

UNIVERSITY OF CUMBRIA

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST JULY 2009

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## Scope of the Financial Statements

The University Board of Directors present their report and the audited consolidated financial statements for the year ended 31 July 2009. The consolidated financial statements comprise the consolidated results of the University and its subsidiaries.

## Results for Year

The University's Consolidated Income and Expenditure Account for the year ended 31<sup>st</sup> July 2009 is summarised as follows:-

	<u>2009</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>
Income	79,183	74,972
Expenditure including taxation	<u>(92,434)</u>	<u>(82,630)</u>
Trading deficit	(13,251)	(7,658)
Exceptional item: impairment of fixed assets	-	(931)
Deficit for the year	<u>(13,251)</u>	<u>(8,589)</u>

The result for the year is unsatisfactory. The University is taking urgent action in order to address its financial position through a carefully managed programme of activity intended to:

1. Right size the University;
2. Restructure the University to improve efficiency and effectiveness, including rationalising its estate; and,
3. Introduce new management in order to turnaround the University's financial performance.

The trading deficit of £(13.25)m includes an FRS17 pension charge of £3.19m (2007/08: £1.82m) The underlying trading deficit is £(9.802)m (2007/08: £(5.57)m, after allowing for an impairment loss on fixed assets of £0.93m). The Board acknowledges that this result is unacceptable.

Since the year-end the University, under the leadership of its new Vice Chancellor, has been working with HEFCE and the Board to turnaround the University's financial position. A major turnaround programme is now in place. However, it should be noted that because significant restructuring costs will be incurred and because the underlying root causes of the University's financial problems are deeply structural, the University expects to incur a further large deficit in 2009/10, while it completes the turnaround programme. However, the Executive and the Board are confident that the actions now being taken should ensure a financially sustainable University beyond 2009/10. The structural problems facing the University are around:

1. Employing too many staff;
2. Operating from too many campuses;
3. Having too much estate of poor quality with high levels of backlog maintenance, and low levels of functional suitability;
4. Operating fundamentally uneconomic FE provision; and,
5. The income growth assumptions which underlay the original University business model were developed before the economic downturn and government funding restrictions.

## Income

Income increased by £4.2m over the year, representing a 5.6% increase in turnover. However, though grants and student fees held up well, overall student recruitment in 2008/09 did not achieve budget. There was a significant decline in enterprise income. The rise in expenditure of £9.8m exceeded the increase in income.

As the University's turnaround plan has been developed careful consideration has been given to future income levels. Future financial plans are informed by prudent assessments of future income, based on the available information. The University recognises that because of the difficult economic climate and

the uncertain political environment that income assumptions might need to be changed, and the University has contingency plans to deal with such eventualities.

### Expenditure

Total salary costs, including voluntary severance, rose by £5.0m or 9.3% and now represent 74% of turnover. As such they are among the highest in the higher education sector. Future staff costs will be reduced through the University's turnaround programme.

Bursary payments at £3.7m (2007/08: £2.3m) were also a significant cost. This reflects the scheme which the University operates as part of its "Access" agreement, but is also a consequence of a sustained and deliberate widening participation policy.

### Balance Sheet

There is a significant movement in Creditors between 'more than one year' and 'current' due to the reclassification of bank loans. The covenant with National Westminster Bank stipulated that "Net operating cash flow during each financial year shall not be less than total borrowing costs for such financial year". The actual performance meant that this covenant was breached. The covenant arrangements with Barclays Bank, Hefce and Cumbria County Council on long term loans have not been breached.

The balance sheet shows that the discretionary reserves of the University based on its past revenue performance now stand at £5.39m (2007/08: £15.19m). In the light of the anticipated loss in 2009/10 it should be expected that discretionary reserves will turn negative at the end of 2009/10, before the benefits of the University's right sizing and restructuring programme start to show.

### Charitable and Political Contributions

The University made no charitable or political contributions during the year.

### Employees

The University's policy is to consult and discuss with employees, through joint negotiating and consultative committee meetings, matters likely to affect employees' interests. The voluntary severance scheme, which has been mentioned above, was achieved through full negotiations with the trade unions.

The University has a legal duty to promote equality of opportunity in relation to gender, race and disability and the University actively seeks to prevent discrimination on the grounds of race, gender, disability, religion or belief, age and sexual orientation and any other reasons not relevant to a person's ability to work. The University holds Positive About Disabled People status which guarantees an interview to disabled applicants who meet the minimum essential criteria for a job vacancy. Reasonable adjustments are made to enable disabled staff to work and impact assessments are carried out, taking account of the different equality strands.

### Capital Projects and Estates

Significant improvements to University estate have been made in the year. The delay and uncertainty in terms of the planned major development on the Caldew site has meant that a significant proportion of consultancy fees incurred cannot be treated as part of the capital project. These costs had to be charged to the revenue account and amount to £985k (2007/08: £287k). Since year end the University Board has decided to defer the Caldew development for the foreseeable future, and at least for the duration of the new business plan period which extends until 2020.

The Lancaster Student gateway building, at a cost of £8.5m, was completed and formally transferred for University use in December 2008. The University has also continued to invest in its IT infrastructure, with £2.1m of further assets purchased in the year (2007/08: £1.6m). 2009/10 will be a year of consolidation in terms of the estate, with a significant investment (around £3m) in back-log maintenance and statutory compliance. Since the year end work has started to rationalise the University's estate and to develop a new estate strategy. Decisions have been taken to reduce academic activity at Ambleside and to mothball parts of that campus until such time as viable new business development plans are approved.

A fundamental review of operations at the Newton Rigg campus also is underway. No decisions have been taken about the future of this campus. However, recent analysis of its full economic cost illustrates that it generates a large deficit, and so action will be taken to address this situation.

### Significant Events

There was a change in Vice-Chancellors during the year, Professor Chris Carr left the University in April and Professor Peter McCaffery took up his post on 1<sup>st</sup> July 2009. Also, the previous Finance Director left the University after the year-end. An interim Finance Director has been overseeing the University's financial management since November 2009 and is overseeing the financial restructuring and right sizing of the University. In addition, because of the scale of the change programme and its business critical nature, the University has engaged an interim HR and Business Change Director to deliver the underlying change programme.

### Future Developments

The University has undertaken a review of its academic strategy, led by the Vice Chancellor and supported by HEFCE. This new strategy and associated business plan are now in place.

### Risks

The major risks now facing the University are connected with funding and financial sustainability. Major funders have indicated that there is likely to be a significant reduction in both capital and revenue funding. This will mean that both structures and processes in terms of cost control need to be tightly managed. All high risks are monitored by the University's Senior Management Team and the Strategy and Resources Committee. Audit Committee ensure that the process is robust and all Board members receive a copy of the full register. The biggest risk which the institution now faces is in terms of its financial stability given two years of poor revenue performance. Linked to the poor revenue performance is the consequential risk to cash flow. Both of these risks are being closely monitored by the Board.

### Conclusion

The University's financial performance since it was formed on 1 August 2007 has been unsatisfactory. The new Vice Chancellor, supported by the Board, HEFCE and other key stakeholders is a leading a major turnaround programme to ensure the financial sustainability of the University. The Board are confident that the actions being taken will ensure a financially sustainable University. The Board are reassured greatly by the strong support provided by HEFCE and the NWDA and other regional and national stakeholders, and are confident that the actions being taken now to right size and restructure the University will leave it fit for the future. The Board recognise that these are uncertain times both economically and politically. However, they have taken all reasonable measures to satisfy themselves that the University is a going concern, and that it should remain so for at least the period of the next business plan.

### Disclosure of information to auditors

The University Board of Directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditors are unaware; and each Director has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and establish that the University's auditors are aware of that information.

## **CORPORATE GOVERNANCE**

The following statement is provided to enable readers of the Annual Report and consolidated Financial Statements of the University to obtain a better understanding of the governance and legal structure of the institution.

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University conducts its business. Its Board of Directors acts in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to institutions of higher education which has been provided by the Committee of University Chairmen in its *Guide for Members of Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland*. The University has adopted the CUC Code of Practice. As part of this commitment, the Board has adopted a statement of primary responsibilities which is publicised on the University's web pages at [www.cumbria.ac.uk/Secretariat](http://www.cumbria.ac.uk/Secretariat). The Board also applies the principles set out in the *Combined Code on Corporate Governance* as revised in 2006.

The University is a company limited by guarantee and is an exempt charity. The incorporated University's structure of governance is as laid out in its Memorandum and Articles of Association, as revised and implemented on 1 August 2007.

The Memorandum and 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.

- The University Board, which meets at least six times each year, has ultimate responsibility for the management of the University, and, specifically, is responsible for the educational character and mission, strategic direction and finance, property and staffing.
- The University's Board of Directors comprises persons who are appointed in accordance with its Memorandum of Association. The Chair is the Venerable Peter Ballard and the Vice Chair is Mr Euan Cartwright.

