



Annual Report

For the Year Ended 31 July 2023

Company Information

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

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

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Strategic Report

Foreword by the Chair of the Board of Directors

The 2022/23 academic year saw new opportunities emerging for the University of Cumbria to improve its offer to the region that we were created to serve. The Board has been and remains very keen to take these opportunities, and the University's leadership is pursuing them energetically. However, we are also very conscious that external conditions present some serious challenges, and the University will need to continue adapting and changing in response.

Partner organisations have shown very welcome faith in us. Last year saw great strides in our partnership with Imperial towards launching a new medical school in Carlisle, and in our work with BAE Systems to offer a new facility in Barrow to support the company's growing need for high level engineering and IT skills. These two developments will enable us to do much more to train more people of all ages in the high-level technical skills that are needed to support growth in our region. We will also be able to offer more applied, problem-based research, to help employers improve their products and services. In all of this activity we have had sterling support from the new Cumberland and Westmorland Councils, and from our local politicians right across the political spectrum.

This means that we look forward with confidence and optimism. Nevertheless, as a responsible Board we must also recognise that the University, like many other institutions, is currently operating in a challenging environment.

The most obvious example of this is the impact of high inflation. Rising prices affect the whole country, not least our own students and staff. However, they present a particular challenge for a university whose main focus is on teaching UK undergraduates. Most of the money to support this teaching now comes from the undergraduate fee. Our institutional autonomy does not extend to setting this fee for ourselves; it is fixed by government regulation, and has now been frozen for several years, while all our costs are rising.

We entirely understand the reluctance to increase the levels of debt for new graduates, and it is not for us to decide how much public money should be spent on higher education. However, we have to say openly that, when the resources provided for teaching domestic undergraduates are steadily squeezed by high inflation over several years, there will inevitably be some damage to what we can provide, both to our students and to our staff. It also means that we have to be increasingly cautious about our future commitments.

Against that background, it is to the credit of all in the University of Cumbria that we managed again to grow our income and our total student numbers. A huge variety of people already study with us in different ways, and it seems likely that there will continue to be many people who want to learn new skills or update old ones. Predicting how these people will want to learn, and what support and facilities they will need, remains a significant challenge, where decisions now will have long-term consequences.

In tackling these difficult issues, I am fortunate to have alongside me such committed Directors and Associate Directors, with different experiences and standpoints, who can help us reach a rounded view on the University's strategies, and how we can best support the public interest. They give their time, skills and knowledge voluntarily, and it is hugely appreciated.

Mr Martin Williams, Chair of the Board of Directors

Introduction by the Vice Chancellor

2022/23 was a further year of growth, representing 24% in the last five years, demonstrating our strategic focus is aligning to market demand. The year included many notable achievements, firsts, and milestones, from gaining TEF silver, ITT Ofsted good, improved REF outcomes, Athena Swan Bronze and Armed Services' Employer Recognition Gold award to our first all paramedic degree apprentices' graduation ceremony, the first cohort of the new Development Woodland Officer apprenticeship programme (the first degree-level forestry apprenticeship in the UK), to the establishment of our new Institutes of Engineering, Computing and Advanced Manufacturing and Education, Arts & Society. The former enabling us to deliver new Higher Education capability to and from Cumbria, building on our existing partnership with BAE Systems and the planned £13m Learning Quarter development in Barrow, with the aim of meeting long-term labour and higher-level skills needs in advanced manufacturing, digital and leadership, in addition to developing collaborative research programmes focusing on Digital Engineering.

In our Institute of Health, work continued to support the establishment of the Cumbria School of Medicine with Imperial College London, which remains on track for commencement in 2025, alongside the introduction of enhanced simulated-learning spaces and practices for our students and new training programmes for practitioners, designed to encourage more nurses into general practice. Fully funded by Health Education England (HEE), the University is one of only a handful of providers authorised by HEE to teach this programme.

We marked a century since Charlotte Mason died in her beloved House of Education, where students were trained to be governesses or primary school teachers. From 1894 Mason's House of Education was located at Scale How, on the university's Ambleside campus. With an 11-million strong global teaching movement in her name, countless children have benefitted from Mason's philosophies and curriculum, notably including nature and outdoor lessons. A series of special events took place throughout the year, led by the University and our partners The Armitage museum and the US-based Charlotte Mason Institute.

Following Local Government Reorganisation and the establishment of Westmorland & Furness and Cumberland Councils in April 2023, we have forged strong relationships with both and gained additional funding for the Citadels Campus and Learning Quarter projects. Whilst there is still much to do to ensure that these projects can be delivered and on time, the commitment from both councils to work with us has never been stronger and extends across a range of areas of provision such as health, social care and youth work.

The continued commitment and hard work of staff were foundational to the successes of this year and to our ongoing delivery against our mission and strategy. However, the year also presented many challenges from dealing with the considerable, on-going and growing pressures of the continued student fee freeze, coupled with high inflation and rising costs to declining on campus student numbers, failure to gain ITT (Initial Teacher Training) accreditation and poor National Student Survey 2023 results. The latter a particular hard blow to receive and one which was felt right across our University.

Hence, as we move forward into 2023/24, and with an ITT partnership in place with the University of Warwick, we need to continue to deliver against our Towards 2030 strategy, drive income growth, address the root causes of poor student outcomes and deliver against our people pledges. In doing so, drawing on feedback, the hard work and commitment of our staff and the successes we have achieved in TEF, Ofsted and in growing our degree apprenticeship provision. New senior appointments in the Institutes of Health and, Engineering, Advanced Manufacturing & Computing will support this growth, aligned to areas of known demand, as will the introduction of new roles, Director of People & Culture and Pro Vice Chancellor in Learning & Teaching, in delivering improved outcomes - for staff as well as students.

Professor Julie Mennell, Vice Chancellor

Strategic Review

We have created a clear and strategic purpose for our University, in, for and from our region. *With people, place, and partnerships at our heart, to transform lives and livelihoods, and to bring new capability to and from Cumbria.*

We are delivering demonstrable outcomes and impact, with a growing, diversified, region-informed and nationally relevant portfolio, programme range and student body, including:

- increased student numbers with 46% of our students studying off campus, up-skilling, and re-skilling in the workplace,
- national workforce development contracts secured with BAE, BBC, Sellafield, Rolls Royce, NHS, Forestry Commission, DEFRA, Defence Medical Services, and NHS,
- over 2,000 degree apprentices
- c. 2,000 paramedic students studying nationally,
- progress towards establishing the Cumbria School of Medicine with Imperial College which will begin recruitment of postgraduate students from 2025,
- graduate destinations indicating 97% of graduates in work or further study,
- income growth across several years, 14% increase in 2021/22 from the previous year; just under 5% in 2022/23.

Our REF2021 submission demonstrated a marked improvement since REF2014, following granting of Research Degree Award Powers in 2019 and an acknowledgement of 4*(world class research) in 6 units of assessment. In 2023 we achieved a TEF Silver result, Ofsted grading of Good for our ITT provision, Athena Swan Bronze award, Armed Services Employer Recognition Scheme Gold award and established the Institutes of Engineering, Computing and Advanced Manufacturing, and Education, Arts & Society.

The University of Cumbria is achieving and there is much to be proud of.

We have positioned our University as a strong example of the transformational role universities have on and for place, working strategically and collaboratively with employer, sector, local-authority, and education partners; and with a Towards 2030 Strategy and funding secured to deliver continued and long-lasting impact to our region, communities, and economy.

However, these achievements have been delivered during a continued period of internal and external challenge, which has created additional stresses and strains.

This position is both understood and understandable, not least as we have:

- grown and diversified (and are growing and diversifying further) in a student-fee freeze, rising cost and high inflation environment,
- grown in volume in areas such as paramedic practice and project management however we do not have enough of these high-volume areas,
- increased regulatory burden and complexity – imposed on us by our regulators and introduced because of our diversification,
- been proactive in focusing audit and assurance on our strategic risks, reinforcing areas which require immediate and further actions and oversight,
- been seeking to balance core business (compliant and well) with growth, strategy delivery and large scale (for us) strategic and capital projects,
- been dealing with increased costs, including the unit cost of staff, coupled with operating in a tight labour market and have struggled to fill some roles against the timescales and expertise required,
- evolved our operations and organisation in tandem with our growth and change to business mix (and during Covid period and on-going industrial action within and out

with university), however gaps and overlaps in resource and expertise are evident and emerging.

Coupled with above, we have had some disappointing outcomes this year, which include:

- failure to gain ITT accreditation on submission and review,
- the 2023 National Student Survey results,
- some aspects of the OfS B3 first-round findings (with improvement evident in second round),
- internal audit findings, which whilst mostly in line with sector norm, indicate further focus and work is required,
- 2023/24 student recruitment on campus.

Hence, we are conscious that there are some fundamental aspects of what we do and our raison d'être that we need to address and improve in 2023/24, coupled with external challenges we must deal with, which are impacting on us and will do so increasingly in the near future.

In and beyond 2023/24, we must therefore deal with the trilemma of: delivering core business well and improving performance; managing in a high and increasing cost environment and; delivery against our strategy/values including investing in what we need to across the whole university e.g. IT, estates maintenance, systems, compliance, portfolio as well as capital projects. In doing so, ensuring and emphasising that each of our three major strategic projects (Cumbria School of Medicine, Barrow Learning Quarter and Citadels Campus) are funded with minimal investment and exposure to the University.

In addition, we must ensure that our approach to addressing current and 2024/25 cost challenges is not at the detriment of our values and goals. Rather we need to focus on: ensuring our operations align better to business demands and resources, delivering business as usual (compliant and well), and achieving against our measures of success.

This may require both a change of pace and priorities as the requirements and realities of doing this are understood better, including balancing cost reductions in year versus the need to invest to facilitate better outcomes and income growth.

As we do this we build on a range of successes, not least the way in which we have transformed, our region and stakeholder engagement, reach and reputation, with approval for the Cumbria School of Medicine (with Imperial College London) and £66m funding secured (Borderlands Growth Deal, Carlisle Town Deal and Barrow Town Deal) to make long-lasting strategic impact in and for our county and economy i.e., Barrow Learning Quarter, Citadels Campus, and Carlisle Business Exchange.

The Barrow project focusses on a recognised higher education 'cold spot' and will see, in partnership with a range of stakeholders including BAE Systems, the creation of a £13m University Campus. Construction work is due to start in 2024, with the majority of this funded by BrilliantBarrow Town Deal with support from BAE. New under-graduate, postgraduate and degree apprenticeship courses will be developed in Advanced Manufacturing, Mechanical Engineering, Computing and Supply Chain Logistics this will expand on the University's current programme offer of Business Management, Project Management and Supply Chain Logistics to BAE employees.

Alongside the work in Barrow, the University has continued to develop its plans for a £78.7m Citadels campus in Carlisle, including the Carlisle Business Exchange utilising funding of £50m from the Borderlands Growth Deal and £5.2m from the Carlisle Town Fund. This project aims to provide state-of-the-art modern facilities to provide stimulus to the ambition to increase participation in higher education from the region and encourage more students to come to Carlisle to live and study. The University is continuing to consider how best to

shape and finance this significant multi-year project at a time of high inflation and financial challenges for the sector.

