trajectory with respect to its research intensity. The outcomes from REF2021 have led to a 46% increase in QR funding in 2022/23 which is welcome as we seek to meet the ambitions set out in our strategy. The work within the Graduate School continue to grow with recruitment onto the new DBA seeing a 100% rise in the number of candidates compared to 2021. The Postgraduate Student Satisfaction Survey ('PRES') placed the University 5th in the UK which is an impressive achievement for a University which has only recently obtained doctoral degree awarding powers.

The University also submitted to the inaugural Knowledge Exchange Framework (KEF) exercise in 2021/22 and the associated HE-BCIS return. The HE-BCIS outcomes drive the quantum of public funding the University receives for Knowledge Exchange – known as HE Innovation Funding ('HEIF'). For the last six years, the University has not received HEIF funding but the outcomes from the latest HE-BCIS submission led to an encouraging award of £0.4m, funding that is being invested in further developing these activities in 2022/23.

Our staff are key to the delivery of our ambitions and strategy. A survey was undertaken to establish their views as we begin a period of key developments and change for the University and to provide a data for future measurement of key strategic aspects of the University's culture, ambition, goals, and achievements. The headline results were very encouraging with above sector benchmark outcomes in key areas such as wellbeing, communication, line management and role development. The learning from this has fed into our Annual Operating Plan and will help inform the forthcoming People Strategy.

As we continue our development as a University into 2022/23, the achievements of 2021/22 leave us well placed to deliver further success as we deliver our new strategy, a strategy centred on our passion, pride and drive to make a positive difference to lives and livelihoods – for and from our county and localities - now and for generations to come.

## **Section 172 Statement – Stakeholder Interests**

The Board of Directors have had regard to their duties under Section 172 of the Companies Act, and, in working to deliver the University's charitable objects during 2021/22, the Directors have considered the interests of stakeholders.

The Board of Directors has ultimate oversight of and responsibility for the mission and strategic vision of the University, together with its long-term academic and business plans and key performance indicators. In doing so, the Board ensures that all strategies, plans and decisions have due regard to the interests of stakeholders, including students, staff and our

communities, the impact on the environment and the long-term effects of current actions. Carbon reduction and sustainability are key objectives within the University's strategy and our reporting and monitoring in these areas continues to develop, including via the Streamlined Energy and Carbon Reporting which is presented in this Annual Report.

The Board of Directors monitors progress and performance against the University's strategy, using key performance indicators and the risk management framework. A balance scorecard approach is adopted, with indicators covering student experience and outcomes and staff satisfaction, as well as financial matters.

The propriety and regularity of decision making and use of resources are central to the University's policies, procedures and code of conduct, with the highest standards of business behaviour expected. In its operations, the University treats its customers and suppliers fairly, communicating clearly and, for example, monitoring the timeliness of the payment of invoices. Assurance over the control environment is obtained by the Audit and Risk Committee on behalf of the Board of Directors, with regular internal audits providing coverage over a range of areas.

The Board of Directors includes an elected staff member, providing direct representation as well as an input and feedback mechanism with the broader staff body. Similarly, a sabbatical officer from the Students' Union is appointed each year as a Director. This engagement with staff and students extends beyond formal committees, with working groups, consultations, surveys and joint initiatives taking place in multiple areas, including in the collective response to the coronavirus pandemic.

On behalf of the Board of Directors, the People Performance and Culture Committee has oversight of the implementation of the People Strategy and monitors the wellbeing and general welfare of students and staff through consideration of relevant data and reports.

## Financial Review

2021/22 represented a successful year financially for the University, with improvements in performance and the financial position as reflected in the financial statement.

### Financial Performance

The table below summarises the University's financial performance in 2021/22:

	2021/22	2020/21
	£m	£m
<b>Total Income</b>	<b>70.3</b>	<b>61.7</b>
<b>Expenditure</b>		
Staff Costs:		
Operational	41.6	38.6
Fundamental Restructuring	0.0	-0.1
Pension provision movement	2.8	2.8
Non-Staff Costs:		
Operational	20.5	17.5
Depreciation and Impairment	4.0	4.3
Pension provision movement	1.1	1.1
<b>Total Expenditure</b>	<b>70.0</b>	<b>64.3</b>
<b>Profit / (Loss) on asset disposal</b>	<b>0.2</b>	<b>-0.1</b>
<b>Accounting Surplus / (Deficit)</b>	<b>0.5</b>	<b>-2.7</b>
Add back accounting adjustments:		
Depreciation and impairment	4.0	4.3
Pension provision movements	3.9	4.0
Release of deferred capital grants	-1.4	-1.1
Profit / (Loss) on asset disposal	-0.2	0.1
<b>Cash Surplus</b>	<b>6.9</b>	<b>4.5</b>
<b>Cash Balance</b>	<b>21.2</b>	<b>17.3</b>

The University focusses on its "cash surplus" level when planning and assessing its operating performance. This measure excludes the accounting adjustments that are required in the statutory accounts and it therefore gives a clearer indication of the levels of cash being generated for reinvestment. The cash surplus level of £6.9m reflects a £2.4m improvement on the prior year and, at just under 10% of income, exceeded budgeted ambitions for the year.

## *Income*

The £8.6m growth in year-on-year income (14%) was the highest increase the University has delivered since its formation. While some elements of the increase reflected the return to more typical on-campus operations during the year following easing of pandemic related restrictions, with growth in student accommodation income, conferencing and other activities, this increase primarily reflects the broadening of the University's employer focussed delivery. Apprenticeship revenues rose by just under £7m and delivery to part-time students, many of whom are enrolled on programmes which directly relate to their employment, especially in healthcare and education, increased, contributing an additional £1.1m to income.

Research income, both from delivery of projects and Research England grants, also grew. As did the University's population of students on healthcare related 'higher cost' provision, both on apprenticeship and traditional undergraduate and postgraduate courses, which led to growth in Office for Student grants, however, there was a fall in income from full time on-campus students. The main factors in this were a reduction in the numbers of teacher training students recruited to one-year programmes in 2021/22 compared to 2020/21 and, more significantly, a lower overall student population across our non-teacher training and healthcare areas. While recruitment to these programmes was consistent in 2021/22 to the prior year, a larger cohort of students graduated in 2020/21 than was recruited in 2021/22, reflecting, in the main, changes made to the portfolio in the Institute of the Arts.

## *Expenditure*

Expenditure rose at a lower rate than income grew, helping generate the stated surplus. Of the £5.7m rise in costs, the majority was centred on increases in staff resource, both within the 'staff costs' heading itself and via higher expenditure on secondments which is reported within non-pay expenditure. Salaries and employer's national insurance and pension costs rose by £3.1m (8%). This reflected growth in staff FTE of 45, centred largely on academic areas, especially in healthcare and project management, the application of the national pay award after a sector-wide freeze in 2020/21 and incremental progression for eligible staff. Secondments in from employers, which have been successfully used to deliver aspects of the paramedic apprenticeship programme, were expanded as student numbers rose, leading to an increase in cost by £1.3m.

Together with a return of a range of costs as higher numbers of staff and students were present on campus with changes in pandemic related restrictions, and investment to support growth in income, the University experienced increasing pressure from inflation during the year as contracts came for renewal and to some extent in utility costs, with some protection through our forward purchasing of gas and electricity.

## *Accounting Adjustments*

In statutory accounts' terms, the University has recorded a surplus for the year of £0.5m, after allowing for the accounting adjustments shown in the table above. The key adjustments were:

- Pension provision movements: changes in the Local Government Pension Scheme accounting deficit which are explored further below (total -£4.0m)
- Depreciation and impairment: depreciation is charged on the University's buildings and equipment, reflecting the annual usage of these assets, and a small impairment charge is included reflecting the valuer's view that an asset has reduced in value compared to the prior year (total -£3.9m)
- Release of deferred capital grants: when the University receives funds to support the purchase or construction of assets, the cash is used during the project but is only shown as income at the same rate as depreciation is charged (total +£1.4m)

- Profit on sale of assets: The University sold an area of land at its Lancaster campus which, compared to its accounting value, led to a £0.2m profit.

## **Financial Position**

### *Cash*

The operating performance for the year has contributed a year-end cash balance held of £21.2m, growth from £17.3m at the start of the year and reflecting significant progress from the low balances of just under £12m that had been recorded in the two previous years. Cash reserves of this level, representing 123 days of liquidity, provides confidence as we seek to continue our development, including plans for major investment in Carlisle and Barrow and in other projects.

### *Assets*

£6.8m was invested in fixed assets during the year, with just under £3m related to fees for the Citadels and Barrow projects and the balance on a range of estates, IT and equipment projects. Of this expenditure, £4.3m was met by capital grants, including from the Department for Levelling up Housing and Communities relating to Citadels and Barrow, and Health Education England and the Office for Students, who supported a range of investments including in medical imaging suites and in equipment to support flexible and innovative learning, including via simulation and virtual reality.

Our valuers provided an interim update to our accounting values of land and buildings as at 31 July 2022. This led to an increase in the overall value of these assets from £116m at the start of the year to just under £125m at the end. The substantial reason for this was the upward indexation applied to the value of buildings held at depreciated replacement costs, which encompasses most of the buildings used for teaching and research, reflecting rising construction inflation.

