



University of Cumbria

Company Number 06033238

Annual Report

For the Year Ended 31 July 2020

Contents

	Page
Strategic Report	
• Foreword by the Chair of the Board of Directors	3
• Introduction by the Vice Chancellor	4
• Strategic review	6
• Financial review	11
Directors' and Corporate Governance Report	
• Governance	16
• Director / Trustee Remuneration	21
• Vice Chancellor Remuneration	21
• Public Benefit Statement	23
• Statement on Internal Control	24
• Risk Management	25
• Diversity and Employee Involvement	27
• Streamlined Energy & Carbon Reporting	28
• Responsibilities of the Board of Directors	29
Financial Statements	
• Independent Auditor's Report	31
• 2019/20 Accounts including Accounting Policies	34

Strategic Report

Foreword by the Chair of the Board of Directors

2019/20 has been an eventful and successful year for the University. As a University Board, we have been both pleased by the clear progress that has been made against our strategy and plans and the way in which the University has responded to unforeseen events.

There is rightly much in this Report about the way in which the University has addressed the risks and challenges posed by the global coronavirus pandemic. Given the wide ranging impact of this health crisis and the mitigation measures required both at a national and local level, and the potential adverse effects on our strategy, students, staff, sustainability and success, the Board Directors and Associate Directors provided focussed and informed strategic oversight, regularly reviewing plans and compliance. In our ongoing appraisal of the response, we were and are delighted by the approach taken and the way in which safety and quality have been central. Immediate financial risks were mitigated and robust scenario planning undertaken. While the financial outturn for 2019/20 is not where it was planned to be, it represents a successful position given the challenges faced.

These remain uncertain times and, as a Board, we are continuing to closely monitor and help shape the University's response to these and other risks. As we do this, we recognise the growing maturity, confidence and reputation of the University. Its excellent work to support students and employers in our local regions is increasingly being recognised nationally through the awards of competitive tenders in apprenticeship training and other areas. The outcomes of our students, including the proportions entering career paths which use the skills taught and refined by the University, show steady progress and demonstrate the effectiveness of plans. We continue to oversee the focussed efforts to ensure such improvements are sustained and are experienced by all of our student groups.

These, and the other highlights which are drawn out in this Report, are a credit to the work of all University staff, the leadership of the Vice Chancellor and her team and our students, with so many examples of dedication and perseverance, including in the most challenging of times. Alongside them, the focus, expertise and enthusiasm of my fellow Board members has had significant impact during this exceptional year.

We expect that the achievements of 2019/20 will be built on during 2020/21 and in future years. We are confident about the future, partly from the resilience shown this year and also from our gathering base of agreed contracts for apprenticeships for the years to come. These factors, combined with improvement in recruitment and outcomes for our traditional undergraduate courses, are anticipated to provide continued improved performance over the years to come.

As the University Board continues to help set the mission, strategic direction and values of the University, especially through the development of the next Strategic Plan, we are mindful of the competitive and challenging external environment, the need to maintain and improve financial sustainability and resilience, and the areas which will need further support and enhancement. However, we do this with excellent foundations laid, a track record of achieving goals and a growing reputation. As this Report makes clear, the University is well placed to meet challenges and to continue to flourish.

Mr Geoffrey Donnelly, Chair of the Board of Directors

Introduction by the Vice Chancellor

As we reflect on 2019/20 within our Annual Report, I am immensely proud of what we have achieved and I am particularly proud of the way that we have done it.

The year was not without its challenges, especially from the coronavirus pandemic and its impact on our applicants, students, staff and our communities. However, our collective response has shown us at our best, with our people centred approach and values of confidence, adaptability, engagement, leadership and innovation shining through.

As we have navigated through unprecedented events and considerable disruption since March, we have done it with a focus on the safety of our students and staff while maintaining the quality and accessibility of our teaching and learning and the effectiveness of our operational processes. This has involved exceptional levels of effort, dedication and care from colleagues and understanding and flexibility from our students; many of whom showed their commitment to our wider communities through volunteering, including the 450 healthcare students who offered to support the response of the NHS. I would like to thank them all.

We continue to experience the challenges of the pandemic as we begin the 2020/21 academic year and we continue to respond proactively, assessing and mitigating risks and creating safe working and learning environments. We expect and plan for changes in coronavirus guidance and approach and the financial impact that comes with this. Our ability to respond effectively to these financial impacts is shown by the fact that while income from our planned activities in 2019/20 was £3m lower than expected, we took action to invest where needed, including in technology, and to conserve funds where we were able. This considered forecasting and planning is continuing throughout 2020/21 and, while there remain considerable uncertainties, we face them from a position of growing financial strength.

The numerous achievements and successes of 2019/20, including through the difficult latter part of the year, demonstrate the progress the University has made and the effectiveness of our people and our strategies. Whether we focus on rising levels of graduate employment, where we are among the highest ranking universities in the North West, our Times Higher Education rank of 8th out of 676 participating institutions and first in the UK for Quality Education SDG, our growing apprenticeship provision, or on improving National Student Survey indicators, we see evidence that our plans are having real impact. Underlying income levels have stabilised, and are projected to grow steadily and, as our 2019/20 financial statements show, the continued challenges of inflationary, pension and other cost pressures are being well managed.

These and other successes are enhancing the University's reputation. Overall student numbers have grown by over 300 headcount. Rises in league table position, which we intend to build on and accelerate, have come alongside our rising profile locally and nationally as a provider of high quality employer based training. Police forces, Ambulance Services, NHS Trusts and a range of businesses have chosen to partner with the University for upskilling and apprenticeship delivery. Taken together with rising full-time undergraduate and postgraduate teacher training student recruitment in 2020/21, the academic portfolio, with our growing emphasis on upskilling, reskilling as well as new skills, is increasingly popular, diverse and responsive to both employer and student demand.

As we look ahead to 2020/21 and beyond, we do so with ambition and confidence for these and many other reasons. 2020 is the final year of our current three year Strategic Plan and, as we continue the work of shaping our vision and approach to the next 10 years over the

coming months, we are determined to address areas of remaining underperformance and to build on current successes.

We will continue to be seen as a university that is all about place, people and partnerships and with deliverable plans to do more for our region - not least given large and increasing higher level skills gaps, low productivity in many sectors and low participation levels in higher education in Cumbria and the Borderlands. To this end, as part of the Borderlands Growth Deal Initiative, working with Cumbria County Council, Carlisle City Council, Cumbria LEP and Lancaster University Management School, together with place-based FE collaborative partners, we continue to seek to establish a new campus in the centre of Carlisle, which will not only seek to address the higher level skills needs of Cumbria and the Borderlands region, but will also be a catalyst for city centre growth and vibrancy. Alongside, a further transformational project in Barrow to establish a Learning Quarter in the heart of the town is underway. This will involve the University working with a range of partners to expand its portfolio and enhance higher education opportunities in the area, addressing the particular skills needs of employers and the region.

We approach these opportunities and our wider operating plans without underestimating risks and challenges. Given recent achievements, the quality and dedication of our staff and the strong governance and oversight provided the Board of Directors, I remain both confident and optimistic about our exciting future.

Professor Julie Mennell, Vice Chancellor

Strategic Review

The 2019/20 year has been marked by considerable progress against the ambitions set out in our strategy; progress that has been sustained in the context of the challenges posed by the coronavirus pandemic. As this section sets out, the University has continued to build a sustainable and impactful business model, which serves our region's needs and provides transformative opportunities to our learners. In our response to coronavirus, we have maintained this focus - and continue to do so - in a way that serves and supports our students, staff and communities.

As we review the last twelve months, the effectiveness of our strategy, with its emphasis on extending our learner base, enhancing our portfolio, the success of our students and graduates, equipping and enabling staff and our sustainability, is evidenced in numerous ways.

Our key performance indicators provide senior management and University Board with one source of assurance around institutional performance and progress as well as highlighting where further action is required. Central within these are our student outcomes measures of retention, degree outcomes, employment rates and satisfaction of our students. The majority of the data released in 2019/20 shows continued improvement, reflecting the importance placed on student success within our annual operating plan and the strategies and interventions that flow from it.

Across our academic portfolio, supporting students into employment or further study is central, assisting them to enter the career paths that will enable them to utilise the skills and networks that have developed across their time with us. 2019/20 saw the first results from the Graduate Outcomes Survey, which identifies the proportions of students in employment or further study 15 months after graduation and the type of occupations they had entered. The Survey provided some excellent results for the University, with 96.1% of our graduates in employment or further study rate, 1.1% higher than the sector-wide average (94.8%), and placing us top among non-specialised North West universities. Work continues to sustain and improve this position in a variety of ways, including planned expansion of placements and mentoring, with particular focus on increasing the proportion of graduates entering professional level occupations, which currently stands at 82.7%.

Student satisfaction rates, as measured by the National Student Survey (NSS), continue to improve. The University's latest results show that it is now above the sector average in four question categories: Learning Opportunities, Assessment and Feedback, Academic Support and Learning Communities. Results were higher in 2020 than the year before in all but one category, with the headline overall satisfaction rate rising to 80% and five programmes returning 100% overall satisfaction scores. While such progress in student satisfaction is extremely pleasing, our ambition is to see further improvements in all areas.

Our NSS results are particularly creditable given that the survey ran until the end of April during the height of the national coronavirus lockdown and the disruption this brought. Like all universities, the University moved to online learning in March for the remainder of the academic year. This required swift action to ensure that teaching was accessible and remained of a high quality; an approach that involved continued engagement with our students and the Student Union.