Employer and stakeholder testimonials support this at both regional and national levels and our impact in:

- Supporting sectors, skills and economy
- Partners and partnership working
- Fulfilling our mission: Supporting People, Place & Communities

Supporting Sectors, Skills & Economy

“Cumbria was at a significant disadvantage for many years through lack of our own university, and the early years were challenging, but the University of Cumbria has grown into one we can all be proud of, and one which is having real impact and continues to respond to the needs of our employers, both private and public sector.

Both formally, through forums such as the People Employment & Skills Strategy Group and Local Skills Improvement Plan, and more informally, the work you have been doing strategically and collaboratively with employer representative bodies such as ourselves, key sectors and employers over the past six years continues to result in new models of working, types of provision and partnership working that are having real impact on addressing Cumbria’s higher level skills needs. Not only is this benefiting our employers, it’s also enabling many more of our people, who would not otherwise have done so, to participate in higher education”.

Suzanne Caldwell - Managing Director, Cumbria Chamber of Commerce

“The university have been open to the challenges faced in bringing a new apprenticeship scheme on stream, displaying great creativity and adaptability, which has aided the positive working partnership we currently enjoy. This has seen the FC and UoC sharing delivery of the programme activity whilst seeking opportunities to ensure learning is achieved in an informative, inclusive, and engaging way, capitalising on the skills and experiences held within each organisation. All of this has been done at a record pace, going from a draft apprenticeship standard to launch of the programme in just 15 months! To achieve this the University has continually demonstrated their commitment to go the extra mile. The FC values our partnership with the UoC and look forward to a long and fruitful working relationship”.

Richard Stanford, CEO, Forestry Commission

“The UK’s Defence Medical Services has truly benefitted from the learning and development opportunities provided to our people by the University of Cumbria. From training our next generation of paramedics, to helping develop our current and future healthcare leaders, the University has been a collaborative and engaging partner, always keen to better understand Defence’s unique requirements. We have been especially grateful for the University’s commitment to enabling access to higher education, meaning a greater range of our people have been able to benefit from the opportunities on offer. As a signatory of the Armed Forces’ Covenant and deserved holder of a Silver Award from the Defence Employer Recognition Scheme, the University has embraced its civic responsibilities and been a consistent and energetic supporter of both Defence and its people. The impact of these commitments, and their application in practice, will continue to deliver long-lasting benefits for the people within UK Defence and its Medical Services for many years to come”.

Peter Homa, Director General, Defence Medical Services

Partners and Partnership Working

"It is a pleasure to work in partnership with the University of Cumbria, they are a shining light in Cumberland, providing a high-quality teaching and learning environment for students, whilst taking its place leadership role incredibly seriously and successfully. The collaborative approach to working on the Carlisle campus and work on the medical school is outstanding and everyone at Cumberland Council looks forward to a positive, continuing relationship that I am sure will change ever more lives and the prosperity of the region".

Andrew Seekings, Chief Executive Officer, Cumberland Council

"Barrow Learning Quarter presents a unique and ground-breaking opportunity to build and strengthen our relationship with the University of Cumbria. At BAE Systems, we are proud to be working together to make a positive difference for our people and for the town. Our partnership with the University signifies the collective efforts to make long-lasting strategic improvements within the county, focusing on the needs and requirements of the local context, ensuring the best outcomes for Cumbria. Through our shared commitment to innovation and collaboration, our partnership will help cement future opportunities and the long-term prosperity of our community".

Janet Garner, Future Workforce Director, BAE Systems Submarines

"Westmorland and Furness Council is a brand-new authority, formed on the 1 April 2023, following Local Government Reorganisation in Cumbria. We are an ambitious council that puts people at the centre of everything we do as we work to make Westmorland and Furness a great place to live, work and thrive.

The Barrow Learning Quarter is an example of the genuine commitment to active partnership working that UoC is supporting to address challenges and realise our shared ambition. Creating a full university presence in Barrow that attracts and retains talented graduates with high-level skills is vital for the area that is performing well economically and set to expand further in areas such as advanced manufacturing, business, computing, education, and health. It is an exciting development that demonstrates UoC's commitment to responding to and supporting local needs, development, and growth".

Sam Plum, Chief Executive Officer, Westmorland & Furness Council

Fulfilling our mission: Supporting People, Place & Communities

"The University of Cumbria has now firmly embedded itself in the educational, training and cultural infrastructure of the counties of Cumberland, and Westmorland and Furness. As such, it fills a unique role which has been needed for many years which will enhance the opportunities and possibilities open to everyone who lives, works and studies here".

Lord Richard Inglewood, Chair, Cumbria Local Enterprise Partnership

"Cumbria CVS recognises the enormous progress achieved by the university in recent years and the important contribution it makes to local skills, prosperity, health, and innovation.

David Allen, Chief Executive Officer, Cumbria CVS

"The University of Cumbria is a world class and ground-breaking educational institution. It provides an immense contribution to our region's economy, helping to give vital skills, training, and opportunities to thousands of people every year. It is an integral part of our community here in Cumbria and I know that we are all very proud of the incredible work that it does".

Tim Farron MP, Westmorland, and Lonsdale

"The University of Cumbria is an ideal partner and a huge asset to the community. It is nimble, respects the county in which it operates and leans into the employment and skills gaps which exist in Cumbria, making it not just a place of learning, but one that local people

and employers respect and value. The campus development in Barrow will be game-changing for the community, bringing new life to the centre of Barrow. I have been fortunate enough to work with Julie and her team in bringing this project to life through the Brilliant Barrow board - I could not hope for more willing and passionate partner for the town".

Simon Fell MP, Barrow and Furness

"The university is a lynchpin in the local community, with staff and students contributing to the life and vibrancy of Carlisle.

But it is through its initiatives and bold strategy that the university has really shown itself as an institution. For example, the university has partnered with Imperial College London to open a new medical school will open in Carlisle for 50 medical students to study in our city from 2025. This will be the first ever graduate entry medical school in Cumbria, and it follows closely on the back of the of the innovative Citadels development (where the medical school will be based) that will see the university move to the centre of Carlisle. It is initiatives and ventures like this, as well as things like their degree apprenticeship programmes, that really do demonstrate the significant impact the university has on its communities".

John Stevenson MP, Carlisle

"The University of Cumbria is an incredible people-oriented institution that plays a vital role in improving educational access for communities across our rural county. From policing and conservation to creative writing and business, the breadth of courses available is tremendous and focuses on the close links the university has fostered with local firms and the wider needs of the economy and society. I'm particularly excited to welcome the approval of the Cumbria School of Medicine which will not only provide world-class training to vital health professionals but also improve recruitment and retention locally, boost our economy and develop research programmes to address Cumbria's unique healthcare challenges. I've seen the brilliant work the University of Cumbria is doing to transform lives and livelihoods; and so, with an even more ambitious Towards 2030 plan, I look forward to seeing the positive impact the university will make on the communities it serves".

Dr Neil Hudson MP, Penrith, and The Borders

"I applaud the University of Cumbria for their innovative approach to learning. Their willingness to work in partnership with organisations that share their vision is raising aspiration and attainment across Cumbria. I have been particularly impressed with the university's engagement with industry leaders and employers as part of a joined-up strategy benefitting the economy, local businesses, and most importantly the students themselves".

Mark Jenkinson MP, Workington

"The contribution that University of Cumbria has made to the economic growth and stability of Cumbria has grown immeasurably within the last few years with a strong, affordable and deliverable strategy towards 2030. The key in all this is "collaboration " and this marks the difference between just aspiration and actual delivery. The exciting developments at Carlisle and Barrow, at extreme ends of the geographical County, demonstrates the collegiate style and approach to embrace the aspiring student population, both internally and externally. The icing on the cake is the creation of the new graduate-entry Medical School in association with Imperial College London. All of this under strong and capable leadership, enables the University to deliver a fantastic learn and thrive opportunity and reinforces the brand of Cumbria as an exceptional place to live and work, an area where individuals and business can genuinely prosper".

John Grainger MA FCMI Honorary Fellow and Executive Director of Britain's Energy Coast Business Cluster

"Raising skill levels, carrying out good and relevant research and understanding the importance of civic partnership is crucial to the future of a region which too often has been underperforming and left behind. The University of Cumbria can rightly claim to be a leading

partner in the change and improvement that is now taking place. It understands the character and needs of the County and there is good evidence to show its impact. The changes in the university over the last few years are significant and reflect good leadership, ambition and a commitment to innovation”.

Baroness Estelle Morris - Honorary Fellow

Section 172 Statement – Stakeholder Interests

These testimonials and much else, including our determination to improve the experience of our students, demonstrates that the University and its Board of Directors have a clear focus on our public benefit duties and on our stakeholders. The Board of Directors formally confirm that they have had regard to their duties under Section 172 of the Companies Act, and, in working to deliver the University’s charitable objects during 2022/23, the Directors have considered the interests of stakeholders.

The Board of Directors has ultimate oversight of and responsibility for the mission and strategic vision of the University, together with its long-term academic and business plans and key performance indicators. In doing so, the Board ensures that all strategies, plans and decisions have due regard to the interests of stakeholders, including students, staff and our communities, the impact on the environment and the long-term effects of current actions. Carbon reduction and sustainability are key objectives within the University’s strategy and our reporting and monitoring in these areas continues to develop, including via the Streamlined Energy and Carbon Reporting which is presented in this Annual Report.

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

The Board of Directors includes an elected staff member, providing direct representation as well as an input and feedback mechanism with the broader staff body. Similarly, a sabbatical officer from the Students’ Union is appointed each year as a Director.

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

Financial Review

The University's financial strategy is focussed on the interlinked objectives of ensuring that resource is available to deliver its mission, vision and plans and that it remains financially sustainable. With growth in income and cash in 2022/23, building on growth and strong performance over recent years, the University has continued to deliver against these objectives, while operating in a high inflation environment and responding to ongoing freezes in most funding levels, particularly tuition fees and apprenticeship funding.

Financial Performance

The table below summarises the University's financial performance in 2022/23:

	2022/23	2021/22
	£m	£m
Total Income	73.6	70.3
Expenditure		
Staff Costs:		
Operational	45.5	41.6
Fundamental Restructuring	0.6	0.0
Pension provision movement	0.7	2.8
Non-Staff Costs:		
Operational	21.7	20.5
Depreciation and Impairment	5.3	4.0
Pension provision movement	0.2	1.1
Total Expenditure	73.9	70.0
Profit on asset disposal	0.0	0.2
Accounting Surplus / (Deficit)	-0.3	0.5
Add back accounting adjustments:		
Depreciation and impairment	5.3	4.0
Pension provision movements	0.8	3.9
Release of deferred capital grants	-1.8	-1.4
Profit on asset disposal	0.0	-0.2
Cash Surplus	4.0	6.9
Cash Balance	22.4	21.2

The University focusses on its "cash surplus" level when planning and assessing its operating performance. This measure excludes the accounting adjustments that are required in the financial statements it therefore gives a clearer indication of the levels of cash being

generated for reinvestment. The 2022/23 cash surplus level of £4.0m (5.4% of income), while lower than the prior period, primarily due to the impact of cost rises as set out below, was sufficient to meet our capital investment and debt financing requirements for the year and to provide a £1.2m increase in our cash balance as we progress forward with plans for 2023/24 and beyond.