Trade and other receivables rose due both to higher levels of employer and apprenticeship delivery where payments for the final period are made early in the 2022/23 year, and some project costs which were similarly recorded within 2021/22 but reimbursed in 2022/23.

### *Liabilities*

The overall creditor balance of £40.9m includes supplier payments due during 2022/23 of £7.4m, including costs relating to capital projects, with such payments factored into our cashflow plans and projections. The remaining creditors relate to capital grants provided in 2021/22 and previous years which are released over the life of the assets they were used to purchase (£23.5m); loan payments due, which, annually, continue to be a small proportion of income (£4.8m); and cash received in advance of the University providing tuition or another service (£5.2m).

The provision set aside for the actuary's accounting estimate of the University's share of the Local Government Pension Scheme (LGPS) deficit has reduced significantly to £3.5m from £62.9m in 2020/21, reflecting primarily a change in the discount rate employed. While this has helped improve the balance sheet position and is therefore welcome, it is the triennial valuation of the fund that determines contribution rates. Under this basis, the performance of the fund continues to be strong and we do not anticipate significant increases in overall contributions once the valuation on this basis (as at 31 March 2022) is finalised.

Given the higher cash balance, outcome of the land and building valuation and the reduction in the pension provision, the balance sheet position has improved significantly, with net assets rising to £117m from £42.4m and the unrestricted income and expenditure reserve returning to a positive position.

## Future Prospects

The University has delivered an improved cash surplus and enhanced its financial position significantly during 2021/22.

Looking ahead, as well as a wide range of opportunities, our financial planning anticipates both continued and emerging risks. This includes the uncertain economic outlook and implications for public spending, inflationary pressures across the cost base at a time of tuition fee freezes, and the possibility of changes in Government higher education funding. Student recruitment remains highly competitive and is influenced by a range of factors, including cost of living pressures, Government policy, placement capacity and demographics. Following changes to Government accreditation requirements from September 2024, we are likely to be seeking a new external partner to work with us on Initial Teacher Training, and are in active discussion with potential partners. The financial implications of these and other challenges continue to be managed through careful planning, scenario planning and decisive action where necessary.

On the basis of the strong cash position, considerable progress made in securing and delivering against new contracts and prospects for student recruitment, for the period ahead, the Directors continue to have confidence in the current and future financial position of the University.

In planning for the future, further income growth is expected, along with significant estate and infrastructure developments, supported by a range of external funding as well as internal cash generation, which will enable the University to further meet the needs of its regions, employers and students. This includes the development of new campuses in Carlisle and Barrow, projects that are working to a budget of just under £90m in total, substantially supported by Government funding. The senior team continues to drive these and other opportunities forward, alongside careful management of risks and resources, with clear Board oversight.

Taking all this into account, while there continue to remain uncertainties in the operating environment, as set out more fully in the basis of preparation note to the financial statements, the Directors have prepared these financial statements on the going concern basis, confident of financial sustainability in the years ahead.

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



Mr Martin Williams, 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 2021 to 31 July 2022, 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.

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 28.

The University's Board of Directors comprises persons who are appointed in accordance with its Articles of Association. During 2021/22 the Chair was Martin Williams and the Vice Chair was Fiona Aiken. 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 19.

Martin Williams took up the role of Chair of the Board in 2020/21 following a planned succession. Changes to the Chairs of the Board's committees has also been managed, with the chairs new to the role in 2021/22 having experience of the Committee prior to commencing as Chair. 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 and age profile, however it is less diverse with respect to ethnicity; the Nominations Committee seeks to address this at

each recruitment opportunity, both in terms of Board Directors and in relation to Associate Directors, engaged for their specialist input to a particular Board Committee.

Subject to the overall responsibility of the University Board, the Academic Board has oversight of the academic affairs of the University and draws its members from staff and students of the University. It is concerned with general issues relating to the teaching, professional and research work of the institution.

In order to ensure that the University's arrangements for corporate governance are adequate and effective, 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; all recommendations have now been implemented.

In addition to the independent effectiveness reviews, the Chair of the Board of Directors 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 undertake a review of their own effectiveness in the last meeting of the year, with the outcomes reported to University Board.

Information relating to the University's corporate governance arrangements is published on the University web-site, including details of each Director and Associate Director, to ensure transparency over the University's corporate governance arrangements. The University maintains a Register of Interests of Directors of the University Board, Associate Directors and the Vice Chancellor's Executive, which is available on the University web-site or by request via the University Secretary.

Oversight of statutory and regulatory requirements, to ensure that adequate and effective arrangements are in place, is delegated to sub-committees of University Board, as set out below.

### ***Board Committees***

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

**Audit and Risk Committee** (chaired by Fiona Aiken in 2021/22) 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 Committee also has responsibility for oversight of compliance with the Office for Students' Ongoing Conditions of Registration, drawing assurance from a variety of inputs, including other University Board sub-committees, the internal and external auditors, and the executive.

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 Ian Looker) has responsibility for advising and recommending to the Board on financial, estates and IT 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 University's strategy. This work includes ensuring that arrangements for compliance with the Office for Students' Ongoing Conditions of Registration relating to financial matters are adequate and effective.

**Academic Governance Committee** (chaired by Pam Tatlow) 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. This work includes ensuring that arrangements for compliance with the Office for Students' Ongoing Conditions of Registration that relate to academic activity are adequate and effective.

**People Performance and Culture Committee** (chaired by Rev'd Canon Cameron Butland) 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, ensuring that arrangements relating to compliance with statutory and regulatory requirements are adequate and effective.

**Nominations Committee** (chaired by Martin Williams) 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 Jill Johnston) determines the remuneration and conditions of service of the most senior staff, including the Vice Chancellor. The Committee has adopted the Committee of University Chairs' Higher Education Senior Staff Remuneration Code in full.

### **Attendance**

The members of the University Board of Directors in 2021/22 and their attendance at University Board and relevant committees in the year is set out below. University Board had additional meetings scheduled as required for approvals required by the Office for Students and in relation to the ongoing major projects.

### **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 2021/22 the membership consisted of:

Professor Julie Mennell (Vice Chancellor)  
David Chesser (Chief Operating Officer)

Professor Robert Trimble (Deputy Vice Chancellor (Academic))  
Professor Brian Webster-Henderson (Deputy Vice Chancellor (Health, Environment and Innovation))  
Dr Jean Brown (University Secretary)

**Members of the University Board of Directors in 2021/22 and their attendance at University Board and relevant committees in 2021/22:**

	<b>Board</b> (8 in year)	<b>Finance &amp; Resources Committee</b> (6 in year)	<b>Audit &amp; Risk Committee</b> (4 standard meetings in year)	<b>Academic Governance Committee</b> (4 in year)	<b>People Performance &amp; Culture Committee</b> (3 in year)	<b>Nominations Committee</b> (1 in year)	<b>Remuneration Committee</b> (2 in year)
Prof Julie Mennell (attendance noted where a member of a committee)	8	6		3	3	1	
<b>Chair of the Board of Directors</b>							
Martin Williams	8	6				1 (Chair)	2
<b>Members of the Board of Directors</b>							
Fiona Aiken	8		4 (Chair)			1	2
Emma Bales (Staff Director)	7	5					
John Batty	8		4	4			
Revd Cameron Butland	7				3 (Chair)	1	2
Jill Johnston	4				2		2 (Chair)
Prof John Lee	6			4	3		
Ian Looker	7	6 (Chair)					
Molly McConnell (Student Director until 6 July 2022)	4 (of 7)			3			
Charles Nall	8	6					
Ian Purdham	6		3				
Annabelle Robinson (Student Director from 7 July 2022)	1 (of 1)						
Sarah Swindley (from 11 October 2021)	6 (of 7)		0 (of 3)				
Pam Tatlow	8			4 (Chair)			
Peter Yates	8	6					2
<b>Members of the Board of Directors</b>							
Fiona Boulton	N/a			4			
Revd Andrew Burrell	N/a				3		
Atta Hanfi	N/a				2		
Mark Renwick-Smith	N/a		4				
Peter Stafford (until 31 March 2022)	N/a		2 (of 3)				

## **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 2021/22 was £4,938 (2020/21 was £1,283). Seven 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 2021/22 financial year, can be found [here](#)<sup>1</sup>. 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.

When determining the initial remuneration package for the Vice Chancellor on appointment in 2016, the Remuneration Committee took account of the University's circumstances, and noted a range of comparative data on remuneration of vice chancellors elsewhere in the sector.

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 additional 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 and the University 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.

In determining the Vice Chancellor's remuneration for 2021/22, alongside the other considerations as set out above, the Committee took into account the recommendations and decisions made in relation to the Vice Chancellor's remuneration for 2019/20 and 2020/21. At the Vice Chancellor's own request, the pay award that the Committee had recommended for 2019/20 had been handed back at the start of the Covid19 pandemic. In 2020/21, again at her own request, she had been treated in the same way as all other staff and covered by a pay freeze. The Committee, when considering its recommendations for 2021/22, agreed that the recommendation made in 2019/20 be repeated i.e. a salary increase of £12,000, plus the pay award made to all staff for 2021/22. With rounding this amounted to a salary of £207k for 2021/22, to be backdated to 1 August 2021.