Particular challenges around technology and accessibility were worked through with an extensive roll out of loan computers and investment in a virtual classroom system and financial hardship funds were made available, with £0.1m distributed across the year. As students entered the summer assessment period, special arrangements were put in place to ensure that traditional forms of assessment could be replaced by robust and accessible methods and extensive support was offered to facilitate this.

As we progress through the early stages of the 2020/21 year, amid continued restrictions and challenges, a blended delivery model is in place, with significant financial investment put in place, including a Digital Connectivity Fund for students, and extensive provision of personal protective equipment and a range of health and safety measures and processes on our campuses. These steps have enabled some face-to-face learning to take place where it is necessary, with the continuation of online learning alongside this. The safety of our students and staff has been paramount in our decision making and we continue to consider risks and latest guidance on a daily basis, while seeking ways to continue enhancing the support we are offering. This work has involved considerable efforts from many staff, with the focussed oversight and leadership of the Deputy Vice Chancellor (Health, Environment and Innovation), Deputy Vice Chancellor (Academic) and other senior colleagues.

Continued feedback on our approach from our students and staff will go on helping to shape our response to coronavirus. Alongside surveys and more informal sharing of views, we are also closely monitoring levels of student engagement and retention rates as potential indicators of the challenge students face. Overall retention rates have been improving in recent years and it is essential that the University supports as many students as possible to successfully complete their studies during this challenging period. Our personal tutor systems and support services are in place to help achieve this aim, supported by a clear strategic leadership and structured and data driven approach to action planning.

During this pandemic period and beyond, we are clear that further action is required to ensure all our students succeed and can reflect positively on their time at the University. Ambitious targets have been set, targeting improvements in the NSS, Graduate Outcomes, HESA Continuation and student achievement areas. Within this, we have a particular focus on gaps in access and outcomes for groups of students who are underrepresented in our or the national student populations. 2020/21 is the first year of our five-year Access and Participation Plan (APP), which builds on work in and up to 2019/20 and identifies how the University will support all students to access education with us and to succeed as they do so and when they graduate. Progress against this plan is shaped and monitored by a dedicated committee, led by the Deputy Vice Chancellor (Academic) and is formally monitored on an annual basis by University Board and the Office for Students.

Complementing the multiple initiatives designed to achieve the ambitions set out in the APP, including a commitment to spend around £0.5m a year on bursaries and hardship support, the University has continued to lead the regional Office for Students funded Uni Connect partnership, formerly known as the National Collaborative Outreach Programme. Through this, we aim to increase rapidly the number of young people from under-represented groups who go on into higher education. During 2019/20, we oversaw the use and distribution of over £0.8m through this Programme.

This focus on extending our impact across our localities is one way in which the University continues to demonstrate that it acts for the Public Benefit. Our success in this is shown from a range of data, including the fact that, per the latest published data, 97% of UK undergraduates who are aged under 21 upon commencement of their studies attended state schools. 17% of this same group coming from neighbourhoods which have the lowest historical application rates to university; both of these metrics being significantly above the average rate across the higher education sector. We continue to enrol and support a higher proportion of students with declared disabilities than the sector average and we have a focus on both school leavers and those accessing or returning to higher education later in life, with over 60% of all students aged above 21.

Our engagement with our communities is further evidence of our core focus on providing benefit for the public. During 2019/20, we have built on relationships with a range of public services and employers, with whom we contribute to practice, strategy, policy and the up-skilling and re-skilling of staff. Thousands of University of Cumbria graduates provide essential services across our regions – whether in schools, healthcare settings, police forces,

industry or a wide range of other employer types. Significant sectors of our local economy such as forestry and the outdoors are supported by the University and its students and the cultural life of our region is greatly enhanced by our Arts provision and activities.

The responsiveness of the University, its students and staff to local needs was shown clearly in the action taken to support others during the coronavirus pandemic. As a result of the modelling that was carried out by the Department of Health and Social Care on the potential impact to the NHS from coronavirus, it was identified that nursing, midwifery and allied health professionals students would be required to support the NHS and care for patients. Around 450 students chose to respond to this need from across our nursing, midwifery and allied health programmes, providing their skills and knowledge to supporting patients. As well as their efforts, students and staff volunteered extensively within their communities and the University offered its facilities, including accommodation, to ease pressures on a range of agencies.

Our approach to local engagement and our successes in partnerships with employers and organisations in our regions have been increasingly translated to the national arena. A range of apprenticeship programmes, including in nursing and business areas, have launched in recent years, with over 350 learners benefitting in 2019/20 from training that is shaped with employers and is focussed directly on their skills needs. In late 2019/20, the University began apprenticeship delivery for police officers in the Surrey, Sussex and Hampshire forces following a successful tender process, as part of a consortium with three other universities. This year also saw the University selected as the provider of Paramedic Degree apprenticeships to six NHS Ambulance Services, in regions stretching from the south coast of England up to the North West. Beginning in autumn 2020, we expect to enrol around 400 employees of these Services each year, building on our current work with 11 of the 12 Services in other forms of upskilling. Together with numerous other examples, including our continued project management training at Sellafeld Ltd and other employers, our strategy is to continue to scale up and out from this provision and expertise, across sectors, responding to market-demand, growing our income and reputation.

This reputation has been enhanced in several ways during 2019/20. In the Times Higher Education Impact Rankings, which assess universities' impact against the UN's Sustainable Development Goals (SDG), the University ranked 8th out of 676 participating institutions and first in the UK for Quality Education SDG, which measures universities' contribution to early years and lifelong learning, their pedagogy, research and commitment to inclusive education. Our overall ranking in the Guardian University Guide has improved by 18 places, moving us into the top 100 and seeing some individual programmes achieve exceptional results, with, for example, our Psychology area being ranked 7th nationally and 1st in the North West. Further progress in this and other league tables next year and beyond. The University, with its newly conferred Research Degree Awarding Powers, continues to enhance its reputation in its research and regeneration activities, with ongoing work on a £2m four year project supported by the National Lottery Heritage Fund to reintroduce ten threatened species of native flora and fauna across the lowland of Morecambe Bay and our partnership with Lancaster University to help businesses access technical and management expertise to accelerate innovation as part of a £4.1m initiative.

Our increasingly diverse activities have helped the University extend its learner base and stabilise student numbers. After a period of declining student numbers, student headcount, as returned to HESA, has been around 8,000 in recent years and is expected to be at a similar level on 2020/21. If validated activity is included, this number rises to around 10,000 and provides a strong platform for ongoing sustainability. As explained in the Financial Review part of this report, if the direct impact of the coronavirus pandemic are excluded, income levels in 2019/20 were similar to 2018/19 and, while recognising risks, we anticipate some modest growth in 2020/21 and, with some positive changes in Government policy, expansions in the numbers of applicants entering healthcare and teacher training areas.

Our five academic Institutes were formed at the start of 2019/20 and the final recruitment to their Director positions was completed in early 2020. Each has income growth and effective management of expenditure as key objectives and, while this work in developing, especially in parts of our portfolio which have been experienced lower demand in 2020/21, the successes highlighted in this report provide assurance that the leadership and structures of our Institutes are having considerable impact.

The University has continued to manage its risks effectively across several themes including those related to financial sustainability, Brexit, increasing competition, cost management, particularly with £1m added to our staffing costs in 2019/20 due to Teachers' Pension Scheme contribution changes, and compliance with the conditions of professional, regulatory and statutory bodies.

Given the significance of the coronavirus pandemic and its many implications, risks associated with this were swiftly identified with mitigating controls established. This has been an ongoing process, with shifts Government advice, uncertainties around levels of student and employer demand and a range of possible financial implications requiring the University to make regular reassessments and evaluation of current measures and operational responses. Coronavirus related risks were effectively controlled during 2019/20, with the safety of staff and students central and the financial impact, with £3m of our expected income not being achieved, well managed.

As we progress through the 2020/21 year and potentially beyond, we expect coronavirus related risks to remain significant, impacting as they do on many parts of our operations and risk register. Student recruitment and re-enrolment numbers in autumn 2020 are encouraging, cash reserves are well managed and we have a wide range of contracts in place - but we are not complacent. The University continues to scenario plan and stress test its projections and is continuing to respond to the needs of staff and students, including by setting aside extensive provisions to cover costs that may be required.

The University faces these and other risks and uncertainties from a position of strength and confidence. As we continue to explore and develop new opportunities, the successes of 2019/20 demonstrate the coherence of our strategy and our commitment to our mission to raise aspirations and educational attainment and contribute to the social, cultural and economic wellbeing and prosperity of our communities.

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 2019/20, 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.

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 Student 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, as was demonstrated clearly during 2019/20 with 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

The 2019/20 financial year saw continued progress towards the levels of performance targeted in our financial strategy. Overall, undergraduate student recruitment stabilised in-year and a range of new training contracts were secured with employers. While lower recruitment from previous years has continued to adversely impact overall income levels, this improved underlying performance will begin to have a positive effect on the financial results during 2020/21 and into forthcoming years.

As the financial performance and position of the University is outlined below, several aspects of this improving position are drawn out, including the return to a positive cash inflow from operations and the maintenance of an adequate cash reserves balance. However, the reported results have been significantly affected by the coronavirus pandemic and accounting adjustments related to the Local Government Pension Scheme.

Prior to the impact of the pandemic, the University was making excellent progress against its budget for the year, with expectations of higher income levels than had been planned.

The national pandemic measures introduced in March 2020 directly contributed to forecast income falling by over £3m. This, in part, reflected the University's decision to support students who wished to leave their student accommodation by terminating their contracts early. Revenues from training contracts with employers was affected by lockdown measures, although the University quickly adapted, introducing alternative delivery models. Little of the expected income from on-campus activities such as conferencing, car parking and leisure facilities was realised in the final four months of the year.