The composition of the University Board is 21 independent Directors forming the majority. The membership includes the Vice Chancellor and via open elections a staff director and a student director. No members of the Board receive any reimbursement, other than travel costs, for the work that they do for it.

### University Board Directors

The University Board of Directors who held office during the year was as follows:

The Venerable Peter Ballard	<i>Chairman</i>
Mr Euan Cartwright	<i>Vice Chairman</i>
Mr Bill Broekhuizen, MBE	
Mr Ian Bullough	
Ms Marie Burnham	<i>(until 20 January 2009)</i>
Dame Alexandra Burslem DBE JP DL	
Professor Christopher John Carr	<i>Vice Chancellor (until 30 April 2009)</i>
Mr Robert Clarke, OBE	
Mr Andrew John Collier, CBE	
Mr Alan Cooper, OBE	
The Rt Rev'd Graham Dow	<i>(until 30 April 2009)</i>
Mr Ed Elvish	
Mr Neil Harris	<i>Acting Vice Chancellor (1 May – 30 June 2009)</i>
Mr Brian Hetherington	
The Revd Dr Canon David Jenkins	
Mrs Patricia Lowrie	
Prof Peter McCaffery	<i>Vice Chancellor (w.e.f. 1 July 2009)</i>
Mr Nick Pemberton	<i>Staff representative</i>
Ms Sian Rees	<i>(until 22 May 2009)</i>

Mr William Sang  
Mr Peter Simpson  
Ms Barbara Stephens, OBE  
Mr Daniel Sutcliffe

*Student representative*

- 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.
- It is the University Board's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.
- Throughout the gestation and development of the University, the Board benefited from the guidance and support of a Funders Forum. The members of this body were HEFCE, LSC, NWDA, NDA. The advised and supported the Board in its communication of development opportunities.

The University's Board of Directors has overall responsibility for the University's system of internal control and for reviewing its effectiveness. The system is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at the University of Cumbria for the year ended 31 July 2009 and up to the date of approval of the annual report and accounts.

The University Board has undertaken the following actions:

- Delegated day to day responsibility for the maintenance of a sound system of internal control to the Vice Chancellor and through him the University's Senior Management Team. This system supports achievement of the University's policies, aims and objectives, whilst safeguarding the public funds and assets for which the Board is responsible. Any material weaknesses or breakdowns in internal control must be reported to the University Board.
- Reviewed and updated the risk management strategy and policy.
- Agreed where principal management responsibility rests for risk management.
- Considered, approved, up-dated and kept under review its risk register
- Considered, approved, updated and kept under review an additional bespoke risk register relating to the development, approval and implementation of the Business Plan being submitted to the North West Development Agency and a risk register for the emerging estates strategy and capital project programme.
- Established two sub committees of the Board's Strategy and Resources Committee to undertake detailed scrutiny and have oversight for identified key risk areas in Enterprise and Capital Investment Projects
- Commissioned the Audit Committee to provide oversight of risk management issues.
- Invited the Audit Committee to provide advice on the effectiveness of the establishment and implementation of risk management.
- Agreed with the external providers of the internal audit function appropriate audit planning arrangements and also audit methodology and approach, so that the audit function conforms to the latest professional standards reflecting the adoption of risk management.

The University Board has ensured that its meeting calendar and agenda enable risk management and internal control to be considered on a regular basis during the year so that a full risk and control assessment could be undertaken before reporting on the year ended 31st July 2009.

The University Board receives regular reports from the chairman of the Audit Committee concerning 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.

In addition to the actions mentioned above, the University has further incorporated risk management in its overarching strategic performance and risk management framework, in particular through its development of the University's strategic planning and performance management processes and through its strategic and operational decision-making process. Work has also continued to strengthen the linkage of the budget setting process with the planning process, including risk. Risk Management is being embedded in the work of the Senior Management team and through it the Wider Management Group and through this to the Audit Committee of the University Board.

The University has an internal audit function which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in 2004. The internal auditors submit regular reports which include their independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement. The internal audit function reports to the Audit Committee and, for management purposes, to the Director of Resources, Finance and Estates.

The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the institution who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

The Chief Executive Officer is the Vice Chancellor who has a general responsibility to the University Board for the maintenance of a sound system of internal control, organisation, direction and management of the University. Under the terms of the formal Financial Memorandum between the University and the Higher Education Funding Council for England, the Vice Chancellor is the designated officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

The University's Board of Directors met six times in 2008/9. It is supported in its work by a number of sub-committees, including the Strategy and Resources Committee, the Audit Committee, the Nominations Committee, the Remuneration Committee and the Employment Policy Committee. All of these Committees are formally constituted with terms of reference. They are composed of Directors of the University Board, other than staff or student Directors, one of whom is the Chair. The Audit Committee has an additional Associate Director, an external member, with appropriate expertise, who is not a member of the University Board. The Strategy and Resources Committee has two sub committees, the Enterprise Sub Committee and the Capital Investment Sub Committee to over see particular complex areas of work, identified as strategically important and therefore potential risk areas. They are composed with Directors of the University Board, one of whom is chair, together with up to two associate Directors with appropriate external expertise.

In respect of its strategic and development responsibilities, the University Board receives recommendations and advice from the Strategy and Resources Committee. It recommends to the University Board the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets and overall performance against the strategic plan.

The Nominations Committee considers nominations for appointment to the Board and its sub-committees. The University Board was formally constituted on 1 August 2007 following the establishment of the University. During the 2008/9 year four Directors resigned from the Board resulting in four vacancies. One of these was the result of the incumbent Vice Chancellor retiring in April 2009 with his successor taking up post in July 2009. The Nominations Committee did meet to consider and then recommend approval to the Board replacements with effect from 1 August 2009. Nominations Committee also met to consider and approve the appointment of an Associate Director to the Capital Investment Sub Committee.

The Remuneration Committee determines the remuneration and conditions of service of the most senior staff, including the Vice Chancellor.

The Audit Committee meets at least four times a year, with the University's external and internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans.

In the autumn of 2008 it became clear that following merger, the University's student data record for 2007/8 contained a high number of errors. A Working Group led by the Pro Vice Chancellor (Academic)



was established, an action plan drawn up and Internal Audit engaged to provide detailed scrutiny, advice and support. The first phase of work to review core processes (admission to registration interface, automated progression for assessment and new course set up) has been undertaken. New processes including regular data audits are now fully operational for 2009/10. This work has been subject to regular review by Audit Committee. The work undertaken in phase 1 has resulted in improvements to the data quality of the student record, as noted by the auditors in the HEFCE Data Audit undertaken in July 2009.

A programme of work has been agreed for 2009/10 to further enhance the robustness and quality of the data in respect of student records. This work is again being supported by the University's internal auditors and will continue to be reviewed by Audit Committee.

In the course of the year Internal Audit through its work on student records management identified two priority 1 recommendations in Admissions requiring immediate action. Management responses were received to these and appropriate actions taken. Internal Audit also identified a number of recommendations in relation to high level financial controls and risk management. These too received management responses and appropriate actions were taken.

The Committee also receives and considers reports from the Funding Councils as they affect the University's business and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit 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 Audit Committee also receives regular reports from the internal audit service, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal financial control. The University Board receives regular reports from the Audit Committee which include recommendations for improvement. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2009 meeting, the University Board carried out the annual assessment for the year ended 31st July 2009 by considering documentation from the Audit Committee.

The Audit Committee has worked proactively to discharge its responsibilities and to report on its work to the Board. Given the University's business performance in 2007/8 and 2008/9 and the very changed operating environment, the Committee recognises the need for it and the Board to have in place enhanced governance scrutiny and oversight to ensure there are effective plans and systems in place to manage the risks. The Committee, while recognising much work has been undertaken to improve the quality, robustness and consistency of financial and student contract management information is clear that further work must be undertaken to ensure the risks and controls framework is appropriate.

The work undertaken in the year and as highlighted in the External Audit Management Letter demonstrates the University has problems with its internal controls and systems, particularly financial. In the light of this the Audit Committee has reviewed the risks to the University and has identified the need for urgent work to be undertaken to address the significant weaknesses identified with respect to the financial internal controls and systems and for the progress made in respect of student management information to be continued and further improved.

On the basis of the information provided to it the Audit Committee recommends to the Board that urgent management action is taken to address these issues identified in respect of the internal controls and systems and that full support be given to the Vice Chancellor in taking forward this work as a priority. Subject to this work being undertaken, together with the additional arrangements put in place to manage the risk exposure identified in respect of student data management and to address the "at higher risk" status, the Committee believes the University will be able to place reliance on the internal control and risk management systems in the University. Its advice to the University Board is that the responsibilities of the University Board which were reflected in the statement accompanying the financial statements for the year 2008-2009 have been discharged.