The Committee considered that this was a reasonable 'steady state' salary for the role, and

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<sup>1</sup> **Publications | University of Cumbria**

should serve as the baseline for the future. The Committee will continue to review the salary annually.

### **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.

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 higher education 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 Review from page 6, demonstrate that this is our focus in practice.

### **Regularity and propriety of use of Public Funds**

The University has an effective system of controls in place to ensure the regularity of its use of public funds. Relevant legislation, guidance and regulatory advice is understood at senior and operational levels and is reflected in internal policies and procedures, which are adhered to across the University.

Where specific conditions or uses attach to the use of funds, these funds are ring-fenced for the purpose intended within our financial systems and separately managed by budget holders.

The University's code of conduct, financial regulations and other related policies require complete propriety to be applied in the use of public funds. Robust approval processes are in place to ensure the highest standards in procurement and in all forms of payments, with proactive counter-fraud controls in place. Regular and transparent reporting of financial matters is embedded, with scrutiny of such reports as well as other forms of assurance, such as internal and external audit reports, forming a key part of the University's governance framework.

## **Statement of Internal Control**

This Statement of Internal Control relates to the financial year ended 31 July 2022 and is current until the date of approval of the audited financial statements.

The University's Board of Directors has overall responsibility for maintaining and reviewing the effectiveness of a sound system of internal control. This is designed to support the achievement by the University of its 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 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 aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The process includes business, financial, operational and compliance risks.

The Board of Directors has a range of processes in place for maintaining and reviewing the effectiveness of the system of internal control, starting with the Board meeting 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 institute and service levels. A 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, is undertaken.

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. These procedures include the Scheme of Delegation, which provides a clear definition of the responsibilities and delegated authority of Directors of Academic Institutes and Directors of Professional Services; the Counter Fraud Policy and Response Plan; and the Bribery Prevention Policy.

The Audit and Risk Committee receives an Annual report from the University's external auditors, prepared in connection with their audit of the Financial Statements. The External Audit report, inter alia, highlights the auditors view on the internal control environment and makes recommendations for any enhancements.

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. 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.

The Audit and Risk Committee of the Board provides oversight of the risk management policy and risk register process to ensure it is adequate and effective. It receives reports at each of its meetings from the University management on how risk is being managed. The Board reviews the Risk Register at regular intervals, together with the controls that have been implemented to mitigate or manage key risks.

The University's internal auditors have the attainment of value for money as one of the aspects that they consider within their work, with an explicit opinion relating to value for money within the annual report from the Head of Internal Audit to the Audit and Risk Committee. The University actively works to enhance its efficiency and effectiveness, including through annual business planning and budget setting processes and through specific projects.

The Audit and Risk Committee receives a regular report from the Executive on the delivery of actions agreed within any external and internal audit reports, with any extensions to action deadlines requiring approval from the Committee.

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. 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 2021/22 or up to the point of the audited financial statements being approved.

## **Risk Management**

The strategic management of risk is an integral element within the University's decision-making processes and culture, supporting effective planning and evaluation of its activities. The development of a risk management culture is promoted in all parts of the institution, led by University Board and through the Vice Chancellors' Executive.

The University regularly reviews the strategic risks it faces and identifies the controls that are in place, or are newly required, to mitigate these as well as the sources of assurance which provide confirmation that controls are effective. The likelihood and impact of 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 Business Assurance Board, chaired by the Vice Chancellor, 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 project and compliance risks that the University faces, and operates a 'watch list' to capture potential areas of future risk.

The University's overarching risk profile has remained relatively stable through 2021/22. The core strategic risks have remained similar to those in previous years, however some risks have reduced from the previous year, for example those relating to the Covid19 pandemic, whilst others, for example with respect to Ofsted inspections, have increased. Risk related to the student experience, and staff resilience and well-being, have been of ongoing concern, along with increased frequency of cyber-attacks on the sector.

The structure of the risk register was changed in the year, including with a significant review of the way the risks were articulated to make the register simpler to interact with. Further detail on the key risks at the end of the reporting period is set out below:

- **Inability to manage expenditure, including staffing, non-staff and the impact of the external financial climate and context:** With capped tuition fees and significant inflationary cost pressures there is pressure on budgets, especially in areas where recruitment is capped due to placement capacities or remains a challenge. In this environment management of expenditure is critical, however this needs to be

balanced with investment in priority areas to ensure growth is encouraged and quality maintained.

- **Achieving student number targets:** 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. The awarding of major contracts for apprenticeship provision has been welcomed, however the development and maintenance of these and new areas of provision is required.
- **Inability to deliver and maintain consistent student outcomes and experience, aligned with institutional targets, across all student types:** Progress has been made towards the University's targets and benchmarks for a range of student outcome measures, however, further and sustained improvement in student outcomes is essential, particularly in response to aspects of the University's NSS2022 results. 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. Through clear action plans and effective student engagement we expect that this risk will be increasingly mitigated.
- **Poor student Mental Health and Wellbeing:** as seen across the sector, the university has seen increased engagement with mental health services over the last year. Supporting students with their mental health is a key enabler for a good student experience and positive outcomes.
- **Staff capacity, capability and competence not in line with requirements to deliver business as usual alongside key projects and major new initiatives:** Staff are the University's most important and expensive resource – without staff with the skills and capability, working within an appropriate culture, employed at the appropriate level and contractual terms the University will not be able to deliver both on its business as usual activities and the initiatives and projects set out within the new Strategy. Aligned with this is the need for staff to be engaged with the University's vision, mission and values and for staff morale, resilience and wellbeing to be well managed. The University is working hard to support staff, with, for example, a new Health and Wellbeing Plan being implemented.
- **Inability to maintain Apprenticeship Ofsted / ESFA ratings:** The University has to be able to evidence that it is operating within the requirements of Ofsted and the Education and Skills Funding Agency (ESFA) for apprenticeship provision. Significant work is undertaken to manage the required activity, however the implications of a poor inspection would be significant and potentially far reaching.
- **Not able to improve and subsequently maintain a good or outstanding ITE Ofsted rating / not successful in achieving reaccreditation of ITE provision:** The Ofsted inspection and new Department for Education requirements in relation to Initial Teacher Training constitute a potential disruption to the University's provision in this discipline area which the University is actively working to mitigate.
- **Inability to maintain the standards and compliance conditions required by Professional, Regulatory and Statutory bodies:** The University has to be able to evidence that it is operating within the requirements of relevant Professional, Regulatory and Statutory Bodies, for example professional bodies such as the Nursing and Midwifery Council, Health Care Professions Council and Social Work England. Relevant discipline areas have significant focus on the requirements of the various bodies, however, the implications of a poor inspection would be significant.



- **Cyber-attack:** Along with all universities and businesses, the potential for a cyber-attack to have a significant impact on the operation of the University is a real and ever-present threat. The implications of a cyber-attack could be extensive, as seen elsewhere in the sector over recent months. The University has a range of controls and mitigations in place alongside regular internal audits to provide assurance over the management of the risk. However, the risk is ongoing and evolving.

## **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 and staff forums led by the Vice Chancellor and her executive. 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 our University inclusivity statement frames our values and expectations for all staff and students with regards to inclusivity. 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.

At the University of Cumbria, we stand in solidarity with our local and global communities in the fight against racism and inequality. Throughout 2021/22 we have reinforced the message that we will not tolerate discrimination, bullying or harassment.

We are committed to embracing our responsibility as a facilitator of change and continue to develop our equality agenda.

### *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 2020 - 31 March 2021 is as follows:

Relevant Union Officials:

Number of employees who were relevant union officials during the relevant period	6
Full-time equivalent employee number	5.6

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

Percentage of time	Number of employees
0%	0
1-50%	5
51-99%	0
100%	1

Percentage of total pay bill spent on facility time\*:

Total cost of facility time	£102,487
Total pay bill	£40,392,515
Percentage of the total pay bill spent on facility time	0.25%
Hours spent on paid facility time	3,790.9

Paid trade union activities\*\*:

Hours spent on paid trade union activities	0
Time spent on paid trade union activities as a percentage of total paid facility time hours	0%

\* 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.

## Modern Slavery and Human Trafficking

In line with its mission statement and objectives, the University is committed to acting ethically and with integrity in all its corporate and business relationships. This includes implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in the University or its supply chains.

The University has agreed an action plan and processes including internal training, supplier training, and supplier risk assessment to further this aim. For further details, see our Statement on Slavery and Human Trafficking [here](#)<sup>2</sup>.

<sup>2</sup> **Modern Slavery Statement (cumbria.ac.uk)**

## Streamlined Energy & Carbon Reporting (SECR)

The University is committed to improving its energy efficiency, continually looking at reducing energy use and its corresponding reduction in CO<sub>2</sub> emissions. Environmental performance targets are reviewed on a regular basis. These targets are used to drive performance towards the sector and national requirements, specifically in relation to carbon reduction.