The University modelled potential scenarios from early March, regularly refining them as greater clarity on the implications emerged. Steps were taken to ensure adequate cash balances were maintained and as much of the challenges to income was offset as possible. This was done while investing in essential equipment and health and safety measures to support students and staff. As a result, just under £2m of operational expenditure was saved or deferred. Overall, we estimate that the overall impact of coronavirus on the University's cash surplus was £0.6m in 2019/20.

As outlined in more depth later in this section, the University's balance sheet continues to be affected by the accounting for the local government pension scheme assets and liabilities, with significant increases in the deficit position as at 31 July 2020. This does not reflect the position of the fund as valued for the setting of contribution rates and, as the University has no members in the Universities Superannuation Scheme, we do not believe that we face the types of immediate risks and disruption, from possible changes to pension scheme benefits or contribution rates, that others in the sector are currently being challenged by. However, we are mindful of both the costs of current pension contribution levels and risks for future financial years, both of which are drivers for the introduction of a defined contribution scheme during early 2020/21 for new non-teaching staff and other staff who may wish to join.

While it is important to highlight the impact of the pandemic which has given the financial results an unusual shape, and the pension deficit position which accounts for the majority of the University's stated liabilities, the overview below also attempts to identify key points from the underlying financial performance and position and its many positive features.

Financial Performance

The table below summarises the University's financial performance in 2019/20:

	2019/20	2018/19
	£m	£m
Total Income	56.4	59.6
Expenditure		
Staff Costs:		
Operational	37.2	37.2
Fundamental Restructuring	0.6	0.6
Pension provision movement	2.6	2.5
Non-Staff Costs:		
Operational	17.0	19.4
Depreciation and Impairment	4.9	3.8
Pension provision movement	1.1	0.9
Total Expenditure	63.3	64.4
Accounting Deficit	-6.9	-4.8
Accounting adjustments:		
Depreciation and impairment	4.9	3.8
Pension provision movements	3.6	3.4
Release of deferred capital grants	-0.9	-0.9
Cash Surplus	0.6	1.4
Cash Balance	11.8	11.9

The University's key measure of financial performance is its "cash surplus" level, which removes the technical accounting adjustments which are required in the statutory accounts and provides an indication of the amount of cash generated during the year. While the headline cash surplus level for 2019/20 of £0.6m is below that achieved in 2018/19, when the exceptional impact of the pandemic is removed, the overall performance of the University is similar to the prior year.

Income

Our budget for 2019/20 anticipated a fall in income of £0.9m compared to 2018/19. This reflected a £0.7m reduction in funding for the Uni Connect project as well as some impact from lower full-time student recruitment to some programmes over successive years. This was partially offset by growing income from employer contract areas such as apprenticeships. The much greater £3.2m reduction in income shown in the financial statements is largely due to changes in expected operations since March with, positively, some activity deferred into 2020/21 rather than being cancelled.

The financial statements reveal something of the broadening of income streams we have focused on in recent years, with growing revenues from part-time students, many of whom are funded by employers or are in workplace settings, and the doubling in apprenticeship income from £0.7m to £1.4m. The University also continues to expand its teacher training, business and healthcare provision at its London campus. Income in these areas, as well as the employer funded project management training appears as non-credit bearing courses in the financial statements, would have been considerably higher in a typical operating environment.

Expenditure

The University faced three main expenditure challenges as it planned for 2019/20; firstly from a rise in Teacher's Pension Contributions of £1m, secondly in seeking to align staffing expenditure to available resource in areas where student numbers had fallen and thirdly in creating capacity to invest to support growth.

A range of actions were put in place and enhanced as a result, with careful management of vacancies taking place and targeted severance programmes, utilising funds set aside for restructuring. After accounting for a £0.8m one-off benefit resulting from a change in the University's holiday year as well as approximately 2.5% (£0.9m) in incremental progression and inflation, operational staff costs remained at 2018/19 levels at £37.2m. The impact of pension contribution increases, increments and inflation on the unit cost of employment at a time of fixed tuition fee levels remains a challenge to the University, a challenge illustrated by the fact that a fall in staff full-time equivalent numbers of 3% in 2019/20 did not lead to any net reduction in the overall costs.

Accounting Adjustments

In statutory accounts' terms, the University has recorded a deficit for the year of £6.9m after allowing for the accounting adjustments shown in the table above. These adjustments include:

- **Pension provision movements:** changes in the Local Government Pension Scheme accounting deficit which are explored further below (£3.6m);
- **Depreciation:** this is charged on the University's buildings and equipment, reflecting the annual usage of these assets (£3.7m)
- **Impairments:** we record the falls in value of land and buildings as expenditure if they do not reverse a previous rise. As explained below, the impairments shown as a cost in 2019/20 relate primarily to a reduced estimate of the value of student residences (£1.2m).
- **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. (£0.9m)

These non-cash adjustments account for £8.5m (13%) of overall expenditure and £0.9m (2%) of income and, due to their net size, create an accounting deficit. While the University is actively seeking to reduce the scale of such deficits and return to a surplus position, our focus remains on cash generation, which we intend to increase the levels of progressively over the short to medium term.

Financial Position

Cash

At £11.8m, the closing cash position in 2019/20 is just marginally under the level recorded in 2018/19 and was achieved with a positive inflow from operations of £1.2m. With an improved liquidity level of 74 days, this provides the University with a reasonable level of reserves as we enter 2020/21. The decision of the Student Loans Company to provide 50% of annual funding in October 2020, rather than 25%, is helpful in boosting working capital levels across the majority of the year and the University is targeting further improvements in cash balances held via an improved operating performance and some further sales of surplus assets across 2020/21.

Assets

The University used £1.7m of its generated cash on capital projects in 2019/20, with the majority of the investment used to enhance our IT infrastructure, including the completion of a data centre replacement project. This capital investment was in part funded by the £0.6m sale of a building in Ambleside.

A full accounting valuation of land and buildings took place as at 31 July 2020 which resulted in a net decrease in the valued amounts of £1.1m, offset by the writing back of £3.4m of accumulated depreciation. Overall, the net book value of assets increased by £2.3m as a result. While many on-campus teaching and administrative buildings experienced increases as a result of inflationary uplifts, the main downward movements were centred on student residences. This reflects decisions taken to cease to use two residences in Lancaster, some lower occupancy levels and wider economic uncertainties created by the pandemic. This process gave rise to the impairment of £1.2m which is shown as expenditure within the financial statements.

Liabilities

Total creditors stand at £35.4m. While a significant figure, a relatively small proportion (£5.1m) relates to payments to suppliers during 2020/21, which is comfortably manageable from anticipated working capital. £20.3m of the overall balance relates to capital grants provided in 2019/20 and previous years which are released over the life of the assets they were used to purchase and £4.5m represents cash received in advance of the University providing tuition or another service. £5.5m of the creditors balance reflects the outstanding loan balance which remains a relatively small proportion of income and demands relatively low levels of outgoings to service.

The most significant liability figure on the balance sheet is the provision set aside for the actuary's accounting estimate of the University's share of the Local Government Pension Scheme (LGPS) deficit. This has grown to just over £67m from £46m in 2018/19, primarily due to a reduction in the discount rate used by the actuaries. The accounting standards mandate that liabilities are discounted using a rate that reflects the yield from corporate bonds – yields that have fallen significantly as a result of the pandemic.

While significantly eroding the University's balance sheet, this position does not directly influence either cash contributions or indicate the level of deficit funding that is, in practice, required by the fund. In contrast to the accounting valuation, the actuaries apply alternative assumptions when making determinations of contribution rates and, on this valuation basis, the scheme continues to perform well. This gives some confidence that this accounting position will not translate directly into additional contributions in the short-term but given economic volatility, we will continue to monitor the position.

Largely as a result of the accounting pension valuation and related accounting adjustments, the balance sheet position has weakened with net assets reducing by £21m to just under £36m and the unrestricted income and expenditure reserve now stands at -£24m. Given the relative strength of the pension fund as outlined above, we do not believe that this position reflects the underlying health of the University's financial standing, which we expect to improve further in 2020/21.

Future Prospects

The operating environment remains challenging with increasing competition and some uncertainties, including the shape of future Government policy. In addition, while inflation is comparatively low, any increases in the cost base place pressure on the University's finances given that most tuition fees remain frozen. However, these challenges are being managed through careful planning, stress-testing and decisive action where necessary. In the short-


term, the possible continued impacts of the coronavirus pandemic on income and costs have been extensively modelled. Current forecasting for 2020/21 identifies pressures on revenue from on-campus services and some employer demand, as well as the need for additional investment to support the maintenance of safe and effective learning and work environments for students and staff. This has been built into our plans for 2020/21.

Thus far, student recruitment levels for the September 2020 entry have been positive, exceeding 2019/20 numbers and this with success in building relationships with employers, gives us confidence that cash generation will be further improved in 2020/21. A range of contingency plans are in place to help manage challenges as they may arise during the year.

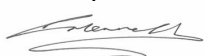
On the basis of the considerable progress made in securing new contracts, the increasing levels of student recruitment and continuation as we enter 2020/21 and the cashflow projections for the period ahead, the Directors continue to have confidence in the current and future financial position of the University. In planning for 2020/21 and beyond, further positive developments are expected and are being planned for now, including work to secure a new campus in Carlisle, growth in apprenticeship contracts and new opportunities in Barrow. The new senior team continues to drive these and other opportunities forward, alongside careful management of resources. Robust risk management processes are in place to manage coronavirus related risks and income and expenditure contingencies have been set aside to ensure management of such risks.