Income

The University's income has increased by 24% across the last five years, with overall income growth this year of £3.3m (4.7%) compared to 2021/22. This was driven primarily by increased apprenticeship activity, with fees from the ESFA and partners for this provision rising by £5.2m. The growth in higher delivery cost apprenticeship provision, such as paramedicine, was a key factor in the rise in related grants from the Office for Students, which increased by £1.3m compared to last year. Recent growth in research and knowledge exchange activities contributed both to increases in specific grants from UK Research and Innovation and to the reported research contract and grant income.

While apprenticeship delivery has continued to expand, and international student recruitment grew, full-time home student intakes in 2022/23 were lower than the prior two years. This related particularly to some aspects of healthcare and postgraduate teacher training which experienced national recruitment challenges. Together with the effect of some portfolio changes in previous years, with recruitment to some programmes ceasing before 2022/23, this led to a £4.2m reduction in income compared to 2021/22 in this strand of our activity. As highlighted elsewhere in the Strategic Review, alongside continuing to increase the diversity of our provision as we respond to employer demand and regional skills, there is a clear focus on increasing levels of on-campus full-time student numbers.

Expenditure

The University's costs rose significantly in 2022/23, with the key increase seen within operational staff costs, which increased by £3.9m (9%) and operational non-staff expenditure, which saw a £1.2m (6%) rise. After a period of historically low inflation, 2022/23 saw pressure on the cost base which, given our inability to influence the unit of funding or most prices due to their regulation, led to reductions in the overall cash surplus.

The staff cost increase includes the effect of the application of two national pay awards; the first, for 2022/23, added an average of just over 3% to the cost base (£1.4m) and the second, the early adoption of an element of the 2023/24 award, increased costs in year by around £0.6m. The University has remained focussed on both investing in areas of growth and seeking to rebalance resources where activity volume have reduced. As such, while average staff FTEs grew with, in particular, the investment in roles to support apprenticeship delivery in the latter part of 2021/22 and into 2022/23, increasing FTEs and costs compared to 2021/22, action has been taken to reduce staff numbers in some areas. This saw the use of £0.6m of one-off costs to facilitate restructuring in year. Such right-sizing work will continue in 2023/24.

Aside from staffing, most areas of the University saw rises in operational costs. This was particularly acute in Estates and IT where many contracts rose by inflation linked escalators and utility costs increased at a steeper rate, with, for example, electricity outlays increasing by 36% to £0.9m. Steps to control volumes and usage and procurement tools such as tendering and reviews of specifications were each employed to help control cost rises wherever possible. However, our budgeting for 2023/24 includes expectations of further cost increases, including as the benefit of forward contracts for gas and electricity at cheaper historic prices is eroded by the application of more recent unit costs.

Accounting Adjustments

In its financial statements, the University has recorded a small deficit for the year of £0.3m, after allowing for the accounting adjustments shown in the table above. The key adjustments were:

- Pension provision movements: changes in the Local Government Pension Scheme accounting deficit which are explored further below (total -£0.8m)
- Depreciation and impairment: depreciation is charged on the University's buildings and equipment, reflecting the annual usage of these assets, and a small impairment charge is included reflecting the valuer's view that an asset has reduced in value compared to the prior year (total -£5.3m)
- Release of deferred capital grants: when the University receives funds to support the purchase or construction of assets, the cash is used during the project but is only shown as income at the same rate as depreciation is charged (total +£1.8m)

Financial Position

Cash

The operating performance for the year has contributed a year-end cash balance held of £22.4m, growth from £21.2m at the start of the year. While a lower rate of growth than in 2021/22, this represents the highest cash holding since 2016 and, at just under 120 days of liquidity, provides a strong platform as we plan for future investments and address opportunities and risks.

Assets

£6.0m was invested in fixed assets during the year, with £3.6m related to fees for the Citadels and Barrow projects and the balance on a range of estates, IT and equipment projects. Of this expenditure, £3.4m was met by capital grants, particularly from the Department for Levelling up Housing and Communities relating to Citadels and Health Education England and the Office for Students, who supported investment in medical imaging suites and other healthcare related equipment.

We commissioned our triennial valuation of our land and buildings as at 31 July 2023 from our valuers. This led to an increase in the overall accounting value of these assets from £125m at the start of the year to just under £130m at the end. Given that most property is valued on a depreciated replacement cost basis, reflecting its specialist use, this increase reflects primarily the impact of construction inflation.

Trade and other receivables rose due both to higher levels of employer and apprenticeship delivery where payments for the final period are made early in the 2023/24 year, and some project costs which were similarly recorded within 2022/23 but reimbursed in 2023/24.

Liabilities

The overall creditor balance of £43.8m is made up of several elements. Deferred capital grant balances rose in 2022/23, from £23.5m at 31 July 2022 to £25.9m, largely due to funding received for the Citadels project. These balances are recorded as "liabilities" on the balance sheet until they are released to income over the life of the assets.

The remaining £17.9m of liabilities includes payments to supplies and other parties due in 2023/24, including those related to capital projects (£5.5m), and cash received in advance of the University providing tuition or another service (£7.9m). The remaining creditor balance relates to two outstanding loans, with borrowing levels having reduced by £0.3m

compared to 2021/22. At just under £4.5m, the University's loan balance and serving costs remain low compared to the higher education sector.

The balance sheet has continued to strengthen, with net assets rising to £129.1m from £117.0m in the prior year. Alongside the movements outlined above, we have seen a favourable change in the Local Government Pension Scheme (LGPS) valuation compared to the position as at 31 July 2022 due to an increase in the 'discount rate' arising from wider economic factors. The balance sheet shows a nil surplus / deficit position at 31 July 2023 with the surplus calculated by the Scheme's actuaries capped at zero given our application of accounting rules.

While beneficial to the balance sheet, this movement does not impact on the cash contributions made, which are calculated on a different basis. Under this method, the most recent valuation has seen the removal of all deficit contributions from 1 April 2023 and the increase, from 17.1% to 20.8% of ongoing payments.

Future Prospects and Going Concern

The University has continued to grow its income and cash but has faced cost challenges in 2022/23, some of which will continue into 2023/24, with inflation falling less quickly than had been anticipated and added pension costs.

As we look ahead, the economic outlook continues to be uncertain, with potential impact on Government spending – whether directly to the sector or indirectly in student support or loan mechanisms. The necessity of a General Election before January 2025 raises the prospect of changes in policy which may affect – favourably or otherwise - universities and demand for higher education. We are planning on the basis that while there may be changes in a range of aspects, the headline tuition fee level is likely to remain frozen, with the continued challenge that this presents to University finances.

The financial implications of the various challenges and opportunities continue to be managed through careful planning, scenario planning and decisive action where necessary. This includes further work to invest in areas of growth, including the supporting infrastructure, and to realign resources to activity during 2023/24 and beyond.

While recognising risk and uncertainty, on the basis of the relatively strong cash position, growth in delivery of new and existing contracts with employers and the prospects for student recruitment, for the period ahead, the Directors continue to have confidence in the current and future financial position of the University.

In planning for the future, further income growth is expected, along with significant estate and infrastructure developments, supported by a range of external funding as well as internal cash generation, which will enable the University to further meet the needs of its regions, employers and students. This includes the development of new campuses in Carlisle and Barrow, projects that are working to a budget £92m in total, substantially supported by Government funding. The senior team continues to drive these and other opportunities forward, alongside careful management of risks and resources, with clear Board oversight.

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

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

M Williams

Mr Martin Williams, Chair of the Board of Directors

J Mennell

Professor Julie Mennell, Vice Chancellor and Chief Executive

11 Dec 2023

Directors' and Corporate Governance Report

The Directors' and Corporate Governance report and statement on internal control covers the period from 1 August 2022 to 31 July 2023, and up to the date of approval of the audited financial statements.

Governance

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

Background

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

The University is committed to exhibiting best practice in all aspects of corporate governance. Its Board of Directors acts in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership).

The University has adopted the Committee of University Chairs (CUC) Higher Education Code of Governance and has also adopted a statement of primary responsibilities which is publicised on the University's web pages.

The University Board of Directors, which meets at least five times each year, is the University's governing body. It is responsible for approving the corporate strategy and associated plans and budgets, monitoring the performance of the University and its executive, determining major business decisions and policies and is responsible for the overall framework of governance and management. It is specifically required to determine the educational character and mission of the University and to set its strategic direction. The responsibilities of the Board of Directors are set out in detail on page 30.

The University's Board of Directors comprises persons who are appointed in accordance with its Articles of Association. During 2022/23 the Chair was Martin Williams and the Vice Chair was Peter Yates. 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.

In considering the composition of the University Board its Nominations Committee takes account of the skills and experience of current directors, requirements of the Board required for effective discharge of its duties, and the need to ensure an appropriate balance and mix of skills, expertise and experience as well as the diversity of the Board and its subcommittees. The Board currently has a good gender balance and age profile, however it is less diverse with respect to ethnicity; the Nominations Committee seeks to address this at each recruitment opportunity, both in terms of Board Directors and in relation to Associate Directors, engaged for their specialist input to a particular Board Committee. Membership of the committees has been managed to ensure sufficient continuity alongside refreshing the membership as appropriate to ensure fresh challenge.

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. An independent external effectiveness review was undertaken at the end of 2022/23 and reported to University Board in October 2023. The review had a focus on the operations and effectiveness of both the Board and its committees, alongside benchmarking the Board's operations against the Code of Governance. The review outcomes across the three key sections: enablers – process and structures; relationships and behaviours; and outcomes of effective governance, were positive, with it stated that there was a 'genuine, well understood and shared commitment by all to ensure effective governance'. No changes were required from the review; the recommendations to enhance effectiveness are in the process of being considered.

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

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

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

Board Committees

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

Audit and Risk Committee (chaired by Emerita Professor Shirley Atkinson) has responsibility for monitoring and reviewing the effectiveness of the University's systems of internal control, including risk management and financial controls, procedures, data and value for money. The Committee also has responsibility for oversight of compliance with the Office for Students' Ongoing Conditions of Registration, drawing assurance from a variety of inputs, including other University Board sub-committees, the internal and external auditors, and the executive.

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

The Committee will, whenever appropriate, provide explicit confirmation to the Board that necessary actions have been, or are being, taken to remedy any significant failings or weaknesses identified from their review of the effectiveness of internal control.

