



## University of Cumbria

Consolidated Financial Statements  
For the Year Ended 31 July 2011

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# Operating and Financial Review

## 1 Our Mission and Vision

**Our Mission** is to provide and promote excellent and accessible higher education which enhances the lives of individuals and fosters the development of the communities to which we belong.

**Our Vision** is that by 2020 we will be a dynamic, creative and entrepreneurial university rooted in our region with strong and sustainable national and international connections.

## 2 Overview

2010/11 was a significant year for the University of Cumbria. It marked a year in which the significant change programme initiated in 2009/10 was driven forward and major areas of the programme were implemented including new organisational structures, refreshed governance arrangements and a review and refreshment of the strategic direction of the University. It was a year in which the University performed increasingly strongly with some excellent achievements. It also marked the year in which the University achieved a significant surplus, its first following the creation of the University in August 2007.

In addition, the University secured excellent outcomes from a QAA Institutional Audit and from an institutional Ofsted visit of its initial teacher education (ITE). Moreover, the University has experienced a significant increase in satisfaction levels from the National Student Survey, with overall satisfaction increasing by 5% points. These achievements have been accomplished whilst also managing the transfer of the University's Further Education provision to two separate providers, and against a volatile HE policy and funding environment for all three of the University's major HE funding contracts.

During 2010/11 the University conducted a review of its Strategic Plan. Following consultation the University Board agreed a new Mission, Vision and Values statement together with an outline Strategic Plan in March 2011. The University Board agreed that the Plan provided an appropriate framework to allow the Senior Management Team to develop detailed business and operating plans for 2011/12. Given the volatile and changing external policy environment the Board will consider further the Strategic Plan in 2011/12 and the University Business Plan which was developed and agreed by the University Board in July 2011.

The University in its planning for 2010/11 sought to anticipate the significant changes facing the higher education sector. The updating of the Strategic and Business Plans further provide a framework for the University in the light of changes to HE as initially indicated in the Browne report on the future of higher education and then outlined in the White Paper 'Students at the Heart of the System'. The Government's comprehensive spending review provided the strategic context for the Faculty Portfolio Reviews which began during 2010/11, as the University models and addresses the likely impact of these changes on the student recruitment market. This work will continue in 2011-12 as the University seeks to ensure its offer is demand driven and student focused.

In addition, as one of the largest providers of teacher education the University has sought to engage closely with the Government and Teacher Development Agency (TDA) as Government policy in relation to teacher education and training has developed. There is still a lack of clarity in relation to policy, though the teacher education Green Paper in June 2011 begins to provide more clarity on policy intentions.

The University has significant health care contracts and has continued to work closely with the NHS locally and regionally. The University's CPD contract for NHS-commissioned courses is expected to remain static in 2011-12. However, the University recognises that in the new 'free market' there will be both opportunities and challenges. The University with its strong reputation and areas of niche provision in healthcare is already planning for this new agenda, and seeks to capitalise upon its potential.

The University Board of Directors through its strategic, financial and academic planning has been mindful that the University and HE sector is entering into a period of significant change and uncertainty with major policy changes planned or under consideration. Given the introduction of the new fee regime, the implementation of the new student number controls and the yet to be formally confirmed position of TDA students the University Board of Directors has in its plans and risk assessments made prudent planning

assumptions including financial planning. It is also supporting strategic investments in business critical areas, including marketing and recruitment and enhancing the international office. The University has also implemented new enterprise structures and is developing these further to support a significant increase in both the level and impact of its enterprise activities. The development and implementation of a new Estates Strategy is a priority for 2011-12 to support the improvement of the quality and utilisation of the estate in support of enhancing the student experience and improving sustainability.

### **3 Academic Developments and Students**

#### **3.1 Student Recruitment and Retention**

Student recruitment and retention has been a continuing high priority for the University in 2010/11.