Taking all this into account, while there continue to remain uncertainties in the operating environment, not least due to the developing coronavirus situation, as set out in Accounting Policy Note 1 to the financial statements, the Directors have prepared these financial statements on the going concern basis confident of an improving financial performance in the years ahead.

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



Mr Geoffrey Donnelly, Chair of the Board of Directors



Professor Julie Mennell, Vice Chancellor and Chief Executive

Directors' and Corporate Governance Report

The Directors' and Corporate Governance report and statement on internal control covers the period from 1 August 2019 to 31 July 2020, 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 pages¹.

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 29.

The University's Board of Directors comprises persons who are appointed in accordance with its Articles of Association. During 2019/20 the Chair was Mr Geoffrey Donnelly and the Vice Chair was Professor Linda Challis. The membership includes the Vice Chancellor, a student director, who is an elected official from the Students' Union and, via open elections, a staff director. A full list of members is at page 20.

Mr Geoffrey Donnelly took up the role of Chair of the Board in 2018/19 following a planned succession. Changes to the Chairs of the Board's committees has also been managed, with the chairs new to the role in 2019/20 and 2020/21 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

¹ https://www.cumbria.ac.uk/media/university-of-cumbria-website/content-assets/vco/documents/legal/Statement-of-Primary-Responsibilities-2020_21.pdf

of skills, expertise and experience as well as the diversity of the Board and its subcommittees. The Board currently has a good gender balance, but the age profile and ethnicity is less diverse, 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 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 Ms Fiona Aiken) has responsibility for monitoring and reviewing the effectiveness of the University's systems of internal control, including risk management and financial controls, procedures, data and value for money. The 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 Mr Peter Yates until 31/12/2019 then by Mr Ian Looker from 01/01/2020) 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 strategic plan. 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 Professor Linda Challis in 2019/20 and by Ms Pam Tatlow in 2020/21) 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 Ms Jill Stannard) *inter alia* considers and recommends to the University Board on matters of Human Resource strategy and policy and monitors performance in relation to people related matters. It also considers and recommends to the University Board on matters in respect of Health and Safety and Equality, Diversity and Inclusivity, ensuring that arrangements relating to compliance with statutory and regulatory requirements are adequate and effective.

Nominations Committee (chaired by Mr Geoffrey Donnelly) considers nominations for appointment to the Board and its subcommittees. In considering the composition of the Board and its subcommittees, Nominations Committee takes account of skills and experience of Directors as well as the diversity of the Board and its subcommittees.

Remuneration Committee (chaired by Professor Linda Challis in 2019/20 and by Mr Martin Williams in 2020/21) 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 2019/20 and their attendance at University Board and relevant committees in the year is set out below. University Board had additional meetings scheduled in the latter part of the year to enable timely updates on the measures being taken to deal with the pandemic and the in-year, and forecast future, financial implications.

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 2019/20 the membership consisted of:

Professor Julie Mennell (Vice Chancellor)

Mr David Chesser (Chief Operating Officer/Deputy Vice Chancellor)
Mrs Jackie Arnold (Pro Vice Chancellor (Region and Employer Engagement))
Dr Jean Brown (University Secretary)
Ms Michelle Leek (Pro Vice Chancellor (Director of Student and Staff Services))
Professor Robert Trimble (Pro Vice Chancellor (Academic)) (Deputy Vice Chancellor
(Academic) from 01/01/20)
Professor Brian Webster-Henderson (Pro Vice Chancellor (Health))

Members of the University Board of Directors in 2019/20 and their attendance at University Board and relevant committees in 2019/20:

	Board (9 in year)	Finance & Resources Committee (5 in year)	Audit & Risk Committee (4 in year)	Academic Governance Committee (4 in year)	People Performance & Culture Committee (4 in year)	Nominations Committee (2 in year)	Remuneration Committee (3 in year)
Vice Chancellor							
Prof Julie Mennell (attendance noted where a member of a committee)	9	5		3	4	2	
Chair of the Board of Directors							
Mr Geoffrey Donnelly	9 (Chair)	5				2 (Chair)	3
Members of the Board of Directors							
Ms Fiona Aiken	9		4 (Chair)	4			
Mrs Emma Bales (staff director)	7	5					
Mr John Batty	8		4				
Miss Katie Brookes (student director to 07/07/20)	8			3			
Mr Clive Bush	8	5					
Prof Linda Challis	9			4 (Chair)		2	3 (Chair)
Revd Cameron Butland	4				4	2	
Ms Jill Johnston	5				3		2
Prof John Lee	8			4	3		
Mr Ian Looker	8	5 (Chair from 01/01/20)					
Ms Molly McConnell (student director from 08/07/20)	1			1			
Mrs Jill Stannard	7				3 (Chair)	1	2
Mr Martin Williams (Associate Director until 18/10/20)	8		4 (1 as Director designate)				3 (1 as Director designate)
Mr Peter Yates	9	5 (Chair to 31/12/20)					
Associate Directors							
Mr Atta Hanfi	N/a				3		
Mr Charles Nall	N/a	2					
Mr Ian Purdham	N/a				4		
Mr Mark Renwick-Smith	N/a		4				
Mr Peter Stafford	N/a		2				
Mrs Pam Tatlow	N/a			4			

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 2019/20 was £4,170 (2018/19 was £7,249). Ten Directors/Trustees or Associate Directors claimed expenses during the period. This relates to travel and subsistence expenses incurred in their official capacity in attending Board Meetings, Board Committees and meetings related to their roles as trustees.

Vice Chancellor Remuneration

The University has adopted the Committee of University Chairs' Higher Education Senior Staff Remuneration Code, published in June 2018, in full. One aspect of this, the annual Remuneration Committee report to the Board for the 2019/20 financial year, can be found **here**². In line with the publication requirements of the Office for Students' Accounts Direction, the element of this report that covers the process for setting the Vice Chancellor's remuneration and the justification of this remuneration is set out below.

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

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

The mechanism adopted to judge the performance of the Vice Chancellor is based on two processes: the first is an appraisal, between the Chair of the Board and the Vice Chancellor, on progress against her objectives for the year; the second is from interviews between the Chair of the Board and all board directors on a one to one basis, to obtain their feedback on the 'health' of the University and the contribution made by the Vice Chancellor. This is then fed into the Remuneration Committee by the Chair of the Board. The Committee's considerations of the Vice Chancellor's remuneration for 2019/20 were based on the feedback from the appraisal and interviews that related to performance in 2018/19.

As set out in the 2018/19 Annual report of Remuneration Committee to University Board, 2018/19 was a challenging year across the sector, and no less so at the University of Cumbria. However, against increased competition for students the University has been successful in turning the decline in student numbers around in many disciplines, leading to recruitment stabilising. Within this there are some traditional areas of the business that are continuing to see declining performance, but these are at least balanced by new areas of business where the University looks to be building a solid foundation. The financial performance has been good with the outturn being the first year to year increase in income since 2009.

² <https://www.cumbria.ac.uk/about/publications/>

Although there remained a gap between the institution's performance against a range of student outcome metrics and the sector average, building on the 2017/18 improvement in graduate destinations results with the TEF metric improving by 2.3% from 93.3% to 95.6%, the institutional NSS results improved from 75% in 2018 to 78% in the 2019 survey.

In the spring of 2019 the University was formally notified of its award of Research Degree Awarding powers, following a period of detailed scrutiny led by the QAA.

Through 2018/19 the University has continued to make significant progress in developing partnerships with a wide range of employers, with these flowing through into students from high profile companies such as the BBC, Rolls Royce, Sellafield and BAE Systems studying on the University's programmes. The University has also been successful in new areas such as the delivery of Higher Level Apprenticeships in Policing.

Recruitment to the new senior team was completed over the winter of 2018/19, a new Institute framework was developed for the academic departments (which came into being on 1 August 2019) and a cost realignment exercise was completed to reflect the changing business of the University.

Networking in the region also continued to be a high priority with the University actively involved with local MPs, the Local Enterprise Partnership and other influential individuals and entities.

The value and performance of the Vice Chancellor through the 2018/19 academic year was recognised by the Directors on the Board: the report to Remuneration Committee referenced the improved position of the University over the previous twelve months and the Vice Chancellor's personal role in this was agreed by the Committee.

The 21 November 2019 meeting of Remuneration Committee considered the inputs as set out above and agreed that the Vice Chancellor should be awarded a salary increase of £12,000 with a non-pensionable or consolidated honorarium of £5,000 in recognition of the activities, initiatives and outcomes in the previous year, as cited above. The salary increase included the anticipated 1.8% pay award to staff, and an additional increase which reflected the Vice Chancellor's performance through 2018/19 and a move towards the median remuneration of vice chancellors in the institution's benchmark group. The latter being part of the Committee's aim to progress the Vice Chancellor's remuneration towards the median of the benchmark group over two or three years, based on visible and evidenced progress towards median performance of the institution and meeting of her agreed objectives.

In March 2020 the Vice Chancellor contacted the Chair of Remuneration Committee and the Chair of the Board asking that her salary be adjusted to that of her salary for 2018/19 plus the standard pay award given to all staff. The adjustment to be backdated to 1 January 2020 and the pay award to be given in the same manner as to all staff. The Vice Chancellor also asked that her honorarium, made for her contributions during 2018/19, be reimbursed to the University. The Vice Chancellor noted that whilst she recognised that the honorarium was in recognition for her work in that period, and she appreciated recognition, she felt that this was the right thing to do.