Finance and Resources Committee (chaired by Ian Looker) has responsibility for advising and recommending to the Board on financial, estates and IT matters. It recommends to the University Board the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets and overall performance against the University's strategy. This work includes ensuring that arrangements for compliance with the Office for Students' Ongoing Conditions of Registration relating to financial matters are adequate and effective.

Academic Governance Committee (chaired by Pam Tatlow) provides the University Board with assurance that academic governance, and the associated internal control framework, is operating effectively to secure the quality of students' experience and the standards of the University's academic awards. This work includes ensuring that arrangements for compliance with the Office for Students' Ongoing Conditions of Registration that relate to academic activity are adequate and effective.

People Performance and Culture Committee (chaired by Rev'd Canon Cameron Butland in 2022/23) inter alia considers and recommends to the University Board on matters of Human Resource strategy and policy and monitors performance in relation to people related matters. It also considers and recommends to the University Board on matters in respect of Health and Safety and Equality, Diversity and Inclusivity, ensuring that arrangements relating to compliance with statutory and regulatory requirements are adequate and effective.

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

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

Attendance

The members of the University Board of Directors in 2022/23 and their attendance at University Board and relevant committees in the year is set out below. University Board had additional meetings scheduled as required in relation to the ongoing major projects.

Senior Officers and Executive Committees

The principal academic and administrative officer of the University is the Vice Chancellor who is personally responsible to the governing body for ensuring compliance with the relevant Office for Students (OfS) requirements and for providing the OfS with clear assurances to this effect.

As chief executive of the University, the Vice Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Vice Chancellor is supported in her role by the Vice Chancellor's Executive (VCE), which meets regularly and shapes the strategic direction, performance and management of the University. VCE is the senior executive decision-making body and deals with all matters of policy.

The Vice Chancellor's Executive comprises the Vice Chancellor's direct reports. In 2022/23 the membership consisted of:

Professor Julie Mennell (Vice Chancellor)
David Chesser (Chief Operating Officer) until 30 November 2022

Mark Swindlehurst (Chief Operating Officer) from 05 September 2022
Professor Robert Trimble (Deputy Vice Chancellor (Academic))
Professor Brian Webster-Henderson (Deputy Vice Chancellor (Health, Environment and Innovation))
Dr Jean Brown (University Secretary)

Members of the University Board of Directors in 2022/23 and their attendance at University Board and relevant committees

:

	Board (6 in year)	Finance & Resources Committee (7 in year)	Audit & Risk Committee (6 in year)	Academic Governance Committee (4 in year)	People Performance & Culture Committee (3 in year)	Nominations Committee (0 in year)	Remuneration Committee (1 in year)
Prof Julie Mennell (attendance noted where a member of a committee)	6	6		4	2		
Chair of the Board of Directors							
Martin Williams	6	7					1
Members of the Board of Directors							
Emerita Professor Shirley Atkinson	5		6 (Chair)				
John Batty	3		6	4			
Rev'd Cameron Butland	4				3 (Chair)		1
Jill Johnston	6				3		1 (Chair)
Professor John Lee	6			4	2		
Ian Looker	6	7 (Chair)					
Gary Lovatt	5 (of 5)		5 (of 5)				
Dean Marshall (Staff Director)	5				3		
Charles Nall	6	5					
Paula Nwachukwu (Student Director from 4 th July 2023)	1 (of 1)						
Ian Purdham	4		4				
Annabelle Robinson (Student Director until 3 July 2023)	5 (of 5)			4			
Pam Tatlow	6			4 (Chair)			
Peter Yates	4	7			3		1
Associate Directors							
Fiona Boulton	N/a			3			
Rev'd Andrew Burrell	N/a		5				
Stephen Talboys	N/a	3					

Changes to Board membership for 2023/24 up to the approval of the financial statements, are set out below:

- Rev'd Cameron Butland and Professor John Lee retired from the Board; Rev'd Andrew Burrell stepped down from his position as Associate Director.
- Dr Benjamin Carter and Professor Mike Thomas were appointed as Directors, from 1 August 2023 and 19 October 2023 respectively; Sarah Graves was appointed as an Associate Director on Audit and Risk Committee from 1 August 2023.

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 2022/23 was £6,724 (2021/22 was £4,938). Fourteen Directors/Trustees or Associate Directors claimed expenses or benefited from hospitality 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 2022/23 financial year, can be found **here**¹. In line with the publication requirements of the Office for Students' Accounts Direction, the element of this report that covers the process for setting the Vice Chancellor's remuneration and the justification of this remuneration is set out below.

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

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

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

In determining the Vice Chancellor's remuneration for 2021/22 the Committee had looked to set a reasonable 'steady state' salary for the role to serve as the baseline for the future. As part of its deliberations for 2022/23, having reviewed the benchmark data, the Committee confirmed that its decisions in 2021/22, and the Vice Chancellor's salary that had come from them, had been reasonable, taking into account all relevant factors including the size and income of the University of Cumbria and the Vice Chancellor's level of experience.

With respect to the pay award for 2022/23, it was agreed that, whilst not the only driver for the salary of the Vice Chancellor, the performance of the University was relevant. Over the last year some aspects of the University's performance had been positive but others less so, with the Vice Chancellor continuing to be an enthusiastic advocate for the University and to lead it well, accepting that not all of the outcomes were as wished for. Bearing this in mind,

¹ <https://www.cumbria.ac.uk/about/publications/>

it was agreed that the Vice Chancellor be given the same pay award as the majority of staff on the National Pay Framework pay-scale i.e. 3%. This amounted to a salary of £213,210 for 2022/23.

Public Benefit Statement

For the purposes of charity law, members of the Board of Directors are the trustees of the University and, as such, they have had regard to the Charity Commission's guidance on public benefit.

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

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

The University's aims and objectives are centred on benefitting the public and the achievements of this year, as set out in more detail within the Strategic Review from page 5, 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 2023 and is current until the date of approval of the audited financial statements.

The University's Board of Directors has overall responsibility for maintaining and reviewing the effectiveness of a sound system of internal control. This is designed to support the achievement by the University of its aims and objectives, while safeguarding public and other funds and assets for which they are responsible.

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

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the University's aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the University's aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The process includes business, financial, operational and compliance risks.

The Board of Directors has a range of processes in place for maintaining and reviewing the effectiveness of the system of internal control, starting with the Board meeting at regular intervals to consider the plans and strategic direction of the University. A robust planning process is undertaken on an annual basis, which is linked to budgeting at institutional and institute and service levels. A regular review of academic and financial performance, through Key Performance Indicators and detailed reports, and regular reviews of financial results including variance reporting and updates of forecast out-turns, is undertaken.

Comprehensive Financial Regulations are in place, which are approved by the Board. The Regulations include a range of matters relating to the financial management of the University and link to detailed procedures. These procedures include the Scheme of Delegation, which provides a clear definition of the responsibilities and delegated authority of Directors of Academic Institutes and Directors of Professional Services; the Counter Fraud Policy and Response Plan; and the Bribery Prevention Policy.

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

The Audit and Risk Committee has agreed with the external providers of the internal audit function appropriate audit planning arrangements and also audit methodology and approach, so that the audit function conforms to the latest professional standards. The Audit and Risk Committee approves the Internal Audit annual programme and receives regular reports from the Internal Auditors, which include an independent opinion on the adequacy of the effectiveness of the University's system of internal control, including financial control, together with recommendations for improvement. The internal audit function reports to the Audit and Risk Committee and for management purposes to the University Secretary.

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

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

The Audit and Risk Committee receives a regular report from the Executive on the delivery of actions agreed within any external and internal audit reports, with any extensions to action deadlines agreed by the executive and reported to 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 Audit and Risk Committee noted in its Annual Report that some internal audit reports in 2022/23 highlighted areas where the control environment required enhancements, however the internal audit plan for the year was focused on areas of high risk or uncertainty (for example Data Futures) in order to provide assurance and to help the University develop further. The internal auditors noted that 'management responded quickly and seriously' to the findings from audits and that the outcomes were in the main within the norm for the sector. Taking all of the information provided to it during the year into account, and observing the actions of management, the Committee concluded that it could place reliance on the adequacy and effectiveness of the University's internal control arrangements within its remit.

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

Risk Management

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

The University regularly reviews the strategic risks it faces and identifies the controls that are in place, or are newly required, to mitigate these as well as the sources of assurance which provide confirmation that controls are effective. The likelihood and impact of risks are scored based on a risk profile, and the direction of travel of each risk is included within the risk register. The strategic risk register is reviewed regularly by the Business Assurance Board (a senior executive body), at each meeting of the Audit and Risk Committee, and is presented in full to the Board of Directors.

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

The University's core strategic risks have remained similar to those in previous years through 2022/23, however some risks have reduced from the previous year, for example those relating to the Covid19 pandemic have come off the risk register, whilst others, for example with respect to regulation and review, and in particular the requirements relating to Degree Apprenticeships, have increased. Risk related to student recruitment, the student

experience, and staff capacity, resilience and well-being, have been of ongoing concern, along with frequency of cyber-attacks on the sector.

Further detail on the key risks at the end of the reporting period is set out below:

- **Inability to deliver the operational financial surpluses required to enable investment in strategic developments and delivery of the T2030 strategy / Inability to manage expenditure, including staffing, non-staff and the impact external financial climate and context:** With continued freeze in student tuition fees and significant inflationary cost pressures there is pressure on budgets, especially in areas where recruitment is capped due to placement capacities or remains a challenge. In this environment management of expenditure is critical, balancing spend in core business and risk areas with investment to growth and deliver against our Towards 2030 Strategy.
- **Achieving student number targets for home on-campus recruitment:** The operating environment continues to be challenging with increased competition and changes to applicant behaviour. Market-informed work is ongoing to ensure that the University's portfolio is attractive and to continue to focus and increase the impact of marketing and recruitment activities.
- **Inability to deliver and maintain consistent student outcomes aligned with institutional targets, across all student types:** Whilst there have been aspects of the University's student outcome data that have been pleasing, other areas, such as National Student Survey results, have not been as required. Work continues to identify root causes and implement actions to address where outcomes are not consistently meeting targets.
- **Inability to maintain an excellent student experience and support students with their mental health and wellbeing and University living:** Consistent and sustained improvement in student experience, as evidenced by the National Student Survey results, is essential. The University has seen areas with excellent outcomes and significant progress since the last survey, however, there remain areas where further work is required. This is particularly the case where students are studying alongside work, and where students are either working or in placements in industries where there has been ongoing industrial action. This is at the heart of the University's mission and is key to improvements in the University's attractiveness and its position in league tables. Through clear action plans and effective student engagement we expect that this risk will be increasingly mitigated. As seen across the sector, the university has seen increased engagement with mental health services. Supporting students with their mental health is a key enabler for a good student experience and positive outcomes.
- **Staff capacity, capability and competence not in line with requirements to deliver business as usual alongside key projects and major new initiatives:** Staff are the University's most important and expensive resource – without staff with the skills and capability, working within an appropriate culture, employed at the appropriate level and contractual terms the University will not be able to deliver both on its business as usual activities and the initiatives and projects set out within the University Strategy. Aligned with this is the need for staff to support the University's vision, mission and values and for staff morale, confidence and wellbeing to be seen and felt as high priority. The University is working hard to support staff, with, for example, the implementation of the Health and Wellbeing Plan; and a new People and Culture Strategy approved in year.
- **Inability to maintain Apprenticeship Ofsted / ESFA ratings:** The University has to be able to evidence that it is operating within the requirements of Ofsted and the

Education and Skills Funding Agency (ESFA) for apprenticeship provision. Significant work is undertaken to manage the required activity, however the implications of a poor inspection would be significant and potentially far reaching.