As part of the SECR requirements, the following information is included about the University's energy use and associated greenhouse gas (GHG) emissions within the Annual Report. The Regulations provide prescribed calculation methodology which has been used; the University collates its GHG data annually and complies with the Higher Education Statistics Agency (HESA) Estates Management Record methodologies using emission conversion factors developed by Defra and BEIS.

	2021/22			2020/21		
	UK and offshore			UK and offshore		
	Non Residential	Residential	University Total	Non Residential	Residential	University Total
Energy consumption used to calculate emissions: (kWh):						
Electricity kWh	2,998,214	686,950	3,685,163	3,021,970	609,068	3,631,038
Fuel (Litres)	7,449	-	7,449	3,258	-	3,258
Gas kWh	7,036,976	3,138,595	10,175,571	7,728,535	4,357,657	12,086,192

Emissions from combustion of gas kgCO <sub>2</sub> e (Scope 1)	1,284,530	572,919	1,857,449	1,415,558	798,148	2,213,707
Emissions from combustion of fuel for transport purposes (Scope 1)	18,754	-	18,754	8,212	-	8,212
Emissions from purchased electricity (Scope 2, location-based) kgCO <sub>2</sub> e	579,795	132,842	712,637	641,655	129,323	770,978
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3):						
Rental cars (kgCO <sub>2</sub> e)	27,088	-	27,088	13,524	-	13,524
Employee-owned vehicles (kgCO <sub>2</sub> e)	42,680	-	42,680	11,863	-	11,863
Total gross CO <sub>2</sub> e based on above	1,952,846	705,762	2,658,607	2,090,812	927,472	3,018,284
Gross Internal Area m <sup>2</sup>	52,938	13,130	66,068	55,084	13,130	68,214
Intensity ratio: kgCO <sub>2</sub> e gross figure based from fields above	36.89	53.75	40.24	37.96	70.64	44.25

The period covered 1 August 2021 to 31 July 2022 and the calculations are for the following scope:

- Building-related energy - natural gas (Scope 1) and electricity (Scope 2);
- Emissions from fuel used onsite and in employer fleet vehicles (Scope 3);
- Emissions from fuel used in Hire Cars used for business travel (scope 3);
- Emissions from Fuel used in employee owned vehicles where the organisation reimburses its employees following claims for business mileage (Scope 3).

Additional campus data has been included in the 2021/22 return. As data is available for the previous year, the data for 2020/21 return has also been updated in the table above.

The 2010-2020 Carbon Management Plan has expired. The targets set out in that document were to reduce scope 1&2 carbon emissions by 45% by the end of the plan. By July 2022, an actual reduction of carbon emission by 70% was achieved.

The 2022-2030 Carbon Management Plan is being developed. Work has also commenced with sustainability consultants to develop a road map to achieve net zero carbon by 2050, linking to the carbon management plan.

Scope 3 data collection process will be developed, enabling further detailed reporting in future SECR returns and other environmental returns, such as the HESA Estates Management Return.

Over the last 12 months there have been projects such as the Library roof replacement at Lancaster and data centre air conditioning replacements at Lancaster and Carlisle that have improved thermal efficiency and power usage respectively, both contributing to reducing energy use and carbon emissions. Work has also been undertaken to optimise heating controls and operation time schedules, with further modifications to pipework and controls to residences in Ambleside removing the issue of overheating.

## **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 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 2022 which comprise the Group and University Statement of Comprehensive Income and Expenditure, the Group and University Statement of Changes in Reserves, the Group and University Statement of Financial Position and the Group Cash Flow Statement and related notes, including the accounting policies in the Statement of Accounting Policies for the Year Ended 31 July 2022.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2022, and of the Group's and of 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; and
- 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*.

### 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 it does not intend to liquidate the Group or the University or to cease their operations, and as it has concluded that the Group and the University's financial position means that this is realistic. It has 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").

In our evaluation of the Board of Directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and University's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board of Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified and concur with the Board of Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the University's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Group or the University will continue in operation.

### Fraud and breaches of laws and regulations – ability to detect

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Board of Directors, the Audit Committee and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit

function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

- Reading Board of Directors and Audit Committee minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because tuition fees are generally based on standard fee rates and are non-variable in nature. We do not believe there to be an incentive or pressure to manipulate this or other income streams that are material as amounts received either typically relate to a single specific financial year or the source transactions are non-complex, involving little judgement.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by specific senior management personnel, those posted relating to the year-end land and buildings valuation, and those posted to pension liability codes at year-end.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

#### *Identifying and responding to risks of material misstatement related to compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Board of Directors and other management (as required by auditing standards) and discussed with the Board of Directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related higher education legislation), taxation legislation and pension legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: compliance with regulatory requirements of the Office for Students, recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Board of Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We have reported separately on the University's use of funds in the section of our audit report dealing with other legal and regulatory requirements.

#### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial

statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **Other information**

The Board of Directors is responsible for the other information, which comprises the Report of the Board of Directors, the Strategic Review, the Corporate Governance Statement, the Remunerations Committee Report, the Statement of Primary Responsibilities of the Board of Directors and the Board of Directors Statement of Assurance. 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;
- in our opinion the information given in the Strategic Review and the Report of the Governors and Corporate Governance Statement, which together constitute the strategic report and the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

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

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

We have nothing to report in these respects.

### **Board of Directors responsibilities**

As explained more fully in its statement set out on page 34, 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](http://www.frc.org.uk/auditorsresponsibilities).

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

We are required to report on the following matters by the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction').

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;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the financial statements meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

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

We are required by the Accounts Direction to report to you where the University has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Group's and the University's expenditure on access and participation activities for the financial year disclosed in Note 24 has been materially misstated.

We are also required by the Accounts Direction to report to you where the results of our audit work indicate that the Group's and the University's grant and fee income, as disclosed in note 3 to the financial statements has been materially misstated.

We have nothing to report in these respects.

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

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



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

5 December 2022

## **STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS**

The Board of Directors is responsible for preparing the Annual Report and the financial statements in accordance with the requirements of the Office for Students' Terms and Conditions of Funding for Higher Education Institutions and Research England's Terms and Conditions of Research England Grant and applicable law and regulations.

Company law requires the Board of Directors (the members of which are the Directors of the University company for the purposes of company law) to prepare financial statements for each financial year. Under that law it has elected to prepare the group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The Terms and Conditions of Funding further require the financial statements to be prepared in accordance with the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction') and the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education.

Under company law the Board of Directors must not approve the financial statements unless it is satisfied that they 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, and of the Group's cash flows for that period. In preparing each of the group and parent University financial statements, the Board of Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards and the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or have no realistic alternative but to do so.

The Board of Directors is responsible for keeping adequate accounting records that are sufficient to show and explain the parent University's transactions and disclose with reasonable accuracy at any time the financial position of the parent University and enable it to ensure that its financial statements comply with the Companies Act 2006. It is responsible for 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, and has 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 Board of Directors is also responsible for ensuring 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;
- income has been applied in accordance with the University's Articles of Government;
- funds provided by the Office for Students, UK Research and Innovation (including Research England) and the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the terms and conditions attached to them;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the university's resources and expenditure.

The Board of Directors is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Consolidated and University Statement of Comprehensive Income Year Ended 31 July 2022

		Year Ended 31 July 2022	Year ended 31 July 2021
		£'000	£'000
<b>Income</b>	Notes		
Tuition fees and education contracts	1	<b>54,316</b>	49,233
Funding body grants	2	<b>7,373</b>	6,169
Research grants and contracts	3	<b>744</b>	401
Other income	4	<b>7,812</b>	5,868
Investment income	5	<b>72</b>	7
Donations and endowments	6	<b>7</b>	6
<b>Total income</b>		<b>70,324</b>	61,684
<b>Expenditure</b>			
Staff costs	7	<b>44,449</b>	41,395
Fundamental restructuring costs	7	<b>0</b>	(98)
Other operating expenses		<b>20,358</b>	17,449
Depreciation	10	<b>3,969</b>	3,990
Impairments	10	<b>32</b>	274
Interest and other finance costs	8	<b>1,189</b>	1,248
<b>Total expenditure</b>	9	<b>69,997</b>	64,258
<b>Surplus / (Deficit) before other gains / losses</b>		<b>327</b>	(2,575)
Profit / (Loss) on disposal of fixed assets		<b>211</b>	(101)
<b>Surplus / (Deficit) before tax</b>		<b>537</b>	(2,676)
Taxation		<b>0</b>	0
<b>Surplus / (Deficit) for the year</b>		<b>537</b>	(2,676)
Unrealised surplus on revaluation of land and buildings	10	<b>10,728</b>	1,217
Actuarial gain in respect of Local Government Pension Scheme	22	<b>63,307</b>	8,295
Actuarial gain / (loss) in respect of enhanced pension provision		<b>43</b>	(20)
<b>Total comprehensive income for the year</b>		<b>74,616</b>	6,816
Represented by:			
Restricted comprehensive income for the year		<b>(1)</b>	0
Unrestricted comprehensive income for the year		<b>64,909</b>	6,903
Revaluation reserve comprehensive income for the year		<b>9,707</b>	(87)
Attributable to the University		<b>74,616</b>	6,816
Attributable to the non-controlling interest		<b>0</b>	0
		<b>74,616</b>	6,816

All items of income and expenditure relate to continuing activities.