The outcome, following adjustments, was that the Vice Chancellor's pay award effective from 1 January 2020 was 1.8%, the same as all staff. The award was paid from the same time and in the same manner as increases paid to all staff. The cost impact in the year of the salary rise was 1.05%, equating to 7 months of the 1.8% pay award.

The Vice Chancellor is a member of the Teachers' Pension Scheme. The employer contributions to the Teachers' Pension Scheme increased from 16.48% to 23.68% from 1 September 2019. All members of the Teachers' Pension Scheme experienced a similar

increase in the required employer contribution. The cost impact in the year of the salary rise plus the increased employer pension contribution was 3.3%.

Public Benefit Statement

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

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

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

The University's aims and objectives are centred on benefitting the public and the achievements of this year, as set out in more detail within the Strategic 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 2020 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 Committee undertakes a detailed review of a significant risk area at the start of the majority of their meetings. The Board reviews the Risk Register at regular intervals, together with the controls that have been implemented to mitigate or manage key risks.

The Audit and Risk Committee receives an annual report on the work within the University to attain value for money. In addition, the internal and external 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 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 2019/20 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. Risks are scored based on a risk profile, and the direction of travel of each risk is included within the risk register. The strategic risk register is reviewed regularly by the Vice Chancellor's Executive, at each meeting of the Audit and Risk Committee, and is presented in full to the Board of Directors.

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

2019/20 has been a year of two halves, with the Covid19 pandemic becoming the predominate risk in the latter half of the year, with the lockdown in England starting in March 2020 and the growing disruption to life prior to the lockdown.

Prior to the pandemic the University's risk profile was similar but improved on 2018/19, with risks around maintaining a sustainable business model in an increasingly competitive market; student recruitment; student outcomes; risks related to people, skills, structures and staff resilience and well-being; and achieving the standards and compliance conditions required by Professional, Regulatory and Statutory Bodies being the key strategic risks. Cyber security was a key compliance risk; and the University's engagement with the Borderlands Initiative a significant project risk.

With the onset of the Covid19 pandemic many of these risks took on a different slant: the maintenance of a sustainable business model became more of a concern with income reduced; the experience of students was impacted by the lockdown, with the University, in line with others in the sector, making a move to on-line learning for the remainder of the 2019/20 academic year. Staff resilience and well-being became a more significant concern

as the country locked-down along with increased frequency of cyber-attacks on the sector. In the latter months of the 2019/20 the University undertook planning for the 2020/21 academic year, working on the basis that academic delivery would be within a blended model – with the majority of teaching delivered on-line, with face to face activities as required by and appropriate to the discipline. Risks related directly to the implications of the pandemic, and the plans to resume a range of services from the University's campuses, were included within the risk register in the latter part of the year.

Further detail on the key risks is set out below:

- **Maintaining a sustainable business model:** The strategic plan focusses on sustainability, identifying opportunities for growth and highlights the need for cost constraint and positive cash management. Income is increasingly diversified and key partnerships have been built with partners and employers, particularly in relation to delivery of apprenticeships to the public sector. However, the University has faced challenges to its student recruitment in several areas and, with capped tuition fees, inflationary cost pressures, including from pensions changes, this places pressure on budgets.
- **Ability to grow student numbers:** The University has experienced a decline in overall student numbers over recent years. Plans, including significant changes to marketing activity, are in place to address this, and changes are starting to be observed. However, the operating environment continues to be challenging with increased competition and, especially in teacher training and pre-registration healthcare areas, subject to changes in Government policy.
- **Student outcomes to improve in line with sector:** Substantial progress has been made in 2019/20 towards the University's targets and benchmarks for a range of student outcomes. However, further and sustained improvement in student outcomes is essential, including those of student groups which have not historically had the same level of outcomes as other groups both nationally and at the University. This is at the heart of the University's mission and is key to improvements in the University's attractiveness and its position in league tables. Through clear action plans and effective student engagement we expect that this risk will be continue to be increasingly mitigated throughout 2020/21.
- **People, skills, structure, staff resilience and well-being:** Staff are the University's most important resource – without staff with the skills and capability, employed at the appropriate level and contractual terms, the institution's Strategic Plan will not be delivered. Staff resilience and wellbeing is important to the university in ensuring that we have staff who are motivated, healthy, supported and have the skills needed to deliver and perform at their best.
- **Achieving 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 the Education and Skills Funding Agency (ESFA) for apprenticeship provision, Ofsted for apprenticeship and teacher training provision, and professional bodies such as the Nursing and Midwifery Council. A 'good' outcome from the most recent Ofsted inspection of Higher Level Apprentice provision provides significant assurance that the risk is being well managed, however the implications of a poor inspection would be significant and potentially far reaching.
- **Cyber-security:** Along with all universities and businesses, the implications of a cyber-attack could be extensive, with potential implications being the loss of, or loss of control of, core systems and loss of personal and/or confidential data. The University has a range of controls and mitigations in place, including mandatory staff

training. Regular internal audits provide assurance over the management of the risk, however the risk is ongoing and evolving.

- **Borderlands Initiative:** The University is working in partnership with the local County and City Councils on a major bid into the Borderlands Initiative to develop a new city centre campus for the University based around the Citadels in Carlisle. The impact of the new campus on the University, City and region would be significant, however funding from the government is yet to be secured.
- **Response to the Covid19 pandemic including returning to campuses:** As set out above, the Covid-19 pandemic has the potential to have significant impact on various aspects of the University's business – students, staffing, employers and stakeholders. There are significant risks associated with each phase: lock-down, resuming services on campuses, any reimplementation of lock-down, returning to the new normal when this is possible.

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's 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. 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.

The death of George Floyd in May 2020 triggered a global resurgence of the Black Lives Matter movement. At the University of Cumbria, we stand in solidarity with our local and global communities in the fight against racism and inequality. We took the opportunity to reinforce the message that we will not tolerate discrimination, bullying or harassment by

collaborating with the Students' Union to produce a Black Lives Matter statement incorporating elements of education, wellbeing and commitment to action.

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 2019 - 31 March 2020 is as follows:

Relevant Union Officials:

Number of employees who were relevant union officials during the relevant period	8
Full-time equivalent employee number	7.7

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

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

Percentage of total pay bill spent on facility time*:

Total cost of facility time	£88,300
Total pay bill	£36,755,564
Percentage of the total pay bill spent on facility time	0.24%

Paid trade union activities*:

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.

Streamlined Energy & Carbon Reporting

The University is committed to improving its energy efficiency, continually looking at reducing energy use and its corresponding reduction in CO2 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.

In line with the Streamlined Energy & Carbon reporting requirements, the table below provides information on the University's energy use and associated greenhouse gas emissions.

The University collates its greenhouse gas data annually and complies with the Higher Education Statistics Agency (HESA) Estates Management Record methodologies. The table uses the 2019 emissions conversion factors developed by Defra and BEIS.

	2019/20 UK and Offshore
Energy consumption used to calculate emissions:	
Gas kWh	2,905,463
Fuel – onsite and fleet vehicles (Litres)	6,134
Electricity kWh	10,720,563

Emissions from combustion of gas kgCO ₂ e (Scope 1) [mandatory]	1,971,190
Emissions from combustion of fuel for transport purposes kgCO ₂ e (Scope 1) [mandatory]	15,598
Emissions from purchased electricity kgCO ₂ e (Scope 2, location-based) [mandatory]	1,633,105
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3) [mandatory]	
rental cars (kgCO ₂ e)	111,254
employee-owned vehicles (kgCO ₂ e)	40,898
Total gross CO₂e based on above – (kgCO₂e) [mandatory]	3,772,045

Intensity ratio: kgCO₂e gross figure based from mandatory fields above to Gross Internal Area (59,241m²) [mandatory]	63.7
---	-------------

The period covered 1 August 2019 to 31 July 2020 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).

The current Carbon Management Plan expires in 2020. The targets set out in that Plan were to reduce scope 1&2 carbon emissions by 45% by the end of the Plan. The actual reductions achieved are 63%.

A new Carbon Management Plan is being developed for the period 2020 to 2030 and work has commenced to develop a road map to achieve net zero carbon by 2050.

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 2020, which comprise the Consolidated and University Statement of Comprehensive Income, Consolidated and University Statement of Financial Position, Consolidated and University Statement of Changes in Reserves, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2020, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education;
- meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board of Directors' conclusions, we considered the inherent risks to the Group's business model, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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

Other information

The Board of Directors is responsible for the other information, which comprises the Strategic Review and the Report of the Directors and Corporate Governance Statement. 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 Directors 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 their statement set out on page 29, the Board of Directors is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

Report on other Legal and Regularity 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;
- income has been applied in accordance with the University's articles of government for post 1992 institutions; and
- 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.

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 4 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, 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.



Debra Chamberlain (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 St Peter's Square

Manchester

M2 3AE

22 January 2021

Consolidated and Institution Statement of Comprehensive Income

Year Ended 31 July 2020

		Year Ended 31 July 2020	Year ended 31 July 2019
		£'000	£'000
Income	Notes		
Tuition fees and education contracts	1	44,314	46,620
Funding body grants	2	5,234	5,661
Research grants and contracts	3	234	375
Other income	4	6,551	6,826
Investment income	5	42	79
Donations and endowments	6	18	14
Total income		56,393	59,575
Expenditure			
Staff costs	7	39,776	39,757
Fundamental restructuring costs	7	580	565
Other operating expenses		16,842	19,185
Depreciation	10	3,692	3,792
Impairments	10	1,211	0
Interest and other finance costs	8	1,236	1,089
Total expenditure	9	63,337	64,388
Deficit before gains		(6,944)	(4,813)
Loss on disposal of fixed assets		(7)	0
Deficit before tax		(6,951)	(4,813)
Taxation		0	0
Deficit for the year		(6,951)	(4,813)
Unrealised surplus on revaluation of land and buildings	10	3,486	4,462
Actuarial loss in respect of Local Government Pension Scheme	22	(17,929)	(13,022)
Actuarial loss in respect of enhanced pension provision		(3)	(44)
Total comprehensive income for the year		(21,397)	(13,417)
Represented by:			
Restricted comprehensive income for the year		0	(10)
Unrestricted comprehensive income for the year		(23,586)	(16,789)
Revaluation reserve comprehensive income for the year		2,189	3,382
Attributable to the University		(21,397)	(13,417)
Attributable to the non-controlling interest		0	0
		(21,397)	(13,417)

All items of income and expenditure relate to continuing activities.