The Employment Policy Committee meets at least three times a year. The Committee inter alia considers and recommends to the University Board on matters of Human Resource strategy and policy and monitors performance in relation to the approved HR Strategy. It also considers and recommends to the University Board on matters in respect of Health and Safety strategy and policy and Equality, Diversity and Inclusivity strategy and policy.

As chief executive, 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. Other senior staff contribute in various ways to this aspect of the work, but the ultimate responsibility for what is done rests with the Vice Chancellor.

The University maintains a Register of Interests of Directors of the University Board and University Management Team members which may be consulted by arrangement with the Secretary to the University Board.

The University Board has considered and approved a Public Disclosure Policy which can be found within the Human Resources Handbook and an Anti Fraud Policy both of which can be found at [www.cumbria.ac.uk](http://www.cumbria.ac.uk).

The Secretary to the University Board, who is also a member of the Senior Management Team, provides independent advice on matters of governance to the Board and all Directors. Furthermore, the Directors are able to procure independent professional advice, as may be necessary, at the University's expense.

By Order of the University Board

.....  
THE VENERABLE PETER BALLARD - CHAIRMAN OF THE BOARD OF DIRECTORS

.....  
PROF. PETER McCAFFERY - VICE-CHANCELLOR AND CHIEF EXECUTIVE

Date: 25 March 2010

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS OF THE UNIVERSITY OF CUMBRIA

The Board of Directors is responsible for the administration and management of the University's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Board of Directors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions except for the basis of preparation as set out earlier, and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the University Board of Directors, the Board of Directors, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the University's state of affairs and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board of Directors has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Board of Directors is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The University Board of Directors is required to prepare a 'report of the Board' and confirms it has taken reasonable steps to:-

- ensure that funds from the Training and Development Agency have been applied for the purposes for which they were received and in compliance with the terms and conditions to which they are subject;
- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that funds from the Learning and Skills Council for England are used only for the purposes for which they have been given and in accordance with the Funding Guidance for FE and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

## UNIVERSITY OF CUMBRIA

### INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF THE UNIVERSITY OF CUMBRIA

#### **Independent auditors' report to the Board of Directors and the members of the University of Cumbria**

We have audited the financial statements of the University of Cumbria for the year ended 31 July 2009 set out on pages 18 to 42. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Board of Directors, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988 and to the company's members as a body in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Board of Directors and to the company's members 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 Board of Directors and other to the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Responsibilities set out on page 4, the University Board of Directors is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and International Standards on Auditing (UK and Ireland). Those auditing standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. It also includes those audit matters specified within the Audit Code of Practice issued by the Higher Education Funding Council for England.

#### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2009 and of the Group's deficit of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Statement of Recommended Practice: Accounting for Further and Higher Education and the Companies Act 2006.

#### **Opinion on regularity matters**

In our opinion:

- in all material respects, income from the Higher Education Funding Council for England, the Training and Development Agency for Schools and the Learning and Skills Council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2009 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2009 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England, the funding agreement with the Training and Development Agency for Schools and the funding agreement with the Learning and Skills Council.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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;
- the University's financial statements are not in agreement with the accounting records and returns;
- certain disclosures of directors' remuneration specified by law are not made; and
- we have not received all the information and explanations we require for our audit.

**Trevor Rees (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
St James Square  
Manchester  
M2 6DS

Date:

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below.

### a) Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (the SORP) and in accordance with applicable Accounting Standards. They conform to guidance published by the LSC in the Accounts Direction Handbook. The statements are produced on a going concern basis which the university believes to be appropriate for the following reasons:

1. The University is undertaking a major turnaround change programme to right size and restructure its operations to ensure future financial viability.
2. The University has prepared a new business plan with an underlying financial plan to reflect its priorities going forward. In particular the University has reviewed its 12 month financial plans, income and expenditure and cash flow, from the date of approval of these financial statements, and it has satisfied itself that with the support of a repayable cash grant from HEFCE, the University is financially viable as an independent entity at least for this period, and that as a consequence of the significant cost reductions planned as a part of the turnaround programme that it will be financially viable for the foreseeable future.
3. The University will incur significant non recurring restructuring costs in 2009/10, and anticipates incurring a further large loss in that financial year. As a consequence it is likely that the University's income and expenditure reserves will turn negative at the end of the 2009/10 financial year. However, because the turnaround will result in significant enduring cost reductions, it is expected that the University will become financially self sustaining from 2010/11 onwards.
4. The University has considered its financial future under a range of different scenarios in order to reflect the uncertainties inherent in the current economic and political environment. By so doing the University has been able to satisfy itself that it is financially sustainable.

For the preparation of these financial statements and the comparison figures, the results for the year ending 31 July 2009 are the consolidated results and position for the University and its subsidiaries.

### b) Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

### c) Students' Union

In the case of the University of Cumbria the degree of independence of the Students' Union is such that the financial statements of the latter are not consolidated as the University does not have control of Students' Union activities. There are no formal guarantees relating to borrowing of the Student Union and thus no contingent liability is disclosed.

### d) Income and Expenditure

The Consolidated Income and Expenditure Account relate to the total activities of the University and follow a standard classification as recommended in the accounting policies for HEFCE Institutions. The Notes to the Consolidated Financial Statements provide supplementary information on specified activities.

### e) Recognition of Income

A prudent approach to the recognition of income has been taken which is detailed in the following paragraphs.

Income from research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Income from specific endowments and donations is included to the extent of the relevant expenditure incurred during the year, together with any related contributions towards overhead costs.

Recurrent grants from the Funding Councils are recognised in the period in which they are receivable.

Non-recurrent grants from the Funding Councils or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

f) Tuition Fees / Short Term Deposits

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors. Income from short term deposits is credited to the income and expenditure account in the period in which it is earned.

g) Pension Schemes

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. Cumbria Pension Service administered the scheme for the employees of the former Cumbria Institute of the Arts. All relevant employees were transferred into the Lancashire Pension Service scheme as at 1 August 2007; however the transfer of the assets and liabilities relating to the former Cumbria Institute of the Arts employees has not yet transferred from the Cumbria Pension Service. This continues to be worked on.

Contributions to the TPS are charged to the income and expenditure so as to spread the cost of pensions over employees' working lives with the University in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method.

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

h) Tangible Fixed Assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Assets under construction are accounted for at cost, based on the value of the architect's certificates and other direct costs incurred as at 31 July. They are not depreciated until they are brought into use.

Land and buildings were received on 1 August 2007 from the two predecessor bodies (St Martin's College and Cumbria Institute of the Arts) plus elements of UCLan estate (including Newton Rigg Farm). These were revalued in the year as at 1 August 2007 and depreciation is being charge on the revalued figure over their useful economic lives. Depreciation is provided for on all assets with a finite useful life at rates expected to write off the cost of assets against revenue on a straight line basis. The rates of depreciation generally applicable are:-

Furniture and Equipment	20%	Per Annum
Computers	33.3%	Per Annum
Motor Vehicles	33.3%	Per Annum
Buildings	2%	Per Annum

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Equipment costing less than £2,000 per individual item is written off to the consolidated income and expenditure account in the year of acquisition. All other equipment is capitalised at cost.

Equipment brought into the accounts from Cumbria Institute of the Arts had a capitalisation limit of £1,000; these assets were brought onto the University's asset register as fixed assets and are depreciated in line with the above rates. The residual amount is considered immaterial and therefore not adjusted.

i) Stock

Stocks are stated at the lower of cost or net realisable value. The application of this policy results in the following practice:

- Catering and bar stocks are brought into the consolidated accounts at cost price;
- Livestock is valued at current market value and other agricultural stock at input-cost price;
- Central stationery stocks, building maintenance stocks and stocks of consumable materials held in academic departments are not brought into account.

j) Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of ICTA 1988 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. For this reason the University is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

The University's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.



k) Leased Assets

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Leasing agreements which transfer to the University substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

l) Provisions

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

m) Investments

Listed investments held as fixed assets or endowment assets are stated at market value. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

n) Agency Arrangements

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

UNIVERSITY OF CUMBRIA

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 JULY 2009

	Notes	Year Ended 31 July 2009 £'000	Year Ended 31 July 2008 £'000
<b>Income</b>			
Funding body grants	1	38,968	37,111
Tuition fees and education contracts	2	26,096	23,696
Research grants and contracts	3	192	46
Other income	4	13,899	13,930
Endowment and investment income	5	28	189
<b>Total income</b>		<b>79,183</b>	<b>74,972</b>
<b>Expenditure</b>			
Staff costs	6	56,404	52,221
Voluntary severance costs	6	1,932	1,139
Other operating expenses		28,107	24,108
Depreciation	10	4,177	4,107
Interest and other finance costs	7	1,814	1,055
<b>Total expenditure</b>	<b>8</b>	<b>92,434</b>	<b>82,630</b>
<b>Deficit after depreciation of tangible fixed assets and before tax</b>		<b>(13,251)</b>	<b>(7,658)</b>
Taxation		0	0
<b>Deficit before exceptional items</b>		<b>(13,251)</b>	<b>(7,658)</b>
Exceptional items: continuing operations	9		
Impairment loss on fixed assets		0	(931)
<b>Deficit for the year retained within general reserves</b>		<b>(13,251)</b>	<b>(8,589)</b>