- **Inability to deliver required outputs / aims / outcomes (University and funders) for the University's major projects on time, within the funding envelope and to the required quality – Citadels:** Due to the very significant inflation and increased building costs following the invasion of Ukraine, the Citadels campus project has needed to be rescoped in order to be deliverable within the agreed budget and university funding available. Work is ongoing on the redesign and funding for the project.
- **A successful cyber attack that impacts on the ability to maintain business functions as required:** Along with all universities and businesses, the potential for a cyber-attack to have a significant impact on the operation of the University is a real and ever-present threat. The implications of a cyber-attack could be extensive, as seen elsewhere in the sector. The University has a range of controls and mitigations in place alongside regular internal audits to provide assurance over the management of the risk. However, the risk is ongoing and ever evolving.

Diversity and Employee Involvement

The University is committed to providing an inclusive environment, where its applicants, employees, students and visitors are treated fairly and with respect at all times. This is a key focus of the robust mandatory and additional 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, consultation sessions and staff forums led by the Vice Chancellor and her executive. In addition, the University has a member of staff, as staff director, on the University Board and we have regular formal dialogue with our recognised trade unions as staff representatives through our Joint Negotiating and Consultative Committee. Our internal and external websites and social media further support awareness-raising, 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 is making good progress against their Equality Objectives and continues to embed EDI within the culture of the organisation. Our University inclusivity statement frames our values and expectations for all staff, students and visitors with regards to inclusivity. The University has rejuvenated the equality impact assessment documentation and process to 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 now a Disability Confident Leader organisation, following external validation, outlining our commitment to attracting and retaining disabled people, which enables us to draw from the widest possible pool of talent and to secure high-quality staff who are skilled, loyal and hard-working. Reasonable adjustments are made where appropriate and career development and promotion opportunities are provided for all staff.

At the University of Cumbria, we stand in solidarity with our local and global communities in the fight against racism and wider inequality. Throughout 2022/23 we have reinforced the message that we will not tolerate discrimination, bullying or harassment and increased our activity and impact, achieving Athena Swan Bronze Award, White Ribbon accreditation, Stonewall Silver Award and being shortlisted for an Educate North Award in the EDI category.

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 2022 - 31 March 2023 is as follows:

Relevant Union Officials:

Number of employees who were relevant union officials during the relevant period	6
Full-time equivalent employee number	6.6

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

Percentage of time	Number of employees
0%	0
1-50%	6
51-99%	0
100%	1

Percentage of total pay bill spent on facility time*:

Total cost of facility time	£98,569
Total pay bill	£44,555,730
Percentage of the total pay bill spent on facility time	0.22%

Paid trade union activities**:

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

* Trade union representatives at the University are entitled to paid time off to carry out trade union duties, for example casework and representation of employees, and the details of this are disclosed above as "facility time".

**The University does not provide paid time off for trade union activities, for example conference attendance, and therefore no sums are included in the tables above in respect of such activities.

Modern Slavery and Human Trafficking

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

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

Streamlined Energy & Carbon Reporting (SECR)

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

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

	2022-23			2021-22		
	UK and offshore			UK and offshore		
	Non Residential	Residential	University Total	Non Residential	Residential	University Total
Energy consumption used to calculate emissions: (kWh):						
Electricity kWh	3,028,139	573,264	3,601,402	2,998,214	686,950	3,685,163
Fuel (Litres)	5,754	-	5,754	7,449	-	7,449
Gas kWh	7,047,171	2,799,834	9,847,005	7,036,976	3,138,595	10,175,571

Emissions from combustion of gas kgCO2e (Scope 1)	1,286,532	511,138	1,797,669	1,284,530	572,919	1,857,449
Emissions from combustion of fuel for transport purposes (Scope 1)	14,246	-	14,246	18,754	-	18,754
Emissions from purchased electricity (Scope 2, location-based) kgCO2e	620,647	117,496	738,144	579,795	132,842	712,637
Emissions from business travel in rental cars or employee-owned vehicles where company						

² **Modern Slavery Statement (cumbria.ac.uk)**

is responsible for purchasing the fuel (Scope 3):						
Rental cars (kgCO2e)	35,037	-	35,037	27,088	-	27,088
Employee-owned vehicles (kgCO2e)	87,895	-	87,895	42,680	-	42,680
Total gross CO2e based on above	2,044,357	628,634	2,672,991	1,952,846	705,762	2,658,607
Gross Internal Area m2	50,388	12,993	63,380	52,938	13,130	66,068
Intensity ratio: kgCO2e gross figure based on fields above	40.57	48.38	42.17	36.89	53.75	40.24

The period covered 1 August 2022 to 31 July 2023 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).

By July 2023, an actual reduction of Scope 1 & 2 carbon emissions by 74% (70% 2021/22) was achieved in comparison to the 2008 baseline.

The 2023-2030 Carbon Management Plan is almost complete for Scope 1 & 2 emissions. Work has also commenced with sustainability consultants to develop a road map to achieve net zero carbon by 2050, linking to the carbon management plan and include Scope 1,2 and 3 emissions

Scope 3 data collection process is being reviewed to enable further detailed reporting in future SECR returns and other environmental returns, such as the HESA Estates Management Return.

Electricity carbon emission have increased due to an increase in the conversion factor even though overall electricity usage reduced.

For this reporting period the overall sqm of properties usable space has been reviewed. Commercial space has been removed from non-residential sqm as, although this is an owned property, we do not have control on the tenant's operations. In addition, the GIA from residential properties has been remeasured resulting in the reduction in sqm compared to last year.

Over the last 12 months there have been various projects completed with a primary focus on energy reduction such as:

- The installation of electric hot water units to 4 buildings at Lancaster Campus lowering the demand for heat and gas consumption of the District Heating system.
- The replacement of floodlighting to Lancaster Campus astro-turf pitch LED, the benefits will be realised next year.
- Management of controls to the heating systems linking to timetabled space use, campus activity, and turning systems off during period of no demand.
- Additionally, the replacement of the air conditioning system to the first and second floors of Brampton Road Main Building improved controllability and increased efficiency contributed to reduction in electric usage.

Responsibilities of the Board of Directors of the University of Cumbria

In accordance with the Education Reform Act 1988, the Companies' Act 2006, 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 adequate 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 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.

The Director's and Corporate Governance Report is signed on behalf of the Board of Directors by:

M Williams

Mr Martin Williams, Chair of the Board of Directors

J Mennell

Professor Julie Mennell, Vice Chancellor and Chief Executive

11 Dec 2023

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") and its subsidiary (the 'group') for the year ended 31 July 2023 which comprise the consolidated and University statement of comprehensive income, consolidated and University statement of changes in reserves, consolidated statement of cash flows, consolidated and University statement of financial position and notes to the financial statements, including the statement of accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the University's affairs as at 31 July 2023, and of the group's and of the University's income and expenditure, gains and losses and changes in reserves, and of the group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board of Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or University's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board of Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' and corporate governance report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' and corporate governance report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' and corporate governance report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of the Board of Directors

As explained more fully in the statement of the responsibilities of the Board of Directors on page 30, 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, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Board of Directors is responsible for assessing the group's and 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 the Board of Directors either intend to liquidate the University or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

As part of our planning process:

- We enquired of management the systems and controls the University has in place, the areas of the financial statements that are most susceptible to the risk of irregularities and fraud, and whether there was any known, suspected or alleged fraud. The University did not inform us of any known, suspected or alleged fraud.
- We obtained an understanding of the legal and regulatory frameworks applicable to the company. We determined that the following were most relevant: FRS 102, 2019 Statement of Recommended Practice (SORP): 'Accounting for Further and Higher Education'.
- We considered the incentives and opportunities that exist in the University, including the extent of management bias, which present a potential for irregularities and fraud to be perpetuated, and tailored our risk assessment accordingly.
- Using our knowledge of the University, together with the discussions held with the University and internal auditors at the planning stage, we formed a conclusion on the risk of misstatement due to irregularities including fraud and tailored our procedures according to this risk assessment.

The key procedures we undertook to detect irregularities including fraud during the course of the audit included:

- Identifying and testing journal entries and the overall accounting records, in particular those that were significant and unusual.
- Reviewing the financial statement disclosures and determining whether accounting policies have been appropriately applied.
- Performing a physical verification of key assets.
- Testing key income lines, in particular cut-off, for evidence of management bias.
- Assessing the extent of compliance, or lack of, with the relevant laws and regulations.
- Obtaining third-party confirmation of material bank balances and loans.
- Reviewing and challenging the assumptions and judgements used by management in their significant accounting estimates, in particular in relation to the defined benefit pension obligation and the valuation of fixed asset land and buildings.
- Documenting and verifying all significant related party balances and transactions.
- Reviewing documentation such as the Board of Directors' and committee minutes, for discussions of irregularities including fraud.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements even though we have properly planned and performed our audit in accordance with auditing standards. The primary responsibility for the prevention and detection of irregularities and fraud rests with the Governing Body.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters by the accounts direction dated 25 October 2019 issued by the Office for Students ("the accounts direction").

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- funds provided by the OfS, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the OfS's accounts direction (issued October 2019) have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the OfS accounts direction (issued October 2019) requires us to report to you where:

- the University's grant and fee income, as disclosed after note 3 to the financial statements, has been materially misstated; or
- the University's expenditure on access and participation activities for the financial year, as disclosed in note 24 to the financial statements, has been materially misstated.

USE OF OUR REPORT

This report is made solely to the Board of Directors as a body 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 as a body for our audit work, for this report, or for the opinions we have formed.