Consolidated and Institution Statement of Changes in Reserves

Year ended 31 July 2020

Consolidated	Income and expenditure account		Revaluation reserve	Total
	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000	£'000
Balance at 1 August 2018	115	16,052	54,279	70,446
Deficit from the income and expenditure statement	(10)	(4,803)	0	(4,813)
Other comprehensive income	0	(13,066)	4,462	(8,604)
Total comprehensive income for the year	(10)	(17,869)	4,462	(13,417)
Transfers between revaluation and income and expenditure reserve	0	1,080	(1,080)	0
Balance at 1 August 2019	105	(737)	57,661	57,029
Deficit from the income and expenditure statement	0	(6,951)	0	(6,951)
Other comprehensive income	0	(17,932)	3,486	(14,446)
Total comprehensive income for the year	0	(24,883)	3,486	(21,397)
Transfers between revaluation and income and expenditure reserve	0	1,297	(1,297)	0
Balance at 31 July 2020	105	(24,323)	59,850	35,632

University	Income and expenditure account		Revaluation reserve	Total
	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000	£'000
Balance at 1 August 2018	115	15,955	54,279	70,349
Deficit from the income and expenditure statement	(10)	(4,803)	0	(4,813)
Other comprehensive income	0	(13,066)	4,462	(8,604)
Total comprehensive income for the year	(10)	(17,869)	4,462	(13,417)
Transfers between revaluation and income and expenditure reserve	0	1,080	(1,080)	0
Balance at 1 August 2019	105	(834)	57,661	56,932
Deficit from the income and expenditure statement	0	(6,951)	0	(6,951)
Other comprehensive income	0	(17,932)	3,486	(14,446)
Total comprehensive income for the year	0	(24,883)	3,486	(21,397)
Transfers between revaluation and income and expenditure reserve	0	1,297	(1,297)	0
Balance at 31 July 2020	105	(24,420)	59,850	35,535

Consolidated Statement Cash Flows

Year ended 31 July 2020

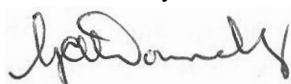
	Notes	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Cash flow from operating activities			
Deficit for the year		(6,951)	(4,813)
Adjustment for non-cash items			
Depreciation	10	3,692	3,792
Impairments	10	1,211	0
Decrease/ (Increase) in debtors	12	191	(1,367)
Decrease in creditors	13	2	(1,152)
Increase in pension provisions	15	3,608	3,390
Increase/ (decrease) in other provisions	15	218	(48)
Adjustment for investing or financing activities			
Investment income	5	(42)	(79)
Interest payable	8	160	190
Loss on the sale of fixed assets		7	0
Capital grant income		(938)	(895)
Cash flows from operating activities		<u>1,158</u>	<u>(982)</u>
Cash flows from investing activities			
Proceeds from sales of fixed assets		572	0
Capital grants receipts		476	488
Investment income		59	94
Payments made to acquire fixed assets		(1,703)	(1,885)
		<u>(596)</u>	<u>(1,303)</u>
Cash flows from financing activities			
Interest paid		(162)	(193)
Repayments of amounts borrowed		(521)	(516)
		<u>(683)</u>	<u>(709)</u>
Decrease in cash and cash equivalents in the year		<u>(121)</u>	<u>(2,994)</u>
Cash and cash equivalents at beginning of the year	17	11,892	14,886
Cash and cash equivalents at end of the year	17	11,771	11,892

Consolidated and Institution Statement of Financial Position

As at 31 July 2020

		As at 31 July 2020		As at 31 July 2019	
	Notes	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Fixed assets	10	122,591	122,591	123,017	123,017
Investments	11	0	10	0	10
		<u>122,591</u>	<u>122,601</u>	<u>123,017</u>	<u>123,027</u>
Current assets					
Trade and other receivables	12	5,062	5,062	5,270	5,270
Cash and cash equivalents	17	11,771	11,771	11,892	11,892
		<u>16,833</u>	<u>16,833</u>	<u>17,162</u>	<u>17,162</u>
Less:					
Creditors: amounts falling due within one year	13	(10,917)	(11,024)	(11,099)	(11,206)
Net current assets		5,916	5,809	6,063	5,956
Total assets less current liabilities		128,507	128,410	129,080	128,983
Creditors: amounts falling due after more than one year	14	(24,464)	(24,464)	(25,398)	(25,398)
Provisions					
Pension provisions	15	(67,248)	(67,248)	(45,711)	(45,711)
Other provisions	15	(1,163)	(1,163)	(942)	(942)
Total net assets		<u>35,632</u>	<u>35,535</u>	<u>57,029</u>	<u>56,932</u>
Restricted Reserves					
Income and expenditure reserve - restricted reserve	16	105	105	105	105
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		(24,323)	(24,420)	(737)	(834)
Revaluation reserve		<u>59,850</u>	<u>59,850</u>	<u>57,661</u>	<u>57,661</u>
Total Reserves		<u>35,632</u>	<u>35,535</u>	<u>57,029</u>	<u>56,932</u>

The financial statements were approved by the Governing Body on 19 November 2020 and were signed on its behalf on that date by:



Mr Geoff Donnelly, Chairman of the Board of Directors



Professor Julie Mennell, Vice Chancellor

Statement of Accounting Policies for the year ended 31 July 2020

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 2019/20, published October 2019; and
- the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments).

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

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. The Board has considered the University's current financial position, the outlook across 2020/21 and beyond, fully considering key risks and severe but plausible downsides, including those related to the coronavirus pandemic and how they are being or will be mitigated. The University has adequate financial resources and increasingly diversified income streams, much of which is derived from long-term contracts with partners. Detailed cash-flow modelling and forecasting is regularly performed, alongside sensitivity analysis, and this work shows that the University 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 one-off events such as organisational restructuring which may affect covenant compliance. These covenants are calculated with reference to the University's income and expenditure and cashflows across the financial year and our modelling and forecasting, with the application of appropriate sensitivities, indicates that the University will continue to remain compliant with the lender's terms. These models and forecasts contain various assumptions, with the key income assumptions relating to retention and continuation rates for current students remaining broadly consistent with levels experienced previously. Key expenditure assumptions include the expectation that non-pay expenditure will be managed within forecasted levels and that any unforeseen costs can be absorbed by varying the amount and timing of expenditure that is not committed, which will ensure continued loan covenant compliance.

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

The Board of Directors has a reasonable expectation that the university has adequate resources to continue in operational existence for the foreseeable future. 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 2020.

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

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

3. Income recognition

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

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

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

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

Statement of Accounting Policies (continued) for the year ended 31 July 2020

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 2020

5. Employment benefits

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

6. Finance leases

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

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

7. Service Concession Arrangements

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

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

8. Operating leases

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

9. Foreign currency

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

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

Statement of Accounting Policies (continued)

for the year ended 31 July 2020

9. Foreign currency (continued)

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

10. Fixed assets

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

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

Land and buildings

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

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

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

Leasehold land is depreciated over the life of the lease.

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

Equipment

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

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

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

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

Borrowing costs

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

Statement of Accounting Policies (continued) for the year ended 31 July 2020

11 Investments

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

12 Cash and cash equivalents

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

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

13 Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

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

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

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

14 Taxation

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

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

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

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

15 Reserves

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

Notes to the Accounts for the year ended 31 July 2020

	Year Ended 31 July 2020	Year Ended 31 July 2019
	Consolidated & University	Consolidated & University
Notes	£'000	£'000
1 Tuition fees and education contracts		
Full-time home and EU students	36,200	35,854
Full-time international students	868	980
Part-time students	3,128	2,836
Apprenticeship income: ESFA	1,080	569
Apprenticeship income: employers	326	96
Education Contracts (NHS)	1,565	5,067
Non-credit bearing courses	1,147	1,218
	44,314	46,620
2 Funding body grants		
Recurrent grant		
Office for Students	3,321	2,909
Specific grants		
Research England	329	405
Department for Education	14	26
Office for Students / Research England - capital grant release	763	709
National Collaborative Outreach Programme / Uni Connect	807	1,612
	5,234	5,661
3 Research grants and contracts		
Research councils and charities	234	375
	234	375

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

Grant income from the Office for Students	4,069	3,605
Grant income from other bodies	1,399	2,431
Fee income for taught awards (exclusive of VAT)	43,071	45,302
Fee income for research awards (exclusive of VAT)	96	100
Fee income from non-qualifying courses (exclusive of VAT)	1,147	1,218
Total grant and fee income	49,782	52,656

Notes to the Accounts for the year ended 31 July 2020

		July 2020 Consolidated & University £'000	July 2019 Consolidated & University £'000
4 Other income	Notes		
Residences		1,738	2,113
Conferences		248	386
Other capital grants		175	186
Coronavirus Job Retention Scheme		429	0
Other income		3,961	4,141
		6,551	6,826

As per Office for Students guidance for 2019/20, a re-analysis of Notes 1 and 4 has taken place, with £1.1m of income from non-credit bearing courses shown in Note 1 rather than Note 4 (2018/19: £1.2m) and £1m of income from validated provision shown in Note 4 rather than Note 1 (2018/19: £1m). This has led to revised 2018/19 totals for these Notes but with overall income remaining the same.