All items of income and expenditure arise from continuing operations

UNIVERSITY OF CUMBRIA

STATEMENT OF GROUP HISTORICAL COSTS SURPLUSES AND DEFICITS  
FOR THE YEAR ENDED 31 JULY 2009

	Notes	Year Ended 31 July 2009 £'000	Year Ended 31 July 2008 £'000
<b>Deficit on continuing operations before taxation</b>		<b>(13,251)</b>	<b>(8,589)</b>
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	20	258	268
<b>Historical cost deficit for the year before taxation</b>		<b><u>(12,993)</u></b>	<b><u>(8,321)</u></b>
<b>Historical cost deficit for the year after taxation</b>		<b><u>(12,993)</u></b>	<b><u>(8,321)</u></b>

UNIVERSITY OF CUMBRIA

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 JULY 2009

	Notes	Year Ended 31 July 2009 £'000	Year Ended 31 July 2008 £'000
<b>Deficit on continuing operations after depreciation of assets, disposal of assets and tax</b>		<b>(13,251)</b>	<b>(8,589)</b>
Unrealised surplus on revaluation of fixed assets and investments	20	0	13,196
Impairment of existing reserve		0	(1,437)
New endowments	19	50	83
Expenditure of endowments	19	(34)	(38)
Actuarial gain / (loss) in respect of pension schemes	30	892	(8,575)
<b>Total recognised (losses) / gains relating to the year</b>		<b><u>(12,343)</u></b>	<b><u>(5,360)</u></b>
<b>Reconciliation</b>			
Opening reserves and endowments		8,594	13,954
Total recognised gains for the year		(12,343)	(5,360)
<b>Closing reserves and endowments</b>		<b><u>(3,749)</u></b>	<b><u>8,594</u></b>

The statement of principal accounting policies on pages 14 to 17 and the notes on pages 23 to 42 form part of these financial statements

UNIVERSITY OF CUMBRIA

BALANCE SHEET  
AS AT 31 JULY 2009

	Notes	Year Ended 31 July 2009		Year Ended 31 July 2008	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Fixed assets</b>					
Tangible assets	10	78,212	78,092	76,290	76,271
Investments	11	10	230	15	230
		<u>78,222</u>	<u>78,322</u>	<u>76,305</u>	<u>76,501</u>
<b>Endowment assets</b>	12	<u>137</u>	<u>137</u>	<u>121</u>	<u>121</u>
<b>Current assets</b>					
Stocks	13	254	63	207	60
Debtors	14	3,541	3,994	3,674	4,391
Cash at bank and in hand		317	91	471	58
		<u>4,112</u>	<u>4,148</u>	<u>4,352</u>	<u>4,509</u>
Less creditors: amounts falling due within one year	15	(28,627)	(28,648)	(11,672)	(11,507)
<b>Net current assets / (liabilities)</b>		<u>(24,515)</u>	<u>(24,500)</u>	<u>(7,320)</u>	<u>(6,998)</u>
<b>Total assets less current liabilities</b>		<b>53,844</b>	<b>53,959</b>	<b>69,106</b>	<b>69,624</b>
Debtors: amounts falling due after more than one year	14	0	668	0	668
Less creditors: amounts falling due after more than one year	16	(4,416)	(4,416)	(10,531)	(10,531)
Less: provisions for liabilities	17	(855)	(903)	(835)	(883)
<b>Total net assets excluding pension liability</b>		<u>48,573</u>	<u>49,308</u>	<u>57,740</u>	<u>58,878</u>
Net pension liability		(21,948)	(21,948)	(19,647)	(19,647)
<b>Total net assets including pension liability</b>		<u>26,625</u>	<u>27,360</u>	<u>38,093</u>	<u>39,231</u>
<b>Deferred capital grants</b>	18	<b>30,374</b>	<b>30,374</b>	<b>29,499</b>	<b>29,499</b>
<b>Endowments</b>	19				
Expendable		9	9	9	9
Permanent		128	128	112	112
		<u>137</u>	<u>137</u>	<u>121</u>	<u>121</u>
<b>Reserves</b>	20				
Income and expenditure account excluding pension reserve		5,392	6,149	15,192	16,352
Pension reserve		(21,948)	(21,948)	(19,647)	(19,647)
Income and expenditure account including pension reserve		<u>(16,556)</u>	<u>(15,799)</u>	<u>(4,455)</u>	<u>(3,295)</u>
Revaluation reserve		12,670	12,648	12,928	12,906
<b>Total funds</b>		<u>26,625</u>	<u>27,360</u>	<u>38,093</u>	<u>39,231</u>

The financial statements were approved by the University Board on 25/03/2010 and were signed on its behalf on that date by:

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The Venerable Peter Ballard, Chairman of the Board of Directors

\_\_\_\_\_

Professor Peter McCaffery, Vice Chancellor

UNIVERSITY OF CUMBRIA

CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 JULY 2009

	Notes	Year Ended 31 July 2009 £'000	Year Ended 31 July 2008 £'000
Net cash inflow / (outflow) from operating activities	21	(3,617)	(6,634)
Returns on investments and servicing of finance	22	(826)	(585)
Capital expenditure and financial investment	23	4,648	(4,565)
Financing	24	(343)	(497)
<b>Increase / (decrease) in cash in the year</b>	<b>25</b>	<b><u>(138)</u></b>	<b><u>(12,281)</u></b>
<b>Reconciliation of net cash flow to movement in debt</b>			
<b>Increase / (decrease) in cash in the year</b>		<b>(138)</b>	<b>(12,281)</b>
Change in debt	24	343	497
<b>Change in net debt</b>		<b><u>205</u></b>	<b><u>(11,784)</u></b>
Net funds / (debt) at 1 August		(10,451)	1,333
<b>Net funds / (debt) at 31 July</b>	<b>25</b>	<b><u>(10,246)</u></b>	<b><u>(10,451)</u></b>

The statement of principal accounting policies on pages 14 to 17 and the notes on pages 23 to 42 form part of these financial statements

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2009

	Notes	Year Ended 31 July 2009 £'000	Year Ended 31 July 2008 £'000
<b>1 Funding body grants</b>			
<b>Recurrent grant</b>			
Gross Higher Education Funding Council (HEFCE)		18,580	17,789
Clawback relating to the current year		(1,313)	(1,106)
Clawback relating to the previous year		(333)	0
Net HEFCE		<u>16,934</u>	<u>16,683</u>
Learning Skills Council (LSC)		3,910	3,563
Training and Development Agency (TDA)		14,732	14,125
<b>Specific grants</b>			
Higher Education Innovation Fund		599	549
HEFCE Inherited Liabilities		82	5
HEFCE - JISC		57	81
HEFCE - Cumbria Higher Learning		629	397
HEFCE - Employer Engagement		123	45
HEFCE - Management Capability Funding		100	42
HEFCE - Research		298	298
HEFCE - Aimhigher		601	0
HEFCE - Economic Challenge Innovation Fund		14	0
HEFCE - ALF admin allowance		10	0
LSC - Work Based Learning		66	346
TDA - Secondary Subject Shortage Scheme administration fee		2	0
<b>Deferred capital grants released in year</b>			
Buildings	18	358	590
Equipment	18	453	387
		<u>38,968</u>	<u>37,111</u>
<b>2 Tuition fees and education contracts</b>			
Full-time home and EU students		14,048	11,949
Full-time international students		351	508
Part-time students		1,996	2,050
		<u>16,395</u>	<u>14,507</u>
Education contracts		9,701	9,189
		<u>26,096</u>	<u>23,696</u>
<b>3 Research grants and contracts</b>			
Research councils and charities		192	46
		<u>192</u>	<u>46</u>
<b>4 Other income</b>			
Residences, catering and conferences		5,436	5,190
Release from deferred capital grants	18	1,746	209
Other income		6,717	8,531
		<u>13,899</u>	<u>13,930</u>
<b>5 Endowment and investment income</b>			
Income from short term investments		28	189
		<u>28</u>	<u>189</u>