## Consolidated and University Statement of Changes in Reserves Year ended 31 July 2022

Consolidated	Income and expenditure account		Revaluation reserve	Total
	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2020</b>	<b>105</b>	<b>(24,323)</b>	<b>59,850</b>	<b>35,632</b>
Deficit from the income and expenditure statement	0	(2,675)	0	(2,675)
Other comprehensive income	0	8,275	1,217	9,492
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>5,600</b>	<b>1,217</b>	<b>6,817</b>
Transfers between revaluation and income and expenditure reserve	0	1,304	(1,304)	0
<b>Balance at 1 August 2021</b>	<b>105</b>	<b>(17,419)</b>	<b>59,763</b>	<b>42,449</b>
Surplus from the income and expenditure statement	(1)	538	0	537
Other comprehensive income	0	63,351	10,728	74,079
<b>Total comprehensive income for the year</b>	<b>(1)</b>	<b>63,888</b>	<b>10,728</b>	<b>74,616</b>
Transfers between revaluation and income and expenditure reserve	0	1,021	(1,021)	0
<b>Balance at 31 July 2022</b>	<b>104</b>	<b>47,490</b>	<b>69,470</b>	<b>117,065</b>

University	Income and expenditure account		Revaluation reserve	Total
	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2020</b>	<b>105</b>	<b>(24,420)</b>	<b>59,850</b>	<b>35,535</b>
Deficit from the income and expenditure statement	0	(2,675)	0	(2,675)
Other comprehensive income	0	8,275	1,217	9,492
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>5,600</b>	<b>1,217</b>	<b>6,817</b>
Transfers between revaluation and income and expenditure reserve	0	1,304	(1,304)	0
<b>Balance at 1 August 2021</b>	<b>105</b>	<b>(17,516)</b>	<b>59,763</b>	<b>42,352</b>
Surplus from the income and expenditure statement	(1)	538	-	537
Other comprehensive income	0	63,350	10,728	74,078
<b>Total comprehensive income for the year</b>	<b>(1)</b>	<b>63,888</b>	<b>10,728</b>	<b>74,616</b>
Transfers between revaluation and income and expenditure reserve	0	1,021	(1,021)	0
<b>Balance at 31 July 2022</b>	<b>104</b>	<b>47,393</b>	<b>69,470</b>	<b>116,968</b>

## Consolidated Statement Cash Flows

### Year ended 31 July 2022

	Notes	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
<b>Cash flow from operating activities</b>			
Surplus / (Deficit) for the year		537	(2,675)
<b>Adjustment for non-cash items</b>			
Depreciation	10	3,969	3,990
Impairments	10	32	274
Increase in debtors	12	(2,615)	(881)
Increase in creditors	13	568	1,751
Increase in pension provisions	15	3,899	3,958
Increase / (Decrease) in other provisions	15	13	(168)
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(72)	(7)
Interest payable	8	122	105
Loss / (Profit) on the sale of fixed assets		(211)	101
Capital grant income		(1,355)	(1,148)
		<u>4,887</u>	<u>5,300</u>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		700	1,498
Capital grants receipts		4,346	754
Investment income		72	7
Payments made to acquire fixed assets		(5,654)	(1,469)
		<u>(536)</u>	<u>789</u>
<b>Cash flows from financing activities</b>			
Interest paid		(123)	(106)
Repayments of amounts borrowed		(333)	(405)
		<u>(456)</u>	<u>(511)</u>
<b>Increase in cash and cash equivalents in the year</b>			
		<u>3,895</u>	<u>5,579</u>
Cash and cash equivalents at beginning of the year	17	17,349	11,771
Cash and cash equivalents at end of the year	17	21,244	17,349

## Consolidated and University Statement of Financial Position As at 31 July 2022

	Notes	As at 31 July 2022		As at 31 July 2021	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Non-current assets</b>					
Fixed assets	10	132,627	132,627	119,575	119,575
Investments	11	0	10	0	10
		<u>132,627</u>	<u>132,637</u>	<u>119,575</u>	<u>119,585</u>
<b>Current assets</b>					
Trade and other receivables	12	8,542	8,542	5,943	5,943
Cash and cash equivalents	17	21,244	21,244	17,349	17,349
		<u>29,786</u>	<u>29,786</u>	<u>23,292</u>	<u>23,292</u>
Less:					
Creditors: amounts falling due within one year	13	(14,027)	(14,134)	(11,869)	(11,976)
<b>Net current assets</b>		<b>15,759</b>	<b>15,652</b>	<b>11,423</b>	<b>11,316</b>
<b>Total assets less current liabilities</b>		<b>148,385</b>	<b>148,288</b>	<b>130,999</b>	<b>130,902</b>
Creditors: amounts falling due after more than one year	14	(26,833)	(26,833)	(24,624)	(24,624)
<b>Provisions</b>					
Pension provisions	15	(3,493)	(3,493)	(62,911)	(62,911)
Other provisions	15	(995)	(995)	(1,015)	(1,015)
<b>Total net assets</b>		<b>117,065</b>	<b>116,968</b>	<b>42,449</b>	<b>42,352</b>
<b>Restricted Reserves</b>					
Income and expenditure reserve - restricted reserve	16	104	104	105	105
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		47,490	47,393	(17,419)	(17,516)
Revaluation reserve		69,470	69,470	59,763	59,763
<b>Total Reserves</b>		<b>117,065</b>	<b>116,968</b>	<b>42,449</b>	<b>42,352</b>

The financial statements were approved by the Governing Body on 29 November 2022 and were signed on its behalf on that date by:



Mr Martin Williams, Chairman of the Board of Directors



Professor Julie Mennell, Vice Chancellor

# Statement of Accounting Policies for the year ended 31 July 2022

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## 1. Basis of preparation

These financial statements have been prepared in accordance with:

- the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019;
- Financial Reporting Standards (FRS 102);
- the Office for Students Accounts Direction; 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.

### Going Concern

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 reviewed cash flow forecasts for future periods, including, specifically, for the 12 month period from the date of approval of these financial statements. In doing so, the Board has considered the University's current financial position, the outlook across 2022/23 and beyond, fully considering key risks, applying severe but plausible downsides and how they are being or will be mitigated. Key assumptions around student recruitment and continuation levels and the delivery of contractual income are considered, along with risks related to expenditure such as those related to inflation and delivery of key projects.

This review of the University's financial projections, plans and sustainability and the sensitivity analysis which is applied, identifies that the University will have sufficient funds to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

Regular dialogue is held with the University's main lender, Barclays Bank PLC and they are made aware of any events 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.

Having taken these factors into account, the Board of 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. Consequently, the Board of Directors is confident that the University will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

## 2. Basis of consolidation

The consolidated financial statements include the University and its subsidiary for the financial year to 31 July 2022.

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. A debtor is recognised when there is an unconditional right to receive future economic benefit as a result of a past events. In line with this policy, where a course is delivered across the financial year-end, the income related to future periods is deferred, with a deferred income creditor created on the balance sheet. In such circumstances, any remaining related debtor balance continues to be recorded as a debtor.

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 2022

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### 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 2022

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### 5. Employment benefits

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

### 6. Finance leases

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

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

### 7. Service Concession Arrangements

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

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

### 8. Operating leases

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

### 9. Foreign currency

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

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

## Statement of Accounting Policies (continued) for the year ended 31 July 2022

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### 9. Foreign currency (continued)

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

### 10. Fixed assets

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

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

#### Land and buildings

Land and buildings are measured using the revaluation model. Under the revaluation model, assets are revalued to fair value. The University has a policy of ensuring that a full revaluation of land and buildings is carried out 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 2022

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### 11 Investments

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

### 12 Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within three months 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 2022

	Year Ended 31 July 2022	Year Ended 31 July 2021
	Consolidated & University	Consolidated & University
Notes	£'000	£'000
<b>1 Tuition fees and education contracts</b>		
Full-time home and EU students	33,976	37,355
Full-time international students	1,252	905
Part-time students	5,533	4,399
Apprenticeship income: ESFA	9,637	3,445
Apprenticeship income: others	1,698	948
Education Contracts (NHS)	882	877
Non-credit bearing courses	1,338	1,304
	<b>54,316</b>	<b>49,233</b>
<b>2 Funding body grants</b>		
<b>Recurrent grant</b>		
Office for Students	4,695	3,917
<b>Specific grants</b>		
Research England	590	346
Department for Education	59	79
Office for Students / Research England - capital grant release	1,226	903
<b>Uni Connect</b>	803	924
	<b>7,373</b>	<b>6,169</b>
<b>3 Research grants and contracts</b>		
Research Councils	164	9
Research Charities	14	63
Government (UK and Overseas)	195	212
Industry and Commerce	3	2
Other	368	115
	<b>744</b>	<b>401</b>

**Note: The source of grant and fee income included in notes 1 to 3 is as follows:**

Grant income from the Office for Students	5,921	4,820
Grant income from other bodies	2,196	1,750
Fee income for taught awards (exclusive of VAT)	52,818	47,846
Fee income for research awards (exclusive of VAT)	160	83
Fee income from non-qualifying courses (exclusive of VAT)	1,338	1,304
<b>Total grant and fee income</b>	<b>62,433</b>	<b>55,803</b>

## Notes to the Accounts for the year ended 31 July 2022

		July 2022 Consolidated & University	July 2021 Consolidated & University
4 Other income	Notes	£'000	£'000
Residences		1,991	1,377
Conferences		353	196
Other capital grants		129	245
Coronavirus Job Retention Scheme		0	170
Other income		5,339	3,880
		<u>7,812</u>	<u>5,868</u>

### Turing Scheme

The University was granted £24,843 from the Turing Scheme in 2021/22 which is recognised within other income in Note 4 above. The Turing Scheme is the UK government's programme to provide students with international study and work placements.