5 Investment income

Investment income on restricted reserves	16	0	1
Other investment income		42	78
		42	79

6 Donations and endowments

Donations with restrictions	16	4	3
Unrestricted donations		14	11
		18	14

7 Staff costs

Salaries		29,039	29,356
Social security costs		3,072	3,063
Occupational Pension Scheme Costs:			
Employer Contributions	22	5,877	4,833
Changes in pension provisions	22	2,552	2,511
Changes in accrual for untaken annual leave		(820)	(27)
Restructuring: fundamental		580	565
Restructuring: other		56	21
		40,356	40,322

Within the Restructuring costs disclosed in Note 7, compensation for loss of office of £317k was paid to 31 staff in 2019/20 (2018/19: £586k; 36 staff). Such compensation 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.

Average full-time equivalent staff numbers by category:	No.	No.
Academic	335	348
Academic support and other support staff	458	471
	793	819

Notes to the Accounts for the year ended 31 July 2020

7 Staff costs (Continued)

Vice Chancellor Remuneration	Year Ended 31 July 2020	Year Ended 31 July 2019
	£	£
Salary	193,561	191,550
Performance related pay	0	7,500
Employer pension contributions	44,686	31,567
Total including pension costs	238,247	230,617

Vice Chancellor Remuneration - Pay Multiple

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

The Vice Chancellor's basic salary is 5.7 times (2018/19: 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 provider to its staff.

The Vice Chancellor's total remuneration is 7.0 times (2018/19: 6.9) the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the provider of its staff.

Vice Chancellor Remuneration - Justification

The justification for the Vice Chancellor's total remuneration is included on page 21 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 2020	Year Ended 31 July 2019
	No.	No.
£100,000 to £104,999	1	1
£105,000 to £109,999	0	0
£110,000 to £114,999	1	0
£115,000 to £119,999	1	1
£120,000 to £124,999	1	0
£125,000 to £129,999	1	1
£130,000 to £134,999	0	0
£135,000 to £139,999	0	0
£140,000 to £144,999	0	1
£145,000 to £149,999	1	0
£150,000 to £154,999	0	0
£155,000 to £159,999	0	0
£160,000 to £164,999	0	0
£165,000 to £169,999	0	0
£170,000 to £174,999	0	0
£175,000 to £179,999	0	0
£180,000 to £184,999	0	0
£185,000 to £189,999	0	0
£190,000 to £194,999	1	1
	7	5

Senior Staff Remuneration - Compensation for Loss of Office

	Year Ended 31 July 2020	Year Ended 31 July 2019
	£'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 2020

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 2019/20 the Vice Chancellor's Executive comprised of the Vice Chancellor, Deputy Vice Chancellor and Chief Operating Officer, Deputy Vice Chancellor (Academic), Pro Vice Chancellor (Health), Pro Vice Chancellor (Region & Employer Engagement), Pro Vice Chancellor People Performance and Culture, and the University Secretary.

The figures below include gross salaries, employer's pension contributions and payments to an external organisation for a seconded member of staff. The increase in costs compared to last year reflects the fact that two members of the Vice Chancellor's Executive joined part-way through 2018/19 but were in post for the full 2019/20 year.

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Key management personnel compensation	901	746

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 £4,170 (2019: £7,249). This relates to travel and subsistence expenses incurred in their official capacity in attending Board Meetings, Board Committees and meetings related to their roles as trustees.

	Year Ended 31 July 2020 Consolidated Notes & University £'000	Year Ended 31 July 2019 Consolidated & University £'000
--	---	---

8 Interest and other finance costs

Loan interest		160	190
Net charge on Local Government Pension Scheme	22	1,056	879
Net charge on enhanced pension provision		20	20
		1,236	1,089

9 Analysis of total expenditure by activity

Academic departments and services	35,372	36,589
Administration and central services - operations	15,643	15,640
Administration and central services - Restructuring	636	586
Administration and central services - Pension adjustments	3,628	3,410
Premises	5,516	6,152
Residences, catering and conferences	1,214	1,347
Impairments	1,211	0
Research grants and contracts	117	664
	63,337	64,388

Other operating expenses include:

External auditors remuneration in respect of audit services	56	49
External auditors remuneration in respect of non-audit services	5	5
Operating lease rentals:		
Land and buildings	371	266
Other	74	125

Notes to the Accounts for the year ended 31 July 2020

10 Fixed Assets

	Freehold Land and Buildings	Equipment	Total
	£'000	£'000	£'000
Consolidated and University			
Cost or valuation			
At 1 August 2019	120,913	14,471	135,384
Additions	492	1,078	1,570
Loss on revaluation	(1,097)	0	(1,097)
Impairment	0	0	0
Disposals	(606)	(926)	(1,532)
At 31 July 2020	119,702	14,623	134,325
Consisting of valuation as at:			
31 July 2020	119,702	0	119,702
Cost	0	14,623	14,623
	119,702	14,623	134,325
Depreciation			
At 1 August 2019	904	11,463	12,367
Charge for the year	2,495	1,197	3,692
Written back on revaluation	(3,373)	0	(3,373)
Disposals	(26)	(926)	(952)
At 31 July 2020	0	11,734	11,734
Net book value			
At 31 July 2020	119,702	2,889	122,591
At 31 July 2019	120,009	3,008	123,017

At 31 July 2020, freehold land and buildings included £20.0m (2019 - £21.4m) in respect of freehold land and is not depreciated.

Land and Buildings Revaluation

The University's land and buildings were revalued as at 31 July 2020 by Gerald Eve LLP, Chartered Surveyors, at fair value in accordance with FRS 102. Specialised properties, such as most teaching and administrative buildings, have been valued at depreciated replacement cost. This differs from a 'market value' in that it reflects the cost of replacing an asset with its modern equivalent less certain deductions. A market value approach is adopted in valuing residences and properties that are rented out if they are not deemed to be specialised.

The valuation at 31 July 2020 led to an overall decrease in land and buildings cost / valuation figure of £1.1m, with gains of £7.7m offset by losses of £8.8m. Of these losses, £1.2m has been charged as an impairment to the Consolidated and Institution Statement of Comprehensive Income. As a result of the valuation, £3.4m of accumulated depreciation was written back and recorded as a credit to the revaluation reserve.

Notes to the Accounts for the year ended 31 July 2020

11 Non-Current Investments

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Subsidiary Companies	0	10	0	10
	0	10	0	10

The University owns 100% of the share capital of its subsidiary, UoC Trading Limited. This company did not trade in 2019/20 or 2018/19.

12 Trade and other receivables

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Other trade receivables	2,508	2,508	2,747	2,747
Prepayments and accrued income	2,554	2,554	2,523	2,523
	5,062	5,062	5,270	5,270

Notes to the Accounts

for the year ended 31 July 2020

13 Creditors : amounts falling due within one year

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Unsecured loans	405	405	521	521
Trade payables	2,034	2,034	1,487	1,487
Social security and other taxation payable	864	864	851	851
Accruals and deferred income	6,666	6,666	7,352	7,352
Deferred income - capital grants	948	948	888	888
Amounts due to subsidiary companies	0	107	0	107
	10,917	11,024	11,099	11,206

14 Creditors : amounts falling due after more than one year

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Unsecured loans	5,120	5,120	5,525	5,525
Deferred income	0	0	7	7
Deferred income - capital grants	19,344	19,344	19,866	19,866
	24,464	24,464	25,398	25,398

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

14b Creditors: loans

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

Due within one year or on demand	405	405	521	521
Due between one and two years	333	333	405	405
Due between two and five years	995	995	999	999
Due in five years or more	3,792	3,792	4,121	4,121
Due after more than one year	5,120	5,120	5,525	5,525
	5,525	5,525	6,046	6,046

Notes to the Accounts for the year ended 31 July 2020

14b Creditors: loans

The details of the University's outstanding loans at 31 July 2020 are as follows:

Lender	Term	Amount £'000	Interest rate %	Security
Barclays	2026	5,120	1.79 - variable	Unsecured
Barclays	2020	52	10.62 - fixed	Unsecured
Cumbria County Council	No fixed end date	333	4.52 - variable	Unsecured
Office for Students	2020	20	0	Unsecured
		5,525		

15 Provisions for liabilities

Consolidated and University

	LGPS Pension £'000	Pension Enhancem ent £'000	Restructuring £'000	Leasehold Dilapidation £'000	Other £'000	Total £'000
At 1 August 2019	45,711	706	0	232	4	46,653
Utilised in year	0	(62)	0	0	(4)	(66)
Additions in 2019/20	2,552	0	264	0	0	2,816
Unused amounts reversed in 2019/20	0	0	0	0	0	0
Net movements charged to Income and Expenditure	1,056	20	0	0	0	1,076
Actuarial loss	17,929	3	0	0	0	17,932
At 31 July 2020	67,248	667	264	232	0	68,411

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 1.3% (2018/19: 2.0%) and an inflation rate of 2.2% (2018/19: 2.1%) have been assumed.

Leasehold Dilapidation

A £0.2m provision remains in place in respect of the liability for dilapidation works at a property which is occupied by the University under a lease agreement.