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2009

	Notes	Year Ended 31 July 2009 £'000	Year Ended 31 July 2008 £'000
<b>6 Staff costs</b>			
<b>Staff costs:</b>			
Salaries		45,364	42,575
Social security costs		3,471	3,270
Other pension costs	30	7,569	6,376
<b>Total</b>		<b><u>56,404</u></b>	<b><u>52,221</u></b>
		£	£
<b>Annual emoluments of the Vice-chancellor</b>			
Salary		207,988	177,490
Benefits		6,563	4,363
Pension contributions		22,123	22,419
		<b><u>236,674</u></b>	<b><u>204,272</u></b>
<p>There were two Vice-chancellors in office during the year, one from 1st August 2008 to 30th April 2009, the other from 1st July 2009 onwards. During the interim period there was an Acting Vice-chancellor who was an existing member of Directorate.</p>			
<b>Annual remuneration of other higher paid staff, including employer's pension contributions</b>			
		No	No
£100,001 to £110,000		4	4
£110,001 to £120,000		1	0
£120,001 to £130,000		0	0
£130,001 to £140,000		0	0
£140,001 to £150,000		0	0
£150,001 to £160,000		0	0
£160,001 to £170,000		1	0
£170,001 to £180,000		0	0
£180,001 to £190,000		0	1
		<b><u>6</u></b>	<b><u>5</u></b>
<b>Average staff numbers by major category</b>			
Academic departments		536	551
Support services		874	875
		<b><u>1,410</u></b>	<b><u>1,426</u></b>
<b>Severance payments</b>			
		£'000	£'000
Severance payments, including those made in line with a voluntary severance scheme that was in operation during the year		<b><u>1,932</u></b>	<b><u>1,139</u></b>



UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2009

	Notes	Year Ended 31 July 2009 £'000	Year Ended 31 July 2008 £'000
<b>7 Interest and other finance costs</b>			
Loans wholly repayable within five years		708	0
Repayable wholly or partly in more than five years		145	766
Finance leases		1	8
Net charge on pension scheme	30	960	281
		<u>1,814</u>	<u>1,055</u>

**8 Analysis of total expenditure by activity**

Academic departments	42,088	40,575
Academic services	8,811	8,469
Administration and central services	29,580	19,383
Premises	7,042	7,369
Residences, catering and conferences	2,898	4,997
Research grants and contracts	508	360
Others	1,507	1,477
	<u>92,434</u>	<u>82,630</u>

Other operating expenses include:

External auditors' remuneration in respect of audit services	68	66
External auditors' remuneration in respect of non-audit services	73	41
In year operating lease rentals		
Land and buildings	654	
Other	<u>472</u>	

**9 Exceptional items**

Impairment loss on fixed assets following a revaluation exercise carried out by independent assessors on 1 August 2007	<u>0</u>	<u>931</u>
	<u>0</u>	<u>931</u>

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2009

10 Tangible assets

	Freehold Land and Buildings £'000	Furniture and Equipment £'000	Motor Vehicles £'000	Computers £'000	Assets in the Course of Construction £'000	Total £'000
<b>Consolidated</b>						
<b>Cost and valuation</b>						
At 31 July 2008	65,379	4,279	482	7,032	5,776	82,948
Additions - at cost	79	54	20	44	5,902	6,099
Transfers	7,534	1,665	0	516	(9,715)	0
<b>At 31 July 2009</b>	<b>72,992</b>	<b>5,998</b>	<b>502</b>	<b>7,592</b>	<b>1,963</b>	<b>89,047</b>
<b>Depreciation</b>						
At 31 July 2008	1,297	2,069	335	2,932	25	6,658
Charge for the year	1,349	910	66	1,852	0	4,177
<b>At 31 July 2009</b>	<b>2,646</b>	<b>2,979</b>	<b>401</b>	<b>4,784</b>	<b>25</b>	<b>10,835</b>
<b>Net book value</b>						
<b>At 31 July 2009</b>	<b>70,346</b>	<b>3,019</b>	<b>101</b>	<b>2,808</b>	<b>1,938</b>	<b>78,212</b>
<b>At 31 July 2008</b>	<b>64,082</b>	<b>2,210</b>	<b>147</b>	<b>4,100</b>	<b>5,751</b>	<b>76,290</b>
<b>University</b>						
<b>Cost and valuation</b>						
At 31 July 2008	65,379	4,024	391	7,034	5,776	82,604
Additions - at cost	0	35	3	44	5,902	5,984
Transfers	7,534	1,665	0	516	(9,715)	0
<b>At 31 July 2009</b>	<b>72,913</b>	<b>5,724</b>	<b>394</b>	<b>7,594</b>	<b>1,963</b>	<b>88,588</b>
<b>Depreciation</b>						
At 31 July 2008	1,297	1,831	246	2,934	25	6,333
Charge for the year	1,348	900	63	1,852	0	4,163
<b>At 31 July 2009</b>	<b>2,645</b>	<b>2,731</b>	<b>309</b>	<b>4,786</b>	<b>25</b>	<b>10,496</b>
<b>Net book value</b>						
<b>At 31 July 2009</b>	<b>70,268</b>	<b>2,993</b>	<b>85</b>	<b>2,808</b>	<b>1,938</b>	<b>78,092</b>
<b>At 31 July 2008</b>	<b>64,082</b>	<b>2,193</b>	<b>145</b>	<b>4,100</b>	<b>5,751</b>	<b>76,271</b>

Revaluation of land and buildings was carried out by CB Richard Ellis Limited on 1 August 2007, on the basis of existing use. The valuer was qualified for the purpose of the valuation in accordance with RICS Appraisal and Valuation Standards.

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2009

10 Tangible assets (continued)

All assets shown in the balance sheet are included at historical cost value, with exception of Freehold Land and Buildings, which are shown at revalued amounts.

The University also has the use of land and buildings owned by the Church of England Central Board of Finance, which are not on the balance sheet. The Board of Directors of the University act as Trustees for the Church of England.

Assets held under finance leases

	Year Ended 31 July 2009 £'000	Year Ended 31 July 2008 £'000
<b>Consolidated motor vehicles</b>		
Cost at 1 August	0	61
Accumulated depreciation at 1 August	0	(41)
Charge for year	0	(20)
Net book value at 31 July	<u>0</u>	<u>0</u>

These assets have already been fully depreciated, as they were depreciated over the University's standard useful economic life for motor vehicles (three years).

11 Investments

Notes	Year Ended 31 July 2009		Year Ended 31 July 2008	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Subsidiary companies	31	0	230	0
Other fixed asset investments:				
Genus Limited	10	0	15	0
	<u>10</u>	<u>230</u>	<u>15</u>	<u>230</u>

The fixed asset investments have been valued at market value.

12 Endowment assets (consolidated and university)

	31 July 2009 £'000	31 July 2008 £'000
Balance at 1 August	121	101
New endowments invested	50	83
Decrease in cash balances held for endowment funds	(34)	(63)
<b>Balance at 31 July</b>	<u>137</u>	<u>121</u>

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2009

	Year Ended 31 July 2009		Year Ended 31 July 2008	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>13 Stock</b>				
<b>Stocks of goods for resale</b>	<b>254</b>	<b>63</b>	<b>207</b>	<b>60</b>
<b>14 Debtors</b>				
Amounts falling due within one year:				
Debtors	1,863	1,864	2,734	2,734
Prepayments and accrued income	1,678	1,730	940	942
Amounts due from subsidiary companies	0	400	0	715
	<b>3,541</b>	<b>3,994</b>	<b>3,674</b>	<b>4,391</b>
Amounts falling due after more than one year:				
Amounts due from subsidiary companies	0	668	0	668
	<b>3,541</b>	<b>4,662</b>	<b>3,674</b>	<b>5,059</b>
<b>15 Creditors: amounts falling due within one year</b>				
Secured loans	8,928	8,928	501	501
Obligations under finance leases	13	13	11	11
Trade creditors	3,995	3,966	3,059	3,061
Social security and other taxation payable	1,310	1,310	2,218	2,220
Accruals and deferred income	14,381	14,431	5,883	5,714
	<b>28,627</b>	<b>28,648</b>	<b>11,672</b>	<b>11,507</b>
<b>16 Creditors: amounts falling due after more than one year</b>				
Amounts due to funding bodies after more than one year	2,657	2,657	0	0
Analysis of secured loans and finance leases:				
Due within one year or on demand	8,941	8,941	512	512
Due between one and two years	160	160	505	505
Due between two and five years	282	282	1,419	1,419
Due in five years or more	1,317	1,317	8,607	8,607
	<b>10,700</b>	<b>10,700</b>	<b>11,043</b>	<b>11,043</b>
Due within one year or on demand	(8,941)	(8,941)	(512)	(512)
	<b>4,416</b>	<b>4,416</b>	<b>10,531</b>	<b>10,531</b>
<b>Amounts due to funding bodies, secured loans and finance leases repayable by 2039</b>	<b>4,416</b>	<b>4,416</b>	<b>10,531</b>	<b>10,531</b>

The amount due to funding bodies relates to clawback from HEFCE.

The comparatives for loans include borrowings from the National Westminster Bank plc, which are secured by a first legal charge over the Lancaster campus, Bowerham Road, Lancaster, over Mill Hall, Moor Lane, Lancaster and over the University's campus at Fusehill Street, Carlisle. In addition, the bank also has a floating charge over the University's other assets, including its current assets.