### 5 Investment income

Investment income on restricted reserves	16	1	0
Other investment income		71	7
		<u>72</u>	<u>7</u>

### 6 Donations and endowments

Donations with restrictions	16	5	2
Unrestricted donations		2	4
		<u>7</u>	<u>6</u>

### 7 Staff costs

Salaries		31,868	29,477
Social security costs		3,435	3,084
Occupational Pension Scheme Costs:			
Employer Contributions	22	6,433	6,091
Changes in pension provisions	22	2,832	2,824
Changes in accrual for untaken annual leave		(186)	(81)
Restructuring: fundamental		0	(98)
Restructuring: other		68	0
		<u>44,449</u>	<u>41,297</u>

Compensation for loss of office is paid where staff leave the University's employment and receive some form of compensation, including where it occurs at the end of a fixed-term contract. Compensation for loss of office of £68k was paid to 6 staff in 2021/22 (20/21: £166k to 15 staff).

<b>Average full-time equivalent staff numbers by category:</b>	<b>No.</b>	<b>No.</b>
Academic	371	338
Academic support and other support staff	467	455
	<u>838</u>	<u>793</u>

## Notes to the Accounts for the year ended 31 July 2022

### 7 Staff costs (Continued)

Vice Chancellor Remuneration	Year Ended 31 July 2022	Year Ended 31 July 2021
	£	£
Salary	207,000	194,998
Performance related pay	0	0
Employer pension contributions	49,018	46,176
Total including pension costs	<u>256,018</u>	<u>241,174</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 6.0 times (2020/21: 5.8) the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the University to its staff.

The Vice Chancellor's total remuneration is 7.5 times (2020/21: 6.5) 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 University of its staff.

#### Vice Chancellor Remuneration - Justification

The justification for the Vice Chancellor's total remuneration is included on page 20 of the Annual Report.

#### Senior Staff Remuneration

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

	Year Ended 31 July 2022	Year Ended 31 July 2021
	No.	No.
£100,000 to £104,999	0	0
£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	0	2
£130,000 to £134,999	0	0
£135,000 to £139,999	2	0
£140,000 to £144,999	0	0
£145,000 to £149,999	1	1
£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	0
£190,000 to £194,999	0	1
£195,000 to £199,999	0	0
£200,000 to £204,999	0	0
£205,000 to £209,999	1	0
	<u>5</u>	<u>5</u>

#### Senior Staff Remuneration - Compensation for Loss of Office

	Year Ended 31 July 2022	Year Ended 31 July 2021
	£'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 2022

### 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 2021/22 the Vice Chancellor's Executive comprised of the Vice Chancellor, Chief Operating Officer, Deputy Vice Chancellor (Academic), Deputy Vice Chancellor (Health, Environment & Innovation) and the University Secretary.

The figures below include gross salaries and employer's pension contributions.

	<b>Year ended 31 July 2022</b>	Year ended 31 July 2021
	<b>£'000</b>	£'000
<b>Key management personnel compensation</b>	<b>763</b>	765

#### 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 £4,938 (2020/21: £1,283). 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.

		<b>Year Ended 31 July 2022</b>	Year Ended 31 July 2021
	Notes	<b>Consolidated &amp; University</b>	Consolidated & University
		<b>£'000</b>	£'000
<b>8 Interest and other finance costs</b>			
Loan interest		<b>122</b>	105
Net charge on Local Government Pension Scheme	22	<b>1,057</b>	1,134
Net charge on enhanced pension provision		<b>10</b>	9
		<b>1,189</b>	1,248

### 9 Analysis of total expenditure by activity

Academic departments and services	<b>41,426</b>	35,797
Administration and central services	<b>16,502</b>	17,000
Restructuring	<b>68</b>	-98
Pension accounting adjustments	<b>3,899</b>	3,967
Premises	<b>6,024</b>	5,641
Residences, catering and conferences	<b>1,354</b>	1,215
Impairments	<b>32</b>	274
Research grants and contracts	<b>660</b>	462
	<b>69,964</b>	64,258

Other operating expenses include:

External auditors remuneration in respect of audit services (19/20 audit)	<b>0</b>	7
External auditors remuneration in respect of audit services (20/21 audit)	<b>0</b>	84
External auditors remuneration in respect of audit services (21/22 audit)	<b>96</b>	0
External auditors remuneration in respect of non-audit services	<b>5</b>	5
Operating lease rentals:		
Land and buildings	<b>287</b>	325
Other	<b>34</b>	47

## Notes to the Accounts for the year ended 31 July 2022

### 10 Fixed Assets

	Freehold Land and Buildings	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000
<b>Consolidated and University</b>				
<b>Cost or valuation</b>				
At 1 August 2021	116,601	12,998	0	129,599
Additions	546	3,237	2,992	6,775
Impairment	0	0	0	0
Surplus on revaluation	9,088	0	0	9,088
Loss on revaluation	(1,002)	0	0	(1,002)
Disposals	(450)	(1,799)	0	(2,249)
<b>At 31 July 2022</b>	<b>124,783</b>	<b>14,436</b>	<b>2,992</b>	<b>142,211</b>
<b>Consisting of valuation as at:</b>				
31 July 2022	124,783	0	0	124,783
Cost	0	14,436	2,992	17,428
	<b>124,783</b>	<b>14,436</b>	<b>2,992</b>	<b>142,211</b>
<b>Depreciation</b>				
At 1 August 2021	0	10,024	0	10,024
Charge for the year	2,610	1,359	0	3,969
Written back on impairment	0	0	0	0
Written back on revaluation	(2,610)	0	0	(2,610)
Disposals	0	(1,799)	0	(1,799)
<b>At 31 July 2022</b>	<b>0</b>	<b>9,584</b>	<b>0</b>	<b>9,584</b>
<b>Net book value</b>				
<b>At 31 July 2022</b>	<b>124,783</b>	<b>4,852</b>	<b>2,992</b>	<b>132,627</b>
At 31 July 2021	116,601	2,974	0	119,575

At 31 July 2022, freehold land and buildings included £18.9m in respect of freehold land which is not depreciated (20/21 - £19.3m).

### Land and Buildings Revaluation

The freehold and leasehold properties of the University were valued as at 31 July 2022 by an external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors. The valuation was prepared in accordance with the requirements of the RICS Valuation - Global Standards 2022 and RICS Valuation - Global Standards 2017 UK National Supplement, Financial Reporting Standard 102 and the 2020 Statement of Recommended Practice 'Accounting for Further and Higher Education'. The valuation was undertaken on a Fair Value basis, with the valuation of specialised properties, including most buildings used for teaching and administration, derived using the Depreciated Replacement Cost (DRC) method, and other in-use properties, including student accommodation, valued on a Fair Value basis, equating to Market Value on the assumption of a continuation of the existing use. The valuation was reported under a special assumption to exclude any value of development opportunities for which planning permission would be required and has not been granted or where development has not yet commenced.

The outcome of this valuation is recorded above. In summary, the valuation led to an increase in the cost of land and building of £9.09m, losses totalling £1.00m and the write back of £2.61m of accumulated depreciation. The net resulting gain of £10.70m is reflected in the Comprehensive Statement of Income as expenditure (impairment) of £0.03m and as an overall increase to the Revaluation Reserve of £10.73m.



## Notes to the Accounts for the year ended 31 July 2022

### 11 Non-Current Investments

	Year Ended 31 July 2022		Year Ended 31 July 2021	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Subsidiary Companies	0	10	0	10
	<b>0</b>	<b>10</b>	<b>0</b>	<b>10</b>

The University owns 100% of the share capital of its subsidiary, UoC Trading Limited. This company did not trade in 2021/22 or 2020/21.

### 12 Trade and other receivables

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Other trade receivables	3,324	3,324	2,409	2,409
Prepayments and accrued income	5,218	5,218	3,534	3,534
	<b>8,542</b>	<b>8,542</b>	<b>5,943</b>	<b>5,943</b>

# Notes to the Accounts

## for the year ended 31 July 2022

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

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Unsecured loans	332	332	333	333
Trade payables	2,738	2,738	2,241	2,241
Social security and other taxation payable	924	924	793	793
Accruals and deferred income	8,372	8,372	7,388	7,388
Deferred income - capital grants	1,661	1,661	1,114	1,114
Amounts due to subsidiary companies	0	107	0	107
	<b>14,027</b>	<b>14,134</b>	<b>11,869</b>	<b>11,976</b>

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

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Unsecured loans	4,455	4,455	4,787	4,787
Deferred income	538	538	1,053	1,053
Deferred income - capital grants	21,840	21,840	18,784	18,784
	<b>26,833</b>	<b>26,833</b>	<b>24,624</b>	<b>24,624</b>

The "Deferred income - capital grants" balance relates to capital funding which has been received and is to be released as a non-cash transaction over the life of the related assets. These grants are restricted to the uses that are set out in the terms and conditions of funding.