Notes to the Accounts for the year ended 31 July 2020

16 Restricted Reserves

Reserves with restrictions are as follows:

	2020 Total £'000	2019 Total £'000
Opening balance	105	115
New donations	4	3
Investment income	-	1
Expenditure	(4)	(14)
Total restricted comprehensive income for the year	-	(10)
Closing balance	105	105

	2020 Total £'000	2019 Total £'000
Analysis of other restricted funds / donations by type of purpose:		
Hardship Support	-	-
Study Support	105	105
Prize funds	-	-
	105	105

17 Cash and cash equivalents

	Notes	At 1st August 2019 £'000	Cash Flows £'000	At 31st July 2020 £'000
Cash and cash equivalents		11,892	(121)	11,771
		11,892	(121)	11,771

18 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2020:

	31 July 2020 Consolidated & University £'000	31 July 2019 Consolidated & University £'000
Commitments contracted for	180	495
	180	495

Notes to the Accounts for the year ended 31 July 2020

19 Lease obligations

Total rentals payable under operating leases:

	31 July 2020		31 July 2019	
	Land and Buildings	Other leases	Total	Total
	£'000	£'000	£'000	£'000
Payable during the year	371	74	445	391
Future minimum lease payments due:				
Not later than 1 year	321	24	345	427
Later than 1 year and not later than 5 years	610	0	610	929
Later than 5 years	6	0	6	7
Total lease payments due	937	24	961	1,363

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 2019/20 or 2018/19.

Notes to the Accounts

for the year ended 31 July 2020

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 2019/20 financial statements relate to transactions with entities in which an interest was declared and are disclosed as per the requirements of FRS102.

	Income £'000	Expenditure £'000	Debtors £'000	Creditors £'000
Cumbria Local Enterprise Partnership	18	0	0	720
University of Cumbria Students' Union	1	427	33	0
UNIAC	0	152	0	8
Tullie House Museum and Art Gallery	0	10	0	0
University Hospitals of Morecambe Bay NHS Foundation Trust	35	14	0	0
Rydal Hall Ltd	0	6	0	0
Council of Deans of Health	0	8	0	0
Health and Education Cooperative Ltd	46	0	14	0

Cumbria Local Enterprise Partnership

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

University of Cumbria Students' Union

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

UNIAC

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

Tullie House Museum and Art Gallery

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

University Hospitals of Morecambe Bay NHS Foundation Trust

During 2019/20, the University received income from the Trust for the use of facilities and staff training and made payments to the Trust for a seconded post. One Director of the University is a non-executive Director of the Trust.

Rydal Hall Ltd

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

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.

Notes to the Accounts for the year ended 31 July 2020

22 Pension Schemes

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

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

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

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

	Year ended 31 July 2020			Year ended 31 July 2019		
	Changes in			Changes in		
	Employer Contributions (Note 7)	Pension Provisions (Note 15)	Total Pension Costs	Employer Contributions (Note 7)	Pension Provisions (Note 15)	Total Pension Costs
	£'000	£'000	£'000	£'000	£'000	£'000
TPS	3,356	0	3,356	2,429	0	2,429
LGPS	2,521	3,608	6,129	2,405	3,390	5,795
Total Pension Costs	5,877	3,608	9,485	4,834	3,390	8,224

TPS

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014.

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

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2016 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 (as amended). The valuation report was published by the Department for Education on 5 March 2019. The key results of the valuation are:

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

The total University contribution into the scheme in 2019/20 was £3.4m (2018/19 £2.4m).

Notes to the Accounts for the year ended 31 July 2020

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 2019/20 was £2.6m (2018/19: £2.4m). This includes contributions made on behalf of current employees at a rate of 14% of pensionable pay until 31 March 2020 and 17.1% from this point onwards, payments of £0.5m (2018/19: £0.6m) in order to recover the University's share of the scheme's past service deficit and £0.1m of payments related to restructuring.

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 were released during 2019/20 and these are detailed in the table below. As well as setting out the key assumptions made by the actuary, the table shows that, at 31 March 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. This outcome and other assumptions has led to the University's past service deficit payments reducing from £0.7m to £0.3m per year and the employer contribution rate increasing from 14% to 17.1% from 1 April 2020.

Latest Actuarial Valuation of overall Lancashire Scheme

31 March 2019

	£m
Total Assets	8,410
Total liabilities	(8,398)
Past service surplus / (shortfall)	12
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 2020 were:

	2019/20 (%)	2018/19 (%)
Price increases (CPI)	2.3	2.2
Salary increases	2.8	3.7
Pension increases	2.4	2.3
Discount rate	1.6	2.2

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:

	2019/20 (Years)	2018/19 (Years)
<i>Retiring today</i>		
Males	22.3	22.8
Females	25.0	25.5
<i>Retiring in twenty years</i>		
Males	23.8	25.1
Females	26.8	28.2

Notes to the Accounts

for the year ended 31 July 2020

22 Pension Schemes (continued)

Scheme assets

The assets in the scheme were:

	31 July 2020	Fair value as at 31 July 2019	31 July 2018
	£m	£m	£m
Equities	53,810	57,881	46,108
Government bonds	0	0	3,571
Other bonds	8,142	1,937	630
Property	16,048	10,656	9,662
Cash	2,124	2,180	945
Other	37,879	48,436	44,111
Total	118,003	121,090	105,027

The following amounts at 31 July 2020 were measured in accordance with the requirements of FRS102:

	Year Ended 31 July 2020 £'000	Year Ended 31 July 2019 £'000
Analysis of the amount shown in the balance sheet for Scheme		
Scheme assets	118,003	121,090
Scheme liabilities	(185,241)	(166,801)
Deficit in the scheme – net pension liability recorded within pension provisions (Note 15)	(67,238)	(45,711)
Analysis of the amount charged to staff costs (note 7):		
Current service cost	(4,741)	(3,628)
Employer contributions - including pension costs related to restructuring	2,583	2,437
Past service cost (see Note 23)	(281)	(1,320)
Curtailments	(113)	0
Profit and loss charge	(2,552)	(2,511)
Analysis of the amount charged to interest and other finance costs (note 8):		
Interest cost	(3,650)	(3,868)
Expected return on assets	2,673	3,053
Administrative expenses	(79)	(64)
Profit and loss charge	(1,056)	(879)
Total profit and loss charge	(3,608)	(3,390)
Analysis of actuarial gain/(loss) in respect of Scheme		
Remeasurement of assets	(6,499)	12,557
Remeasurement of liabilities	(11,430)	(25,579)
Total actuarial gain / (loss)	(17,929)	(13,022)
Movement in deficit in the year		
Deficit in scheme at beginning of year	(45,711)	(45,711)
Amount charged to staff costs	(2,552)	(2,511)
Amount charged to interest and other finance costs	(1,056)	(879)
Actuarial gain / (loss)	(17,929)	(13,022)
Deficit in scheme at end of year	(67,248)	(62,123)

Notes to the Accounts for the year ended 31 July 2020

22 Pension Schemes (continued)

History of experience gains and losses – LGPS

	31 July 2020	31 July 2019	Year to 31 July 2018	31 July 2017	31 July 2016
Difference between actual and expected return on scheme assets:					
Amount (£'000)	-6,499	12,557	5,327	5,184	11,164
% of assets at end of year	-5.5%	10.4%	5.1%	5.4%	13.0%

	Year Ended 31 July 2020 £'000	Year Ended 31 July 2019 £'000
Analysis of movement in the present value of LGPS liabilities		
Present value of LGPS liabilities at the start of the year	166,801	134,326
Current service cost	4,741	3,628
Interest cost	3,650	3,868
Past service cost	281	1,320
Actual member contributions	873	853
Actuarial loss	11,430	25,579
Curtailments	113	0
Actual benefit payments	(2,638)	(2,773)
Present value of LGPS liabilities at the end of the year	185,251	166,801

23 Accounting estimates and judgements

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

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

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

Pensions - Local Government Pension Scheme

The balance in the University's balance sheet at 31 July 2020 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 £67.2m. 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. However, a small change in these assumptions can lead to significant movements in the net liability.

McCloud Court Ruling

As a result of successful legal challenges to certain elements of the Government's 2015 public sector pension scheme arrangements on the grounds of age discrimination, it is probable that there will be an increase in benefits for some members of the scheme. The scheme actuaries estimated that the additional past service liabilities were £1.3m at 31 July 2019 and this was recorded in full in the financial statements as a past service cost. A small downward adjustment to this estimate was made as at 31 July 2020. 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.

Notes to the Accounts for the year ended 31 July 2020

23 Accounting estimates and judgements (continued)

Pensions (continued)

Guaranteed Minimum Pension (GMP) Court Ruling

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

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

However, there is a separate issue regarding the requirement for public service schemes to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The scheme actuary has estimated that the increase in past service liabilities arising from this would be £0.28m, and this is reflected within the financial statements.

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 in 2019/20 has been reduced to 0.8%. If the previous methodology had been applied, the University's deficit position, as outlined in Note 22, would have been around £15m lower. 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.

Valuation of land and buildings

The University's land and building values are measured using the revaluation method. The University has a policy of ensuring that all land and buildings are revalued at least every three years by a qualified external valuer such that the fair value is not materially different to the current value. The external valuer is provided with all relevant information about the University's land and buildings and provides a valuation that complies with accounting and surveying standards. When reviewing such valuations, the University considers the appropriateness of the judgements that have been applied, including the valuation basis for specific land and buildings. 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 2020
	£'000
Access Investment	496
Financial Support	422
Disability Support (excluding expenditure included in the two categories above)	479
Research and Evaluation	24
	1,421

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/TheUniversityofCumbria_APP_2019-2020_V1_10007842.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 £0.82m of staff costs which are recorded within the totals in Note 7, outline the expenditure which was incurred by the University in 2019/20 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.