These particular loans, totalling £8,777k, have been disclosed as amounts falling due within one year, as the bank covenants have been breached and the amounts are therefore technically repayable on demand. If the loans had not been reclassified, the amount shown as due within one year on these loans would have been £354k. The true repayment periods on these loans range from twelve to twenty-six years.

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2009

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

Loans include the following:

Lender	Amount Outstanding 31 July 2009 £'000	Term	Interest rate	Security
Cumbria County Council	522	Indefinite (reducing balance)	4.8% plus 1.5% debt management fee	Unsecured Fixed charge over halls of residence at Brampton Road campus
Barclays Bank plc	1,061	2020	10.740%	Unsecured
HEFCE	142	2011	0.000%	Unsecured
HEFCE	180	Indefinite	0.000%	Unsecured
	<b>1,905</b>			

The loans from the National Westminster Bank plc are secured by a first legal charge over the Lancaster campus, Bowerham Road, Lancaster, over Mill Hall, Moor Lane, Lancaster and over the University's campus at Fusehill Street, Carlisle. In addition, the bank also has a floating charge over the University's other assets, including its current assets.

17 Provisions for liabilities

	Restructuring Costs £'000	Enhanced Pension Costs £'000	Total £'000
<b>Consolidated</b>			
At 1 August 2008	0	835	835
Utilised in year	0	(61)	(61)
Transfer from income and expenditure account	0	81	81
<b>At 31 July 2009</b>	<b>0</b>	<b>855</b>	<b>855</b>
<b>University</b>			
At 1 August 2008	48	835	883
Utilised in year	0	(61)	(61)
Transfer from income and expenditure account	0	81	81
<b>At 31 July 2009</b>	<b>48</b>	<b>855</b>	<b>903</b>

The assumptions for calculating the provision for enhanced pension costs under Financial Reporting Standard 17, Retirement Benefits, are as follows:

	31 July 2009	
	Consolidated %	University %
Interest rate	6.2%	6.2%
Net interest rate	2.5%	2.5%

The enhanced pension provision relates to the cost of staff who have already left the university's employ and commitments for reorganisation costs from which the University cannot reasonably withdraw at the balance sheet date.

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
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18 Deferred capital grants

	Funding Council £'000	Other Grants £'000	Total £'000
<b>Consolidated</b>			
<b>At 1 August 2008</b>			
Buildings	16,944	11,663	28,607
Equipment	754	138	892
<b>Total</b>	<b>17,698</b>	<b>11,801</b>	<b>29,499</b>
<b>Cash receivable</b>			
Buildings	4,565	3,046	7,611
Equipment	3,047	73	3,120
<b>Total</b>	<b>7,612</b>	<b>3,119</b>	<b>10,731</b>
<b>Reclassification of opening balances</b>			
Buildings	0	(456)	(456)
Equipment	0	456	456
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Released to income and expenditure account</b>			
Buildings (notes 1 and 4)	(358)	(1,671)	(2,029)
Equipment (notes 1 and 4)	(453)	(75)	(528)
<b>Total</b>	<b>(811)</b>	<b>(1,746)</b>	<b>(2,557)</b>
<b>Reclassified as deferred income - buildings</b>			
	<b>(2,764)</b>	<b>(4,535)</b>	<b>(7,299)</b>
<b>At 31 July 2009</b>			
Buildings	18,387	8,047	26,434
Equipment	3,348	592	3,940
<b>Total</b>	<b>21,735</b>	<b>8,639</b>	<b>30,374</b>
<b>University</b>			
<b>At 1 August 2008</b>			
Buildings	16,944	11,663	28,607
Equipment	753	139	892
<b>Total</b>	<b>17,697</b>	<b>11,802</b>	<b>29,499</b>
<b>Cash receivable</b>			
Buildings	4,562	3,046	7,608
Equipment	3,050	72	3,122
<b>Total</b>	<b>7,612</b>	<b>3,118</b>	<b>10,730</b>
<b>Reclassification of opening balances</b>			
Buildings	0	(456)	(456)
Equipment	0	456	456
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Released to income and expenditure account</b>			
Buildings	(355)	(1,671)	(2,026)
Equipment	(455)	(75)	(530)
<b>Total</b>	<b>(810)</b>	<b>(1,746)</b>	<b>(2,556)</b>
<b>Reclassified as deferred income - buildings</b>			
	<b>(2,764)</b>	<b>(4,535)</b>	<b>(7,299)</b>
<b>At 31 July 2009</b>			
Buildings	18,387	8,047	26,434
Equipment	3,348	592	3,940
<b>Total</b>	<b>21,735</b>	<b>8,639</b>	<b>30,374</b>

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NOTES TO THE FINANCIAL STATEMENTS  
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19 Endowments (consolidated and university)

	Unrestricted Permanent £'000	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2009 Total £'000	2008 Total £'000
<b>Balances at 1 August 2008</b>						
Accumulated income	0	112	112	9	121	76
<b>Changes during the year</b>						
New endowments	0	45	45	5	50	83
Investment income	0	0	0	0	0	0
Expenditure	0	(29)	(29)	(5)	(34)	(38)
	0	(29)	(29)	(5)	(34)	(38)
Increase in market value of investments	0	0	0	0	0	0
<b>Balances at 31 July 2009</b>	<b>0</b>	<b>128</b>	<b>128</b>	<b>9</b>	<b>137</b>	<b>121</b>

20 Reserves

	Notes	Year ended 31 July 2009	
		Consolidated £'000	University £'000
<b>Income and expenditure reserve</b>			
At 1 August 2008		15,192	16,352
Prior year adjustment - gift aid payment already accounted for and deferred income adjustment		0	(442)
Restated as at 1 August 2008		15,192	15,910
Deficit retained for the year		(13,251)	(13,212)
Transfer from revaluation reserve		258	258
Actuarial loss on pension scheme		892	892
Pension scheme charge to general reserves		2,301	2,301
<b>At 31 July 2009</b>		<b>5,392</b>	<b>6,149</b>
<b>Pension reserve</b>			
At 1 August 2008		(19,647)	(19,647)
Actuarial gain / (loss)	30	892	892
Charge to income and expenditure account		(960)	(960)
Deficit retained within reserves		(2,233)	(2,233)
<b>At 31 July 2009</b>		<b>(21,948)</b>	<b>(21,948)</b>
<b>Revaluation reserve</b>			
At 1 August 2008		12,928	12,906
Impairment losses		0	0
Revaluation in the year			
Shares held by Newton Rigg Enterprises Limited		0	0
Transfer from revaluation reserve to general reserve in respect of: Depreciation on revalued assets		(258)	(258)
<b>At 31 July 2009</b>		<b>12,670</b>	<b>12,648</b>

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2009

	Notes	Year Ended 31 July 2009 £'000	Year Ended 31 July 2008 £'000
<b>21 Reconciliation of deficit before tax and profit on disposal of fixed assets to net cash flow from operating activities</b>			
Surplus / (deficit) after depreciation of tangible fixed assets at valuation and before tax		(13,251)	(7,658)
Depreciation	10	4,177	4,107
Fall in value of investments held by subsidiary	11	5	0
Deferred capital grants released to income	18	(2,557)	(1,186)
Deferred capital grants reclassified as deferred income	18	(7,299)	0
Pension costs less contributions payable	30	3,193	1,816
Investment income	5	(28)	(189)
Interest payable	7	854	774
Increase in stocks		(47)	(113)
(Increase) / decrease in debtors and prepayments		133	(1,085)
Increase / (decrease) in creditors and accruals		11,183	(3,100)
Increase in provisions		20	0
<b>Net cash inflow / (outflow) from operating activities</b>		<b>(3,617)</b>	<b>(6,634)</b>
<b>22 Returns on investments and servicing of finance</b>			
Income from endowments		0	0
Other interest received		28	189
Interest paid		(854)	(774)
		<b>(826)</b>	<b>(585)</b>
<b>23 Capital expenditure and financial investment</b>			
New endowment funds received	19	50	0
Endowment funds expended	19	(34)	0
Payments made to acquire fixed assets	10	(6,099)	(16,050)
Deferred capital grants received	18	10,731	11,485
<b>Net cash outflow for capital expenditure and financial investment</b>		<b>4,648</b>	<b>(4,565)</b>
<b>24 Financing</b>			
New financing acquired		180	0
Repayments of amounts borrowed		(511)	(483)
Capital element of finance lease rental payments		(12)	(14)
		<b>(343)</b>	<b>(497)</b>



UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2009

25 Analysis of changes in net debt

	Notes	At 1 August 2008 £'000	Cash Flows £'000	Non-cash Changes £'000	At 31 July 2009 £'000
Endowment assets	12	121		16	137
Cash at bank and in hand		471	(138)	(16)	317
		<b>592</b>	<b>(138)</b>	<b>0</b>	<b>454</b>
Debts due within one year		(501)	511	(8,938)	(8,928)
Debts due after one year		(10,511)	(180)	8,932	(1,759)
Finance lease		(31)	12	6	(13)
		<b>(10,451)</b>	<b>205</b>	<b>0</b>	<b>(10,246)</b>

Non-cash changes between endowment assets and cash at bank and in hand represent the receipt of new endowments into the University's bank account (£50k), less expenditure of endowment funds via the same bank account (£34k).