### 14b Creditors: loans

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

<b>Due within one year or on demand</b>	<b>332</b>	<b>332</b>	333	333
Due between one and two years	332	332	332	332
Due between two and five years	3,873	3,873	4,194	4,194
Due in five years or more	250	250	261	261
Due after more than one year	4,455	4,455	4,787	4,787
	<b>4,787</b>	<b>4,787</b>	<b>5,120</b>	<b>5,120</b>

## Notes to the Accounts for the year ended 31 July 2022

### 14b Creditors: loans

The details of the University's outstanding loans at 31 July 2022 are as follows:

Lender	Term	Amount £'000	Security
Barclays	2026	4,480	Unsecured
Cumbria County Council	No fixed end date	307	Unsecured
		<u>4,787</u>	

### 15 Provisions for liabilities

#### Consolidated and University

	LGPS Pension £'000	Pension Enhancement £'000	Other £'000	Leasehold Dilapidation £'000	Total £'000
At 1 August 2021	62,911	636	0	379	<b>63,926</b>
Utilised in year	0	(58)	0	(243)	<b>(301)</b>
Additions in 2021/22	0	0	320	80	<b>400</b>
Unused amounts reversed in 2021/22	0	0	0	(86)	<b>(86)</b>
Net movements charged to Income and Expenditure	3,889	10	0	0	<b>3,899</b>
Actuarial (gain)/loss	(63,307)	(43)	0	0	<b>(63,350)</b>
<b>At 31 July 2022</b>	<b>3,493</b>	<b>545</b>	<b>320</b>	<b>130</b>	<b>4,488</b>

#### Pension enhancement

The enhanced pension provision relates to liabilities to former staff from which the University cannot reasonably withdraw at the balance sheet date. In calculating the provision for enhanced pension costs an interest rate of 3.3% (2020/21: 1.6%) and an inflation rate of 2.9% (2020/21: 2.6%) have been assumed.

#### Leasehold Dilapidation

A £130k provision is in place in respect of the liability for dilapidation works at one property which is occupied by the University under a lease agreement which expires in May 2023. The amount utilised in year relates to the costs of dilapidations at a property whose lease expired during 2021/22.

## Notes to the Accounts for the year ended 31 July 2022

### 16 Restricted Reserves

Reserves with restrictions are as follows:

	<b>2022 Total £'000</b>	<b>2021 Total £'000</b>
<b>Opening balance</b>	<b>105</b>	105
New donations	5	2
Investment income	1	-
Expenditure	(7)	(2)
<b>Total restricted comprehensive income for the year</b>	<b>(1)</b>	-
<b>Closing balance</b>	<b>104</b>	105

	<b>2022 Total £'000</b>	<b>2021 Total £'000</b>
<b>Analysis of other restricted funds / donations by type of purpose:</b>		
Hardship Support	-	-
Study Support	103	104
Prize funds	1	1
	<b>104</b>	105

### 17 Cash and cash equivalents

Notes	<b>At 1st August 2021 £'000</b>	<b>Cash Flows £'000</b>	<b>At 31st July 2022 £'000</b>
Cash and cash equivalents	17,349	3,895	21,244
	<b>17,349</b>	<b>3,895</b>	<b>21,244</b>

### 18 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2022:

	<b>31 July 2022 Consolidated &amp; University £'000</b>	31 July 2021 Consolidated & University £'000
Commitments contracted for	1,288	160
	<b>1,288</b>	160

The University signed a grant funding agreement with Northumberland County Council during 2021/22 which enables it to draw down up to £50m of grant funding from the Department of Levelling Up, Housing and Communities in support of the multi-year Citadels campus development in Carlisle. The related contractual capital commitments entered into by the balance sheet date are included in the figures above.

## Notes to the Accounts for the year ended 31 July 2022

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### 19 Lease obligations

Total rentals payable under operating leases:

	31 July 2022		31 July 2021	
	Land and Buildings £'000	Other leases £'000	Total £'000	Total £'000
<b>Payable during the year</b>	287	34	321	372
<b>Future minimum lease payments due:</b>				
Not later than 1 year	225	20	244	307
Later than 1 year and not later than 5 years	207	45	252	391
Later than 5 years	0	0	0	0
<b>Total lease payments due</b>	<b>432</b>	<b>64</b>	<b>496</b>	<b>698</b>

### 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 2021/22 or 2020/21.

## Notes to the Accounts for the year ended 31 July 2022

### 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 2021/22 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
<b>AmossHE</b>	0	3	0	1
<b>Cumbria Local Enterprise Partnership</b>	20	0	0	681
<b>Tullie House</b>	0	19	0	2
<b>University of Cumbria Students' Union</b>	3	424	29	0
<b>UNIAC</b>	0	65	0	0
<b>Cumbria Education Trust</b>	1	0	0	0
<b>Council of Deans of Health</b>	0	9	0	0
<b>Health and Education Cooperative Ltd</b>	0	9	0	0
<b>Energy Coast University Technical College</b>	0	4	0	0

#### **AmossHE**

AmossHE promotes good practice within Student Services in UK HE sector. The University paid AmossHE for memberships and attendance at conferences during 2021/22. One member of the University's Board of Directors is a non-executive Director of AmossHE.

#### **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.

#### **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.

#### **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. The expenditure and debtor balance recorded above relates to internal audit services provided by UNIAC during the year.

#### **Cumbria Education Trust**

During 2021/22, the University held a Schools Improvement Event with the Trust. A member of the Vice Chancellor's Executive is a Trustee of the Trust.

#### **Council of Deans of Health**

The University pays a membership fee to the Council of Deans of Health each year. A member of the Vice Chancellor's Executive is the current Chair of the Council.

#### **Health and Education Cooperative Ltd**

The University seconded a member of staff to the Cooperative, for which it received the income stated above. A member of the Vice Chancellor's Executive is a Director of the Cooperative on behalf of the University.

#### **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.

## Notes to the Accounts for the year ended 31 July 2022

### 22 Pension Schemes

The three main pension schemes offered to University staff are as follows:

- Teacher's Pension Scheme of England and Wales (TPS).
- Local Government Pension Scheme - Lancashire County Pension Fund (LGPS).
- Defined contribution scheme operated by Scottish Widows (SWPS)

The pension costs, which were recorded by the University as expenditure in the Consolidated Statement of Comprehensive Income were:

	Year ended 31 July 2022			Year ended 31 July 2021		
	Changes in			Changes in		
	Employer Contributions (Note 7) £'000	Pension Provisions (Note 15) £'000	Total Pension Costs £'000	Employer Contributions (Note 7) £'000	Pension Provisions (Note 15) £'000	Total Pension Costs £'000
TPS	3,930	0	3,930	3,547	0	3,547
LGPS	2,312	3,889	6,201	2,509	3,958	6,467
SWPS	190	0	190	34	0	34
<b>Total Pension Costs</b>	<b>6,432</b>	<b>3,889</b>	<b>10,321</b>	<b>6,090</b>	<b>3,958</b>	<b>10,048</b>

#### 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).

- 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 2021/22 was £3.9m (2020/21: £3.5m).

## Notes to the Accounts for the year ended 31 July 2022

### 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 2021/22 was £2.3m (2020/21: £2.5m). This reflects employer contributions for current employees at 17.1% of pensionable pay and payments of £0.3m (2020/21: £0.3m) 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 2019 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 2019, the fund was in surplus by £12m and assets were sufficient to cover just over 100% of the scheme's liabilities. This represented an improvement compared to the prior valuation which calculated a shortfall of £690m.

This valuation, after assessing the University's share of the overall assets and liabilities, identified a funding level for the University of 96% and a deficit of £4.4m.

The results of the next valuation are due to be released in late 2022 and any changes to contribution rates will take effect from 1 April 2023.

#### Latest Actuarial Valuation of overall Lancashire Scheme

31 March 2019

	£m
Total Assets	8,410
Total liabilities	(8,398)
<b>Past service surplus / (shortfall)</b>	<b>12</b>
Funding level	100.0%
Discount rate	3.8%
Pension increase per annum	2.4%
Salary scale increases per annum (short-term)	N/A
Salary scale increases per annum (long-term)	3.9%
Pension increases in payment	2.4%

Alongside this triennial valuation, the University obtains an actuarial assessment of its share of overall assets and liabilities on an annual basis for accounting purposes. In doing so, the University applies the accounting standard FRS 102, which leads to some differences of approach to the triennial scheme valuation.