Carol Rudge

Carol Rudge (Senior Statutory Auditor)

for and on behalf of HW Fisher LLP

Chartered Accountants
Statutory Auditor
Acre House
11-15 William Road
London
United Kingdom
NW1 3ER

11 Dec 2023

Date:

Consolidated and University Statement of Comprehensive Income Year Ended 31 July 2023

		Year Ended 31 July 2023	Year Ended 31 July 2022
		£'000	£'000
Income	Notes		
Tuition fees and education contracts	1	55,628	54,316
Funding body grants	2	9,037	7,373
Research grants and contracts	3	895	744
Other income	4	7,456	7,812
Investment income	5	622	72
Donations and endowments	6	10	7
Total income		73,648	70,324
Expenditure			
Staff costs	7	46,201	44,449
Fundamental restructuring costs	7	591	0
Other operating expenses		21,428	20,358
Depreciation	10	5,088	3,969
Impairments	10	212	32
Interest and other finance costs	8	409	1,189
Total expenditure	9	73,929	69,997
Surplus / (Deficit) before other gains / losses		(281)	327
Profit / (Loss) on disposal of fixed assets		0	211
Surplus / (Deficit) before tax		(281)	537
Taxation		0	0
Surplus / (Deficit) for the year		(281)	537
Unrealised surplus on revaluation of land and buildings	10	7,999	10,728
Actuarial gain in respect of Local Government Pension Scheme and Asset Ceiling Adjustment	22	4,307	63,307
Actuarial gain / (loss) in respect of enhanced pension provision		(4)	43
Total comprehensive income for the year		12,021	74,616
Represented by:			
Restricted comprehensive income for the year		2	(1)
Unrestricted comprehensive income for the year		5,466	64,909
Revaluation reserve comprehensive income for the year		6,553	9,707
		12,021	74,616

All items of income and expenditure relate to continuing activities.

Consolidated and University Statement of Changes in Reserves

Year ended 31 July 2023

Consolidated	Income and expenditure account		Revaluation reserve	Total
	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000	£'000
Balance at 1 August 2021	105	(17,419)	59,763	42,449
Surplus / (Deficit) from the Statement of Comprehensive Income	(1)	538	0	537
Other comprehensive income	0	63,351	10,728	74,079
Total comprehensive income for the year	(1)	63,888	10,728	74,615
Transfers between revaluation and income and expenditure reserve	0	1,021	(1,021)	0
Balance at 1 August 2022	104	47,490	69,470	117,064
Surplus / (Deficit) from the Statement of Comprehensive Income	2	(283)	0	(281)
Other comprehensive income	0	4,303	7,999	12,302
Total comprehensive income for the year	2	4,020	7,999	12,021
Transfers between revaluation and income and expenditure reserve	0	1,446	(1,446)	0
Balance at 31 July 2023	106	52,956	76,023	129,085

University	Income and expenditure account		Revaluation reserve	Total
	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000	£'000
Balance at 1 August 2021	105	(17,516)	59,763	42,352
Surplus / (Deficit) from the Statement of Comprehensive Income	(1)	538	0	537
Other comprehensive income	0	63,350	10,728	74,078
Total comprehensive income for the year	(1)	63,888	10,728	74,615
Transfers between revaluation and income and expenditure reserve	0	1,021	(1,021)	0
Balance at 1 August 2022	104	47,393	69,470	116,967
Surplus / (Deficit) from the Statement of Comprehensive Income	2	(283)	-	(281)
Other comprehensive income	0	4,303	7,999	12,302
Total comprehensive income for the year	2	4,020	7,999	12,021
Transfers between revaluation and income and expenditure reserve	0	1,446	(1,446)	0
Balance at 31 July 2023	106	52,860	76,023	128,988

Consolidated Statement Cash Flows

Year ended 31 July 2023

	Notes	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Cash flow from operating activities			
Surplus / (Deficit) for the year		(281)	537
Adjustment for non-cash items			
Depreciation	10	5,088	3,969
Impairments	10	212	32
Increase in debtors	12	(318)	(2,615)
Increase in creditors	13	483	568
Adjustment for pension charge to the comprehensive statement of income	15	814	3,899
Increase / (Decrease) in other provisions	15	(349)	13
Adjustment for investing or financing activities			
Investment income	5	(622)	(72)
Interest payable	8	241	122
Loss / (Profit) on the sale of fixed assets		0	(211)
Capital grant income		(1,833)	(1,355)
		<u>3,435</u>	<u>4,887</u>
Cash flows from investing activities			
Proceeds from sales of fixed assets		0	700
Capital grants receipts		3,350	4,346
Investment income		560	72
Payments made to acquire fixed assets		(5,583)	(5,654)
		<u>(1,673)</u>	<u>(536)</u>
Cash flows from financing activities			
Interest paid		(239)	(123)
Repayments of amounts borrowed		(332)	(333)
		<u>(571)</u>	<u>(456)</u>
Increase in cash and cash equivalents in the year			
		<u>1,190</u>	<u>3,895</u>
Cash and cash equivalents at beginning of the year	17	21,244	17,349
Cash and cash equivalents at end of the year	17	22,434	21,244

Consolidated and University Statement of Financial Position

As at 31 July 2023

	Notes	As at 31 July 2023		As at 31 July 2022	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Fixed assets	10	141,320	141,320	132,627	132,627
Investments	11	0	10	0	10
		<u>141,320</u>	<u>141,330</u>	<u>132,627</u>	<u>132,637</u>
Current assets					
Trade and other receivables	12	9,791	9,791	8,542	8,542
Cash and cash equivalents	17	22,434	22,434	21,244	21,244
		<u>32,225</u>	<u>32,225</u>	<u>29,786</u>	<u>29,786</u>
Less:					
Creditors: amounts falling due within one year	13	(14,076)	(14,183)	(14,027)	(14,134)
		<u>18,149</u>	<u>18,042</u>	<u>15,759</u>	<u>15,652</u>
Net current assets					
		<u>159,469</u>	<u>159,372</u>	<u>148,385</u>	<u>148,288</u>
Total assets less current liabilities					
Creditors: amounts falling due after more than one year	14	(29,734)	(29,734)	(26,833)	(26,833)
Provisions					
Pension provisions	15	0	0	(3,493)	(3,493)
Other provisions	15	(650)	(650)	(995)	(995)
		<u>129,085</u>	<u>128,988</u>	<u>117,064</u>	<u>116,967</u>
Total net assets					
Restricted Reserves					
Income and expenditure reserve - restricted reserve	16	106	106	104	104
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		52,956	52,860	47,490	47,393
Revaluation reserve		76,023	76,023	69,470	69,470
Total Reserves		<u>129,085</u>	<u>128,988</u>	<u>117,064</u>	<u>116,967</u>

The financial statements were approved by the Governing Body on 28 November 2023 and were signed on its behalf on 11 Dec 2023 by:

M Williams

Mr Martin Williams, Chairman of the Board of Directors

J Menell

Professor Julie Menell, Vice Chancellor

Statement of Accounting Policies for the year ended 31 July 2023

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;
- Companies' Act 2006; and
- the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments).

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

Going Concern

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

The Board has reviewed cash flow forecasts for future periods, including, specifically, for the 12 month period from the date of approval of these financial statements. In doing so, the Board has considered the University's current financial position, the outlook across 2023/24 and beyond, fully considering key risks, applying severe but plausible downsides and how they are being or will be mitigated. Key assumptions around student recruitment and continuation levels and the delivery of contractual income are considered, along with risks related to expenditure such as those related to inflation and delivery of key projects.

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

Regular dialogue is held with the University's main lender, Barclays Bank PLC and they are made aware of any events which may affect covenant compliance. These covenants are calculated with reference to the University's income and expenditure and cashflows across the financial year and our modelling and forecasting, with the application of appropriate sensitivities, indicates that the University will continue to remain compliant with the lender's terms.

Having taken these factors into account, the Board of Directors believe that the University is well placed to manage its business risks successfully despite facing an increasingly competitive environment and current uncertainties in the economy and in Government policy around higher education funding. The Board of Directors has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. Consequently, the Board of Directors is confident that the University will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

2. Basis of consolidation

The consolidated financial statements include the University and its subsidiary for the financial year to 31 July 2023.

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.

3. Income recognition

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income when the goods or services are supplied to the external customers or the terms of the contract have been satisfied. A debtor is recognised when there is an unconditional right to receive future economic benefit as a result of a past events. In line with this policy, where a course is delivered across the financial year-end, the income related to future periods is deferred, with a deferred income creditor created on the balance sheet. In such circumstances, any remaining related debtor balance continues to be recorded as a debtor.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income 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 2023

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 as other comprehensive income.

The difference between the market value of the assets of the LGPS and the present value of accrued pension liabilities is shown as an asset or liability on the balance sheet, with an asset only recognised where the University has an unconditional right to that surplus. As the University does not have an unconditional right to a surplus, as explained in Note 22, an asset ceiling adjustment has been applied to bring the net position on the balance sheet to nil, with the actuarial gain and the asset ceiling adjustment both recognised as other comprehensive income.

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 2023

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 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.

7 Foreign currency

The consolidated financial statements are presented in Pounds Sterling, which is the University's functional 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.

Statement of Accounting Policies (continued) for the year ended 31 July 2023

8 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 FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

Land and buildings

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

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

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

Leasehold land is depreciated over the life of the lease.

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

Equipment

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

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

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

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

Borrowing costs

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

Statement of Accounting Policies (continued) for the year ended 31 July 2023

9 Investments

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

10 Cash and cash equivalents

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

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

11 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.

12 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.

13 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.

Statement of Accounting Policies (continued) for the year ended 31 July 2023

14 Financial Instruments

Financial assets and liabilities are recognised when the University becomes party to the contractual provision of the instrument and they are classified according to the substance of the contractual arrangements entered into.

A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Basic financial assets include trade and other debtors, cash and cash equivalents, intercompany debtors and investments in commercial paper (i.e. deposits and bonds). These assets are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest rate method. Financial assets are assessed for indicators of impairment at each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the statement of comprehensive income.

Financial assets are de-recognised when the contractual rights to the cash flows from the asset expire or are settled or substantially all of the risks and rewards of the ownership of the asset are transferred to another party.

Financial liabilities

Basic financial liabilities include trade and other creditors and bank loans. These liabilities are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Trade creditors are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are de-recognised when the liability is discharged, cancelled, or expires.

The University has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments

Notes to the Financial Statements

for the year ended 31 July 2023

	Year Ended 31 July 2023	Year Ended 31 July 2022
	Consolidated & University £'000	Consolidated & University £'000
1 Tuition fees and education contracts		
Full-time home and EU students	29,812	33,976
Full-time international students	1,555	1,252
Part-time students	5,173	5,533
Apprenticeship income: ESFA	13,731	9,637
Apprenticeship income: others	2,826	1,698
Education Contracts (NHS)	1,077	882
Non-credit bearing courses	1,454	1,338
	55,628	54,316
2 Funding body grants		
Recurrent grant		
Office for Students	6,027	4,695
Specific grants		
UK Research and Innovation	1,022	590
Department for Education	0	59
Office for Students / Research England - capital grant release	1,425	1,226
Uni Connect	563	803
	9,037	7,373
3 Research grants and contracts		
Research Councils	163	164
Research Charities	57	14
Government (UK and Overseas)	252	195
Industry and Commerce	1	3
Other	423	368
	895	744

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

Grant income from the Office for Students	8,015	6,724
Grant income from other bodies	1,917	1,393
Fee income for taught awards (exclusive of VAT)	54,006	52,818
Fee income for research awards (exclusive of VAT)	168	160
Fee income from non-qualifying courses (exclusive of VAT)	1,454	1,338
Total grant and fee income	65,560	62,433

Notes to the Financial Statements for the year ended 31 July 2023

4 Other income	Notes	July 2023 Consolidated & University £'000	July 2022 Consolidated & University £'000
Student residences		2,018	1,991
Conferences and lettings		530	353
Other capital grants		408	129
Other income		4,500	5,339
		7,456	7,812

Turing Scheme

The University was granted £34,418 from the Turing Scheme in 2022/23 (2021/22: £24,843) which is recognised within other income in Note 4 above. The Turing Scheme is the UK government's programme to provide students with international study and work placements.