A grant of £180,000 was awarded during 2008/09 which is potentially repayable in several years' time. This has therefore been disclosed within debts due after more than one year.

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2009

	Year ended 31 July 2009		Year ended 31 July 2008	
	Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
<b>26 Capital and other commitments</b>				
Provision has not been made for the following capital commitments at 31 July 2009				
Commitments contracted for	2,977	2,977	3,453	3,453
Authorised but not contracted for	2,900	2,900	1,032	1,032
	<u>5,877</u>	<u>5,877</u>	<u>4,485</u>	<u>4,485</u>

27 Amounts disbursed as agent (consolidated and institution)	31 July 2009	31 July 2008
	Consolidated £'000	Consolidated £'000

**HEFCE - Access to Learning Fund**

Excess of income over expenditure at 1 August	19	0
Funding council grants	330	439
Interest earned	5	5
Grants paid	(326)	(425)
<b>Excess of income over expenditure at 31 July</b>	<u>28</u>	<u>19</u>

**TDA - Training Bursaries**

Excess of income over expenditure at 1 August	25	(43)
Funding council grants	4,662	5,636
Grants paid	(4,821)	(5,568)
<b>Excess of income over expenditure at 31 July</b>	<u>(134)</u>	<u>25</u>

Other amounts awarded on behalf of the TDA during the year included £95k received for the Student Associate Scheme, of which £95k was disbursed. £4k was brought forward from 2007/08 for Black and Ethnic Minority Recruitment and Retention, a further £17k was received during the year and £13k was disbursed, leaving a balance of £8k to carry forward.

**LSC - Residential and Hardship Funds**

Excess of income over expenditure at 1 August	55	0
Funding council grants	248	287
Interest earned	1	2
Grants paid	(257)	(234)
<b>Excess of income over expenditure at 31 July</b>	<u>47</u>	<u>55</u>

Funding council grants are available solely to assist students: the University acts solely as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure account.

## UNIVERSITY OF CUMBRIA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2009

#### 28 Contingent liabilities

##### **Potential additional liability to HMRC**

Cumbria College of Art and Design and its wholly owned subsidiaries Moorbury Limited and Sunnyglen Limited entered into arrangements in 1999 which were intended to enable the recovery of VAT on construction costs incurred in relation to the redevelopment of Cumbria's main campus at Brampton Road, Carlisle. On 26 April 2001 the Commissioners assessed Moorbury under section 73 VATA for input tax it had recovered in making the supply of construction services to Sunnyglen. That assessment, for £553,196, related to Moorbury's VAT periods 06/99 to 12/00. In calculating the assessment, the Commissioners did not take into account £588,766 Moorbury had declared as output VAT (the "Disputed Sum"), but rather invited Moorbury to submit a claim under section 80 VATA for its repayment. A section 80 claim was not made at this stage in relation to the Disputed Sum, thereby giving rise to a contingent liability of £588,766. This has not been reflected as a liability in the Balance Sheet as at 31st July 2009. The initial tribunal found in favour of the University. However, HMRC have lodged an appeal against this judgement.

As the appeal will not be heard until a date after these Financial Statements are signed, the Governing Body felt that a contingent liability should be recognised through this note to the Financial Statements.

#### 29 Disclosure of related party transactions

Due to the nature of the University's operations and the composition of the Board of Directors, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board may have an interest. All transactions involving organisations in which a member of the Board may have an interest are conducted at arm's length and in accordance with the University's financial regulations. No transactions were identified which should be disclosed under Financial Reporting Standard 8 'Related Party Disclosures'. The Group has taken advantage of the exemption set out in FRS 8 and has not disclosed intra-group transactions.

**UNIVERSITY OF CUMBRIA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2009**

**30 Pension schemes**

The two principle pension schemes for the University's staff are the Teachers' Pensions Scheme England and Wales (TPS) and the Local Government Pension Scheme (LGPS).

As a result of the merger on 1st August 2007 all former Cumbria Institute of the Arts employees who contributed to LGPS transferred from Cumbria Pension Service to Lancashire Pension Service. At 31st July 2009 the transfer to Lancashire Pension Service of assets relating to employees who were formerly members of Cumbria Pension Service had not taken place. The University has received valuations from both Lancashire and Cumbria Pension Services.

The total pension cost for the University and its subsidiaries was:

	<b>Year Ended 31 July 2009 £'000</b>	<b>Year Ended 31 July 2008 £'000</b>
TPS contributions paid	4,627	2,976
LGPS charge to the income and expenditure account	4,436	3,732
<b>Total pension cost (note 6)</b>	<b>9,063</b>	<b>6,708</b>

**Outstanding pension contributions at 31 July**

The assumptions and other data relevant to the determination of the contribution levels of the schemes are as follows:

	<b>TPS 2009</b>	<b>Lancashire LGPS 2009</b>	<b>Cumbria LGPS 2009</b>
Investment returns per annum	6.50%	-8.84%	-7.32%
Salary scale increase per annum	5.00%	5.45%	5.45%
Pension increase per annum	3.00%	3.70%	3.70%
Market value of assets at date of last valuation (£ million)	116,000	3,689	1171
MFR proportion of members accrued benefits covered by the actuarial value of the assets	N/A	84%	81%

**Teachers' pension scheme**

TPS is valued every year by the Government Actuary. Contributions are paid by the University at the rate specified. The Scheme is unfunded and contributions are made to the Exchequer. The payments from the Scheme are made from funds voted by Parliament. The contribution rate payable by the employer is 14.1% of pensionable salaries.

Under the definitions set out in Financial Reporting Standard 17 "Retirement benefits" (FRS17), 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 FRS17 and has accounted for the contributions as though it were a defined contribution scheme.

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2009

30 Pension schemes (continued)

Local Government Pension Scheme

LGPS is valued every three years by professionally qualified independent actuaries, using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the LGPS actuary reviews the progress of the LGPS scheme.

For LGPS, the actuary has indicated that the resources of the scheme are likely, in the normal course of events, to meet the liabilities as they fall due, at the level specified by LGPS Regulations. The contribution payable to Lancashire Pension Services by the employer as 12.0% from 1st August 2008 to 31st March 2009 and 12.3% from 1st April 2009.

Under the definitions set out in FRS17, the LGPS is a multi-employer defined benefit pension scheme. In the case of the LGPS, the actuary of the scheme has identified the University's share of its assets and liabilities as at 31 July 2009.

The pension scheme assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interests of the fund's beneficiaries. The appointment of trustees to the fund is determined by the scheme's trust documentation. The trustees are responsible for setting the investment strategy of the scheme after consultation with professional advisers.

The material assumptions used by the actuary for FRS17 at 31 July 2009 were:

	2009 %	2008 %
Price increases	3.7%	3.8%
Salary increases	5.5%	5.6%
Pension increases	3.7%	3.8%
Discount rate	6.3%	5.9%

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

	2009 years	2008 years
<i>Retiring today</i>		
Males	21.20	19.70
Females	24.00	22.60
<i>Retiring in twenty years</i>		
Males	22.20	22.20
Females	25.00	25.00

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
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30 Pension schemes (continued)

Local Government Pension Scheme (continued)

The assets in the LGPS scheme and the expected rates of return were:

	2009		2008		2007	
	Long-term return	Fund value £'000	Long-term return	Fund value £'000	Long-term return	Fund value £'000
Equities	7.50%	17,960	7.50%	17,665	7.50%	17,940
Bonds - Government	4.50%	1,996	4.80%	1,890	4.90%	2,101
Bonds - Other	5.80%	3,991	5.90%	4,323	5.80%	3,400
Property	6.50%	1,711	6.50%	1,718	6.50%	1,880
Cash	0.50%	1,140	5.00%	1,202	5.75%	1,493
Other	7.50%	1,711	7.50%	1,832	7.50%	829
		<u>28,509</u>		<u>28,630</u>		<u>27,643</u>

The following amounts at 31 July 2009 were measured in accordance with the requirements of FRS17:

	2009 £'000	2008 £'000
<b>Analysis of the amount shown in the balance sheet</b>		
The University's estimated asset share	28,509	28,630
Present value of the University's scheme liabilities	<u>(47,958)</u>	<u>(46,500)</u>
Deficit in the scheme - net pension liability	<u>(19,449)</u>	<u>(17,870)</u>
<b>Analysis of the amount charged to staff costs within operating surplus</b>		
Current service cost	(3,758)	(2,713)
Past service cost	0	(467)
Settlements and curtailments	0	(184)
Total operating charge	<u>(3,758)</u>	<u>(3,364)</u>
<b>Analysis of the amount that is credited to other finance income / (charged to interest payable)</b>		
Expected return on pension scheme assets	1,989	1,933
Interest on pension scheme liabilities	<u>(2,864)</u>	<u>(2,154)</u>
Net return / (charge)	<u>(875)</u>	<u>(221)</u>
<b>Analysis of the amount that would be recognised in the statement of total recognised gains and losses (STRGL)</b>		
Actual return less expected return on pension scheme assets	5,483	(3,606)
Experience gains and losses arising on scheme liabilities	<u>(4,631)</u>	<u>(4,808)</u>
Changes in assumptions underlying the present value of scheme liabilities	852	(8,414)
Actuarial gain / (loss) recognised in STRGL	<u>852</u>	<u>(8,414)</u>
<b>Movement in deficit in the year</b>		
Deficit in scheme at beginning of year	(17,870)	(7,753)
Movement in the year:		
Current service costs	(3,758)	(2,713)
Employers Contributions	2,202	1,882
Past service costs	0	(467)
Net return on assets	(875)	(221)
Impact of settlements and curtailments	0	(184)
Actuarial gain / (loss)	852	(8,414)
Deficit in scheme at end of year	<u>(19,449)</u>	<u>(17,870)</u>

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2009

30 Pension schemes (continued)

Local Government Pension Scheme (continued)

	2008 £'000	2007 £'000
<b>Analysis of the movement in the present value of the scheme liabilities</b>		
At beginning of the year	46,500	35,396
Current service cost	3,758	2,713
Interest cost	2,864	2,154
Contributions by scheme participants	1,201	1,006
Actuarial gains and losses	(5,483)	4,808
Benefits/transfers paid	(882)	(228)
Past service cost	0	467
Business combinations	0	0
Curtailments	0	184
Settlements	0	0
At end of the year	<u>47,958</u>	<u>46,500</u>
<b>Analysis of the movement in the market value of the scheme assets</b>		
At beginning of the year	28,630	27,643
Expected rate of return on scheme assets	1,989	1,933
Actuarial gains and losses	(4,631)	(3,606)
Contribution by the employer	2,202	1,882
Contributions by scheme participants	1,201	1,006
Benefits paid	(882)	(228)
Business combinations	0	0
Settlements	0	0
At end of the year	<u>28,509</u>	<u>28,630</u>

History of experience gains and losses

	2009 £'000	2008 £'000	2007 Restated £'000	2006 Restated £'000	2005* £'000
<b>Cumulative</b>					
Difference between the expected and actual return on scheme assets:					
Amount (£'000)	(4,631)	(3,606)	627	1,099	2,321
Percentage of scheme assets	-16.2%	-12.6%	2.3%	4.7%	11.8%
Experience gains / (losses) on scheme liabilities					
Amount (£'000)	0	(198)	0	(964)	(544)
Percentage of present value of scheme liabilities	0	0.4	0.0%	3.0%	2.0%
Total amount recognised in statement of total recognised gains and losses:					
Amount (£'000)	(852) #	8414	(1,291)	(1,158)	(2,056)
Percentage of present value of scheme liabilities	1.8%	18.1%	3.6%	3.6%	7.7%

\*The University has elected not to restate amounts for 2005 as permitted by the amendment to FRS17.

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is -£852,000 (2008: £8,414,000).

Defined benefit scheme assets do not include any of the University's own financial instruments, or any property occupied by the University.

The estimate for the contribution for the defined benefit scheme for the year to 31 July 2010 is £2,200,000

The actual return on scheme assets in the year was £2,642,000 (2008: £1,357,000).

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2009

30 Pension schemes (continued)

Local Government Pension Scheme (continued)

The assets in the Cumbria Pension scheme and the expected rates of return were:

	2009		2008		2007	
	Long-term return	Fund value £'000	Long-term return	Fund value £'000	Long-term return	Fund value £'000
Equities	7.50%	1,149	7.50%	2,197	7.50%	2,646
Bonds - Government	4.50%	128	4.80%	977	4.90%	853
Bonds - Other	5.80%	256	5.90%	426	5.80%	341
Property	6.50%	110	6.50%	330	6.50%	384
Cash	0.05%	73	5.00%	119	5.75%	43
Other	7.50%	110	7.50%	537	7.50%	0
		<u>1,826</u>		<u>4,586</u>		<u>4,267</u>

The following amounts at 31 July 2009 were measured in accordance with the requirements of FRS17:

	2009 £'000	2008 £'000
<b>Analysis of the amount shown in the balance sheet</b>		
The University's estimated asset share	1,826	4,586
Present value of the University's scheme liabilities	<u>(4,325)</u>	<u>(6,363)</u>
Deficit in the scheme - net pension liability	<u>(2,499)</u>	<u>(1,777)</u>
<b>Analysis of the amount charged to staff costs within operating surplus</b>		
Current service cost	0	0
Past service cost	0	67
Settlements and curtailments	<u>678</u>	<u>14</u>
Total operating charge	<u>678</u>	<u>81</u>
<b>Analysis of the amount that is credited to other finance income / (charged to interest payable)</b>		
Expected return on pension scheme assets	286	273
Interest on pension scheme liabilities	<u>(371)</u>	<u>(333)</u>
Net return / (charge)	<u>(85)</u>	<u>(60)</u>
<b>Analysis of the amount that would be recognised in the statement of total recognised gains and losses (STRGL)</b>		
Actual return less expected return on pension scheme assets	(617)	96
Experience gains and losses arising on scheme liabilities	<u>657</u>	<u>(257)</u>
Changes in assumptions underlying the present value of scheme liabilities	<u>40</u>	<u>(161)</u>
Actuarial gain / (loss) recognised in STRGL		
<b>Movement in deficit in the year</b>		
Deficit in scheme at beginning of year	(1,777)	(1,507)
Movement in the year:		
Current service costs	0	0
Employers Contributions	1	32
Past service costs	0	(67)
Net return on assets	(85)	(60)
Impact of settlements and curtailments	(678)	(14)
Actuarial gain / (loss)	<u>40</u>	<u>(161)</u>
Deficit in scheme at end of year	<u>(2,499)</u>	<u>(1,777)</u>



UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2009

30 Pension schemes (continued)

Cumbria Pension Scheme (continued)

	2009 £'000	2008 £'000
<b>Analysis of the movement in the present value of the scheme liabilities</b>		
At beginning of the year	6,363	5,774
Current service cost	0	0
Interest cost	371	333
Contributions by scheme participants	0	9
Actuarial gains and losses	(657)	257
Benefits/transfers paid	(133)	(91)
Past service cost	0	67
Business combinations	0	0
Curtailments	(1,619)	14
Settlements	0	0
At end of the year	<u>4,325</u>	<u>6,363</u>
<b>Analysis of the movement in the market value of the scheme assets</b>		
At beginning of the year	4,586	4,267
Expected rate of return on scheme assets	286	273
Actuarial gains and losses	(617)	96
Contribution by the employer	1	32
Contributions by scheme participants	0	9
Benefits paid	(133)	(91)
Business combinations	0	0
Settlements	(2,297)	0
At end of the year	<u>1,826</u>	<u>4,586</u>

History of experience gains and losses

	2009 £'000	2008 £'000
<b>Cumulative</b>		
Difference between the expected and actual return on scheme assets:		
Amount (£'000)	(617)	96
Percentage of scheme assets	33.8%	2.1%
Experience gains / (losses) on scheme liabilities		
Amount (£'000)	0	330
Percentage of present value of scheme liabilities	0.0%	5.2%
Total amount recognised in statement of total recognised gains and losses:		
Amount (£'000)	(40)	161
Percentage of present value of scheme liabilities	0.9%	2.5%

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is £40,000 (2008: -£161,000).

Defined benefit scheme assets do not include any of the University's own financial instruments, or any property occupied by the University.

The estimate for the contribution for the defined benefit scheme for the year to 31 July 2010 is nil.

The actual return on scheme assets in the year was -£617,000 (2008:-£96,000).

## UNIVERSITY OF CUMBRIA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2009

#### 31 Subsidiary undertakings

Active subsidiary companies (all of which are registered in England and Wales), all wholly-owned by the University, are as follows:

<b>Company</b>	<b>Principal Activity</b>
Newton Rigg Enterprises Ltd	Farming and the provision of education about farming
UOC Trading Ltd	The provision of commercial courses and graphic design work

In addition, the University owns 100% of the share capital of five further subsidiaries that are not currently trading:

<b>Company</b>	
UniSolutions Ltd	The provision of business advice and knowledge transfer to external organisations
UOC Conferences Ltd	The provision of conference and hospitality services
Moorbury Ltd	The supply of light, heat and power, the letting of accommodation and the provision of construction services
Sunnyglen Ltd	The purchase and provision of construction services
St. Martin's Services Ltd	The provision of library facilities