The University recognises any gains or losses from this annual assessment in each period in the Consolidated Statement of Comprehensive Income and Expenditure. The material assumptions used by the actuary at 31 July 2022 were:

	2021/22 (%)	2020/21 (%)
Price increases (CPI)	2.7	2.6
Salary increases	2.7	2.85
Pension increases	2.8	2.7
Discount rate	3.5	1.6

#### LGPS (continued)

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

	2021/22 (Years)	2020/21 (Years)
<i>Retiring today</i>		
Males	22.3	22.4
Females	25.0	25.1
<i>Retiring in twenty years</i>		
Males	23.7	23.9
Females	26.8	26.9



## Notes to the Accounts for the year ended 31 July 2022

### 22 Pension Schemes (continued)

#### Scheme assets

The assets in the scheme were:

	31 July 2022	Fair value as at 31 July 2021	31 July 2020
	£m	£m	£m
Equities	69,978	68,332	53,810
Government bonds	0	0	0
Other bonds	6,523	7,171	8,142
Property	16,160	13,531	16,048
Cash	2,372	2,841	2,124
Other	53,225	43,434	37,879
<b>Total</b>	<b><u>148,258</u></b>	<b><u>135,309</u></b>	<b><u>118,003</u></b>

The following amounts at 31 July 2022 were measured in accordance with the requirements of FRS102:

	Year Ended 31 July 2022 £'000	Year Ended 31 July 2021 £'000
<b>Analysis of the amount shown in the balance sheet for Scheme</b>		
Scheme assets	148,258	135,309
Scheme liabilities	<u>(151,751)</u>	<u>(198,220)</u>
<b>Deficit in the scheme – net pension liability recorded within pension provisions (Note 15)</b>	<b>(3,493)</b>	<b>(62,911)</b>
<b>Analysis of the amount charged to staff costs (note 7):</b>		
Current service cost	(5,153)	(5,343)
Employer contributions	2,322	2,519
Curtailments	(1)	0
<b>Profit and loss charge</b>	<b><u>(2,832)</u></b>	<b><u>(2,824)</u></b>
<b>Analysis of the amount charged to interest and other finance costs (note 8):</b>		
Interest cost	(3,156)	(2,951)
Expected return on assets	2,169	1,895
Administrative expenses	(70)	(78)
<b>Profit and loss charge</b>	<b><u>(1,057)</u></b>	<b><u>(1,134)</u></b>
<b>Total profit and loss charge</b>	<b><u>(3,889)</u></b>	<b><u>(3,958)</u></b>
<b>Analysis of actuarial gain/(loss) in respect of Scheme</b>		
Remeasurement of assets	10,342	14,641
Remeasurement of liabilities	<u>52,965</u>	<u>(6,346)</u>
<b>Total actuarial gain / (loss)</b>	<b><u>63,307</u></b>	<b><u>8,295</u></b>
<b>Movement in deficit in the year</b>		
Deficit in scheme at beginning of year	(62,911)	(67,248)
Amount charged to staff costs	(2,832)	(2,824)
Amount charged to interest and other finance costs	(1,057)	(1,134)
Actuarial gain / (loss)	<u>63,307</u>	<u>8,295</u>
<b>Deficit in scheme at end of year</b>	<b><u>(3,493)</u></b>	<b><u>(62,911)</u></b>

## Notes to the Accounts for the year ended 31 July 2022

### 22 Pension Schemes (continued)

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

	31 July 2022	31 July 2021	Year to 31 July		31 July 2018
			2020	2019	
<b>Difference between actual and expected return on scheme assets:</b>					
Amount (£'000)	10,342	14,641	-6,499	12,557	5,327
% of assets at end of year	7.0%	10.8%	-5.5%	10.4%	5.1%

	Year Ended 31 July 2022 £'000	Year Ended 31 July 2021 £'000
<b>Analysis of movement in the present value of LGPS liabilities</b>		
Benefit obligation at beginning of period	198,220	185,251
Current service cost	5,153	5,343
Interest cost	3,156	2,951
Actual member contributions	793	864
Actuarial (gain) / loss	(52,965)	6,346
Curtailements	1	0
Actual benefit payments	(2,607)	(2,535)
<b>Benefit obligation at end of period</b>	<b>151,751</b>	<b>198,220</b>

#### Analysis of movement in the present value of LGPS assets

Fair value of plan assets at beginning of period	135,309	118,003
Interest on plan assets	2,169	1,895
Remeasurements (assets)	10,342	14,641
Administration expenses	(70)	(78)
Employer contributions	2,322	2,519
Member contributions	793	864
Benefits/transfers paid	(2,607)	(2,535)
<b>Fair value of plan assets at end of period</b>	<b>148,258</b>	<b>135,309</b>

#### Scottish Widows Pension Scheme

Since 1 September 2020, the University has offered newly appointed non-teaching staff membership of a defined contribution scheme operated by Scottish Widows. Employee contributions are up to 7% and employer contributions are 8%. In addition, the University funds group life assurance cover and group income protection for members via policies with Legal and General.

### 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.

#### Accounting estimates and judgements - Pensions (Local Government Pension Scheme):

The balance in the University's balance sheet at 31 July 2022 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 £3.49m. 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. Mercer, a firm of consulting actuaries, is engaged, via Lancashire County Council, to provide the University with expert advice about the assumptions to be applied. A small change in these assumptions can lead to significant movements in the net liability. Details of the assumptions applied, after review by the University, are stated in Note 22.

Pension asset values are reported using estimated asset allocations prepared by the scheme actuary. Actual investment returns over a full year might deviate from those reported by the actuary in the valuation under FRS102. Asset values are calculated at each triennial valuation and, thereafter, it is rolled forward for accounting valuation purposes using investment returns, contributions received, and benefits paid out. The pension valuation as at 31 July 2022 used asset returns as at that date.

Recent changes in global and UK economic pressures and tightening of monetary policy have had a significant impact on asset markets and corporate bonds yields, which are key to the FRS102 assessment of the net pension asset or liability. In particular, AA corporate bond yields, used to set the FRS102 discount rate, have increased significantly since 31 July 2022, with corresponding falls in asset values. The markets have been exceptionally volatile and therefore while both gross defined benefit obligations and assets will have fallen, it is difficult to estimate the impact of these changes on the net balance sheet position and the figures provided by the actuaries have been adopted as a best estimate of the position which the University believes is materially accurate. The net liability at 31 July 2022 includes an allowance for the known CPI indices that are anticipated to be used to set the 2023 pension increase order. This has been allowed for in the calculation of the actuarial gain which is stated in the Statement of Comprehensive Income.

## Notes to the Accounts for the year ended 31 July 2022

### 23 Accounting estimates and judgements (continued)

#### *Accounting estimates and judgements - Pensions (Local Government Pension Scheme) continued:*

##### *McCloud Court Ruling*

As a result of successful legal challenges 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 Government has accepted that remedies relating to this judgement are needed in relation to the Local Government Pension Scheme and a consultation was published in July 2020 which included a proposed remedy for the Scheme. The scheme actuaries have included an allowance for McCloud in the figures provided which they believe are substantially in line with this remedy. Differences between actual pay growth relative to CPI inflation and this estimate 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.

##### *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 estimated that the increase in past service liabilities arising from this would be £0.28m, and this was reflected in the 2019/20 financial statements. No further adjustment is believed to be required.

##### *Consumer Price Inflation (CPI) methodology*

Prior to the 2019/20 financial year, it had been the practice of the scheme actuary to estimate the CPI rate applied in the valuation by deducting a margin of 1.2% from the RPI (retail price inflation) measure. Given an ongoing consultation on the formula to be applied to calculate RPI in the future and the actuary's view that market pricing now largely reflects expected changes to some degree but not completely, the margin applied was reduced to be between 0.7% and 0.9%. Having reviewed this change in estimate, the University is satisfied that it is appropriate and provides a robust basis for calculating the CPI rate for the valuation.

#### *Accounting estimates and judgements - 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, with annual reviews, such that the fair value is not materially different to the current value. The next full revaluation will be at 31 July 2023. 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. Alongside the value of land and buildings, the valuer also provides useful economic lives for each property which are then applied in calculating the depreciation charge. These estimates are reviewed for reasonableness and consistency with the University's understanding of its estate, including the condition of particular buildings.

### 24 Access and Participation Plan

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Access Investment	530	528
Financial Support	585	541
Disability Support (excluding expenditure included in the two categories above)	487	497
Research and Evaluation	57	50
	<b>1,659</b>	1,616

The University's Access and Participation Plan (APP), which was approved by the Office for Students, is available at <https://www.cumbria.ac.uk/media/university-of-cumbria-website/content-assets/vco/documents/Access-and-Participation-Plan-202021-to-202425.pdf>

The APP sets out how the University is improving equality of opportunity for underrepresented groups to access, succeed in and progress from higher education. The figures above, which include £0.88m (2020/21 £0.82m) of staff costs which are recorded within the totals in Note 7, outline the expenditure which was incurred by the University in 2021/22 in meeting this objective under the Plan. Where the costs of staff or activities relate wholly to the APP, as per, for example, job descriptions and project plans, they are included in full as expenditure. Where staff time or projects are partially related to the APP, expenditure is assigned based on factors such as the numbers of eligible students being supported.