5 Investment income

Investment income on restricted reserves	16	3	1
Other investment income		619	71
		622	72

6 Donations and endowments

Donations with restrictions	16	4	5
Unrestricted donations		6	2
		10	7

7 Staff costs

Salaries		34,982	31,868
Social security costs		3,642	3,435
Occupational Pension Scheme Costs:			
Employer Contributions	22	6,935	6,433
Changes in pension provisions	22	664	2,832
Changes in accrual for untaken annual leave		(72)	(186)
Restructuring: fundamental		591	0
Restructuring: other		50	68
		46,792	44,450

Compensation for loss of office is paid where staff leave the University's employment and receive some form of compensation, including where it occurs at the end of a fixed-term contract. Compensation for loss of office of £286k was paid to 17 staff in 2022/23 (21/22: £68k to 6 staff).

Average full-time equivalent staff numbers by category:	No.	No.
Academic	392	371
Academic support and other support staff	488	467
	880	838

Notes to the Financial Statements for the year ended 31 July 2023

7 Staff costs (Continued)

Vice Chancellor Remuneration	Year Ended 31 July 2023	Year Ended 31 July 2022
	£	£
Salary	213,210	207,000
Performance related pay	0	0
Employer pension contributions	50,488	49,018
Total including pension costs	<u>263,698</u>	<u>256,018</u>

Vice Chancellor Remuneration - Pay Multiple

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

The Vice Chancellor's basic salary is 5.9 times (2021/22: 6.0) the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the University to its staff.

The Vice Chancellor's total remuneration is 7.0 times (2021/22: 7.5) the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the University of its staff.

Vice Chancellor Remuneration - Justification

The justification for the Vice Chancellor's total remuneration is included on page 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 2023	Year Ended 31 July 2022
	No.	No.
£115,000 to £119,999	0	1
£120,000 to £124,999	1	0
£135,000 to £139,999	0	2
£145,000 to £149,999	2	1
£205,000 to £209,999	0	1
£210,000 to £214,999	1	0
	<u>4</u>	<u>5</u>

Senior Staff Remuneration - Compensation for Loss of Office

	Year Ended 31 July 2023	Year Ended 31 July 2022
	£'000	£'000
Compensation payable recorded within staff costs	0	0
	Number	Number
Number of staff paid	0	0

Notes to the Financial Statements for the year ended 31 July 2023

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 2022/23 the Vice Chancellor's Executive comprised of the Vice Chancellor, Chief Operating Officer, Deputy Vice Chancellor (Academic), Deputy Vice Chancellor (Health, Environment & Innovation) and the University Secretary. The figures below include gross salaries and employer's pension contributions

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Key management personnel compensation	906	763

Payments to Trustees

The members of the University Board of Directors are the trustees for charitable law purposes. No trustee received any remuneration or waived payments from the University during the year. The total expenses paid to or on behalf of trustees and associate directors was £6,724 (2021/22: £4,938). 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 2023 Consolidated & University £'000	Year Ended 31 July 2022 Consolidated & University £'000
Notes		
8 Interest and other finance costs		
Loan interest	241	122
Net charge on Local Government Pension Scheme	150	1,057
Net charge on enhanced pension provision	18	10
	<u>409</u>	<u>1,189</u>

9 Analysis of total expenditure by activity

Academic departments and services	44,372	41,426
Administration and central services	18,908	16,534
Restructuring	641	68
Pension accounting adjustments	832	3,899
Premises	6,790	6,024
Residences, catering and conferences	1,368	1,354
Impairments	212	32
Research grants and contracts	806	660
	<u>73,929</u>	<u>69,997</u>

Other operating expenses include:

External auditors remuneration in respect of audit services	105	96
External auditors remuneration in respect of non-audit services	0	5
Operating lease rentals:		
Land and buildings	294	287
Other	105	34

Notes to the Financial Statements for the year ended 31 July 2023

10 Fixed Assets

	Freehold Land and Buildings	Equipment & Vehicles	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000
Consolidated and University				
Cost or valuation				
At 1 August 2022	124,783	14,436	2,992	142,211
Additions	558	1,805	3,632	5,994
Surplus on revaluation	6,324	0	0	6,324
Loss on revaluation (impairment)	(1,766)	0	0	(1,766)
Disposals	0	(1,425)	0	(1,425)
At 31 July 2023	129,899	14,816	6,624	151,339
Consisting of valuation as at:				
31 July 2023	129,899	0	0	129,899
Cost	0	14,816	6,624	21,440
	129,899	14,816	6,624	151,339
Depreciation				
At 1 August 2022	0	9,584	0	9,584
Charge for the year	3,228	1,860	0	5,088
Written back on revaluation	(3,228)	0	0	(3,228)
Disposals	0	(1,425)	0	(1,425)
At 31 July 2023	0	10,019	0	10,019
Net book value				
At 31 July 2023	129,899	4,797	6,624	141,320
At 31 July 2022	124,783	4,852	2,992	132,627

At 31 July 2023, freehold land and buildings included £18.8m in respect of freehold land which is not depreciated (21/22 - £18.9m).

Land and Buildings Revaluation

The freehold and leasehold properties of the University were valued as at 31 July 2023 by an external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors. The valuation was prepared in accordance with the requirements of the RICS Valuation - Global Standards 2022 and RICS Valuation - Global Standards 2017 UK National Supplement, Financial Reporting Standard 102 and the 2019 Statement of Recommended Practice 'Accounting for Further and Higher Education'. The valuation was undertaken on a Fair Value basis, with the valuation of specialised properties, including most buildings used for teaching and administration, derived using the Depreciated Replacement Cost (DRC) method, and other in-use properties, including student accommodation, valued on a Fair Value basis, equating to Market Value on the assumption of a continuation of the existing use. The valuation was reported under a special assumption to exclude any value of development opportunities for which planning permission would be required and has not been granted or where development has not yet commenced.

The outcome of this valuation is recorded above. In summary, the valuation led to an increase in the cost of land and buildings of £6.32m, impairment losses totalling £1.77m and the write back of £3.23m of accumulated depreciation. The net resulting gain of £7.78m is reflected in the Comprehensive Statement of Income as expenditure (impairment) of £0.212m and as an overall increase to the Revaluation Reserve of £7.99m.

Notes to the Financial Statements for the year ended 31 July 2023

11 Non-Current Investments

	Year Ended 31 July 2023		Year Ended 31 July 2022	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Subsidiary Companies	0	10	0	10
	0	10	0	10

The University owns 100% of the share capital of its subsidiary, UoC Trading Limited. This company did not trade in 2022/23 or 2021/22.

12 Trade and other receivables

	Year ended 31 July 2023		Year ended 31 July 2022	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Trade receivables	3,349	3,349	3,324	3,324
Prepayments and accrued income	6,442	6,442	5,218	5,218
	9,791	9,791	8,542	8,542

Notes to the Financial Statements

for the year ended 31 July 2023

13 Creditors : amounts falling due within one year

	Year ended 31 July 2023		Year ended 31 July 2022	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Unsecured loans	332	332	332	332
Trade payables	3,090	3,090	2,738	2,738
Social security and other taxation payable	923	923	924	924
Accruals and deferred income	7,848	7,848	8,372	8,372
Deferred income - capital grants	1,883	1,883	1,661	1,661
Amounts due to subsidiary companies	0	107	0	107
	14,076	14,183	14,027	14,134

14 Creditors : amounts falling due after more than one year

	Year ended 31 July 2023		Year ended 31 July 2022	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Unsecured loans	4,123	4,123	4,455	4,455
Deferred income	1,607	1,607	538	538
Deferred income - capital grants	24,004	24,004	21,840	21,840
	29,734	29,734	26,833	26,833

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

14b Creditors: loans

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

Due within one year or on demand	332	332	332	332
Due between one and two years	331	331	332	332
Due between two and five years	3,551	3,551	3,873	3,873
Due in five years or more	240	240	250	250
Due after more than one year	4,123	4,123	4,455	4,455
	4,455	4,455	4,787	4,787

Notes to the Financial Statements for the year ended 31 July 2023

14b Creditors: loans (continued)

The details of the University's outstanding loans at 31 July 2023 are as follows:

Lender	Term	Amount £'000	Interest rate %	Security
Barclays	2026	4,160	6.78 - variable	Unsecured
Cumbria County Council	No fixed end date	295	4.52 - variable	Unsecured
		4,455		

15 Provisions for liabilities

Consolidated and University

	LGPS Pension (Note 22) £'000	Pension Enhancement £'000	Other £'000	Leasehold Dilapidation £'000	Total £'000
At 1 August 2022	3,493	545	320	130	4,488
Utilised in year	0	(60)	(320)	0	(380)
Additions in 2022/23	0	0	0	13	13
Unused amounts reversed in 2022/23	0	0	0	0	0
Net movements charged to Income and Expenditure	814	18	0	0	832
Actuarial (gain)/loss	(35,082)	4	0	0	(35,078)
Asset Ceiling Adjustment (Note 22)	30,775	0	0	0	30,775
At 31 July 2023	0	507	0	143	650

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 5% (2021/22: 3.3%) and an inflation rate of 2.8% (2021/22: 2.9%) have been assumed.

Leasehold Dilapidation

A £143k provision is in place in respect of the liability for dilapidation works at a property which is occupied by the University under a lease agreement which expires in May 2025.

Notes to the Financial Statements for the year ended 31 July 2023

16 Restricted Reserves

Reserves with restrictions are as follows:

	2023 Total £'000	2022 Total £'000
Opening balance	104	105
New donations	4	5
Investment income	3	1
Expenditure	(5)	(7)
Total restricted comprehensive income for the year	2	(1)
Closing balance	106	104
	2023 Total £'000	2022 Total £'000
Analysis of other restricted funds / donations by type of purpose:		
Study Support	105	103
Prize funds	1	1
	106	104

17 Cash and cash equivalents

	At 1st August 2022 £'000	Cash Flows £'000	At 31st July 2023 £'000
Cash and cash equivalents	21,244	1,190	22,434
	21,244	1,190	22,434

18 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2023:

	31 July 2023 Consolidated & University £'000	31 July 2022 Consolidated & University £'000
Commitments contracted for	1,459	1,288
	1,459	1,288

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

Notes to the Financial Statements for the year ended 31 July 2023

19 Lease obligations

Total rentals payable under operating leases:

	31 July 2023		31 July 2022	
	Land and Buildings £'000	Other leases £'000	Total £'000	Total £'000
Payable during the year	294	105	399	321
Future minimum lease payments due:				
Not later than 1 year	336	79	416	244
Later than 1 year and not later than 5 years	219	173	393	252
Later than 5 years	0	0	0	0
Total lease payments due	556	253	808	496

20 Consolidated reconciliation of net cash / (debt)

	31 July 2023	
	£'000	
Net cash / (debt) 1 August 2022	16,457	
Movement in cash and cash equivalents	1,190	
Movement in loans	332	
Net debt 31 July 2023	17,979	
Change in net cash / (debt)	1,522	
Analysis of net cash / (debt):	31 July 2023	31 July 2022
	£'000	£'000
Cash and cash equivalents	22,434	21,244
Borrowings: amounts falling due within one year		
Unsecured loans	332	332
Borrowings: amounts falling due after more than one year		
Unsecured loans	4,123	4,455
Net cash	17,979	16,457

Notes to the Financial Statements for the year ended 31 July 2023

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 2022/23 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
North Cumbria Integrated Care NHS Trust	0	18	0	0
Cumbria Local Enterprise Partnership	51	0	0	660
Tullie House	0	10	0	0
University of Cumbria Students' Union	0	468	28	0
UNIAC	0	71	0	5
Cumbria Education Trust	1	0	0	0
Council of Deans of Health	0	9	0	0
Energy Coast University Technical College	0	2	0	0

North Cumbria Integrated Care NHS Trust

The University made a payment to the Trust for a staff secondment in 2022/23. A Board Director is a Non-Executive Director of the Trust.

Cumbria Local Enterprise Partnership

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

Tullie House Museum and Art Gallery

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

University of Cumbria Students' Union

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

UNIAC

UNIAC is a shared internal audit service owned by a consortium of higher education institutions, including the University of Cumbria. The expenditure and debtor balance recorded above relates to internal audit services provided by UNIAC during the year.

Cumbria Education Trust

During 2022/23, the University held a Schools Improvement Event with the Trust. A member of the Vice Chancellor's Executive is a Trustee of the Trust.

Council of Deans of Health

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

Energy Coast University Technical College

The University is a member of the Energy Coast University Technical College. During the year, the University distributed funds to the College to support access into higher education.

Notes to the Financial Statements for the year ended 31 July 2023

22 Pension Schemes

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

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

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

	Year ended 31 July 2023			Year ended 31 July 2022		
	Employer Contributions (Note 7)	Changes in Pension Provisions (Note 15)	Total Pension Costs £'000	Employer Contributions (Note 7)	Changes in Pension Provisions (Note 15)	Total Pension Costs £'000
TPS	4,345	0	4,345	3,930	0	3,930
LGPS	2,246	814	3,060	2,312	3,889	6,201
SWPS	344	0	344	191	0	191
Total Pension Costs	6,935	814	7,749	6,433	3,889	10,322

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.

An actuarial review of the TPS was carried out as at 31 March 2020 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 in October 2023. The key outcome of the valuation is that the employer contribution rate will rise from 23.68% to 28.68% from 1 April 2024, including a 0.08% administration levy.

Notes to the Financial Statements for the year ended 31 July 2023

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 2022/23 was £2.3m (2021/22: £2.3m). This reflects employer contributions for current employees at 17.1% of pensionable pay up to 31 March 2023 and 20.8% from 1 April to 31 July 2023 and payments of £0.2m (2021/22: £0.3m) in order to recover the University's share of the scheme's past service deficit.

The scheme is valued every three years by professionally qualified independent actuaries with the rates of contribution payable being determined by the trustees on the advice of the actuaries. The results of the valuation as at 31 March 2022 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 2022, the fund was in surplus by £12m and assets were sufficient to cover just over 100% of the scheme's liabilities. This represented an improvement compared to the prior valuation which calculated a shortfall of £690m.

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

The results of the next valuation are due to be released in late 2025 and any changes to contribution rates will take effect from 1 April 2026.

Latest Actuarial Valuation of overall Lancashire Scheme

31 March 2022

	£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 2023 were:

	2022/23 (%)	2021/22 (%)
Price increases (CPI)	2.7	2.7
Salary increases	2.7	2.7
Pension increases	2.8	2.8
Discount rate	5.1	3.5

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

	2022/23 (Years)	2021/22 (Years)
<i>Retiring today</i>		
Males	21.0	22.3
Females	23.4	25.0
<i>Retiring in twenty years</i>		
Males	22.2	23.7
Females	25.2	26.8

Notes to the Financial Statements for the year ended 31 July 2023

22 Pension Schemes (continued)

Scheme assets

The assets in the scheme were:

	31 July 2023	Fair value as at 31 July 2022	31 July 2021
	£m	£m	£m
Equities	73,962	69,978	68,332
Government bonds	611	0	0
Other bonds	0	6,523	7,171
Property	14,517	16,160	13,531
Cash	917	2,372	2,841
Other	62,807	53,225	43,434
Total	152,814	148,258	135,309

The following amounts at 31 July 2023 were measured in accordance with the requirements of FRS102:

	Year Ended 31 July 2023 £'000	Year Ended 31 July 2022 £'000
Analysis of the amount shown in the balance sheet for Scheme		
Scheme assets	152,814	148,258
Scheme liabilities	(122,039)	(151,751)
Surplus / Deficit in the scheme	30,775	(3,493)
Asset ceiling adjustment (see below for explanation)	(30,775)	0
Net Asset / (Liability) (Note 15)	0	(3,493)
Analysis of the amount charged to staff costs (note 7):		
Current service cost	(2,911)	(5,153)
Employer contributions	2,247	2,322
Curtailments	0	(1)
Income and Expenditure Charge	(664)	(2,832)
Analysis of the amount charged to interest and other finance costs (note 8):		
Interest cost	(5,283)	(3,156)
Expected return on assets	5,200	2,169
Administrative expenses	(67)	(70)
Income and Expenditure Charge	(150)	(1,057)
Total Income and Expenditure Charge	(814)	(3,889)
Analysis of actuarial gain/(loss) in respect of Scheme		
Remeasurement of assets	(1,191)	10,342
Remeasurement of liabilities	36,273	52,965
Actuarial gain / (loss)	35,082	63,307
Asset ceiling adjustment (see below for explanation)	(30,775)	0
Total actuarial gain / (loss)	4,307	63,307
Movement in deficit in the year		
Deficit in scheme at beginning of year	(3,493)	(62,911)
Amount charged to staff costs	(664)	(2,832)
Amount charged to interest and other finance costs	(150)	(1,057)
Actuarial gain / (loss)	35,082	63,307
Surplus / (Deficit) in scheme at end of year	30,775	(3,493)
Asset ceiling adjustment (see below for explanation)	(30,775)	0
Net Asset / (Liability) (Note 15)	0	(3,493)

Asset Ceiling Adjustment

The FRS 102 valuation as set out above is based on a full assessment of the liabilities of the scheme as at 31 July 2023. Although this valuation shows a surplus of £30.8m, consideration of the Scheme's Funding Statement and Employer Risk Policy, alongside discussion with the Scheme and its actuary, have led to the University's judgement that it does not have an unconditional right to that surplus. FRS 102 states that "an entity shall recognise a plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus" and therefore an asset ceiling adjustment has been applied to bring the net position to nil.

Notes to the Financial Statements for the year ended 31 July 2023

22 Pension Schemes (continued)

History of experience gains and losses – LGPS

	31 July 2023	31 July 2022	Year to 31 July 2021	31 July 2020	31 July 2019
Difference between actual and expected return on scheme assets:					
Amount (£'000)	-1,191	10,342	14,641	-6,499	12,557
% of assets at end of year	-0.8%	7.0%	10.8%	-5.5%	10.4%

	Year Ended 31 July 2023 £'000	Year Ended 31 July 2022 £'000
Analysis of movement in the present value of LGPS liabilities		
Benefit obligation at beginning of period	151,751	198,220
Current service cost	2,911	5,153
Interest cost	5,283	3,156
Actual member contributions	756	793
Actuarial (gain) / loss	(36,273)	(52,965)
Curtailments	0	1
Actual benefit payments	(2,389)	(2,607)
Benefit obligation at end of period	122,039	151,751

Analysis of movement in the present value of LGPS assets

Fair value of plan assets at beginning of period	148,258	135,309
Interest on plan assets	5,200	2,169
Remeasurements (assets)	(1,191)	10,342
Administration expenses	(67)	(70)
Employer contributions	2,247	2,322
Member contributions	756	793
Benefits/transfers paid	(2,389)	(2,607)
Fair value of plan assets at end of period	152,814	148,258

Scottish Widows Pension Scheme

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

23 Accounting estimates and judgements

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

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

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

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

Calculation of the University's Local Government Pension Scheme assets and liabilities depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Mercer, a firm of consulting actuaries, is engaged, via Lancashire County Council, to provide the University with expert advice about the assumptions to be applied. A small change in these assumptions can lead to significant movements in the net liability. Details of the assumptions applied, after review by the University, are stated in Note 22.

Pension asset values are reported using estimated asset allocations prepared by the scheme actuary. Actual investment returns over a full year might deviate from those reported by the actuary in the valuation under FRS102. Asset values are calculated at each triennial valuation and, thereafter, it is rolled forward for accounting valuation purposes using investment returns, contributions received, and benefits paid out. The pension valuation as at 31 July 2023 used asset returns as at that date.

In 2022/23, the valuation showed a surplus of £30.8m. As set out in Note 22, the University has applied an asset ceiling on the basis of its judgement that it does not have an unconditional right to that surplus.

Notes to the Financial Statements for the year ended 31 July 2023

23 Accounting estimates and judgements (continued)

Accounting estimates and judgements - Valuation of land and buildings

The University's land and building values are measured using the revaluation method. The University has a policy of ensuring that all land and buildings are revalued at least every three years by a qualified external valuer, with annual reviews, such that the fair value is not materially different to the current value. A full revaluation took place at 31 July 2023 and the results are set out in Note 10. 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 2023 £'000	Year ended 31 July 2022 £'000
Access Investment	547	530
Financial Support	627	585
Disability Support (excluding expenditure included in the two categories above)	535	487
Research and Evaluation	60	57
	<hr/> 1,768	<hr/> 1,659

The University's Access and Participation Plan (APP), which was approved by the Office for Students, is available at <https://www.cumbria.ac.uk/about/publications/>

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 £0.94m (2021/22 £0.88m) of staff costs which are recorded within the totals in Note 7, outline the expenditure which was incurred by the University in 2022/23 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.

25 Company details

The University is an exempt charity, a company limited by guarantee, registered in England and Wales.

Registration Number: 06033238;
Registered Office Address: Fusehill Street, Carlisle, Cumbria, CA1 2HH

The University's subsidiary company, UoC Trading, is a company limited by guarantee, registered in England and Wales.

Registration Number: 02809881;
Registered Office Address: University Of Cumbria, Bowerham Road, Lancaster, Lancashire, LA1 3JD