##### HEFCE

The University's recruitment to its HEFCE programmes was its strongest since its establishment in 2007 and the University achieved its projected HEFCE mainstream contract performance while not meeting all its Additional Student Numbers (ASN) targets.

##### NHS

The University achieved strong recruitment to its healthcare contracts. Recruitment to the NHS pre-registration courses has been strong with over-recruitment against the commission targets and some viring between individual programmes agreed with NHS North-West. In addition, the University has worked closely with the NHS trusts to fulfil their CPD requirements to the full value of the CPD contract.

##### TDA

Overall recruitment to the University's TDA contract has been strong.

#### **3.2 Student Experience**

The University is committed to enhancing the student experience and works closely with the Students' Union and student body in support of this.

In 2009/10 the University commenced on a major change programme which continued into 2010/11. In 2010/11 the National Student Survey coincided with a period of significant change in the University at some of its campuses. While every effort was made to safeguard the student experience through the changes, there was inevitably a period of uncertainty and change for some students. However, the response rate for the 2010 NSS survey was at 65%, an improvement over the 2009 response rate. At 1150 students, the University had its highest absolute number of respondents in its survey history. Importantly, the overall satisfaction rate of 75% in 2010 is 5% higher than in 2009. The University has improved its scores in all areas with the exception of *Learning Resources*. The largest increases in percent satisfaction over last year's scores are in *Overall Satisfaction* (+5%) *Organisation and Management* (+4%) and *Teaching* (+4%). Overall satisfaction for full-time first degree students is 88% and 81% for full-time other undergraduate students. In addition, a significant number of areas (11) had overall satisfaction levels at above 90% with Drama, Learning Disabilities Nursing, Adult Nursing, Applied Science, Physical Education and Practical Theology reaching the 100% satisfaction level.

In terms of League Tables, the position of the University has improved in all of the tables published in 2011. The Guardian and The Times show a steady improvement in each of the last three editions. The largest improvement in rank for 2011 was seen in The Independent Complete University Guide where the University rose 27 places. In terms of subject highlights, the National School of Forestry courses were the top ranked forestry courses in the Guardian University League Table, and the University's business courses were ranked 31 out of 116. In addition, psychology courses have jumped 55 places in the Independent's University League Tables in the last two years, with the University now rated 47<sup>th</sup> in this table.

#### **3.3 Academic Portfolio and Developments**

The University recognises that in order to be a University of choice and meet its recruitment strategy, it must have an attractive, relevant and demand-led portfolio, particularly in the HEFCE areas. The University has continued to review its portfolio to introduce new subject areas such as criminology and policing, and to remove inefficient and unviable courses.

The University initiated a further review of its academic portfolio and an analysis of its market position to enable the University to compete more effectively in the market place post-2012.

### **3.4 Quality and Standards**

A team of auditors from the Quality Assurance Agency for Higher Education (QAA) visited the University from 4-8 April 2011 to carry out an Institutional Audit. As a result of its investigations, the audit team's view of the University of Cumbria is that:

- confidence can reasonably be placed in the soundness of the institution's present and likely future management of the academic standards of the awards that it offers
- confidence can reasonably be placed in the soundness of the institution's present and likely future management of the quality of the learning opportunities available to students.

In May 2011 the University also underwent a full Ofsted inspection of all its ITE provision which covered primary and secondary – both in the university and in the partnership schools. The University received an outcome of 'good with some outstanding features' and an overall rating of 2. The inspection noted on several occasions the strong support that was consistently available for students and it was stated clearly that this had been maintained during the challenging period faced by the University. The inspection also noted how the University is meeting local employment needs and making an impact in terms of quality and key subject areas.

In terms of the quality of healthcare provision, the University's NHS-funded programmes were scrutinised at the Annual Monitoring and Review by NHS North West in November 2010. The reviewers remained very impressed by the high standards and quality of provision. The Faculty has also received a positive annual audit outcome from the General Social Care Council with regard to Social Work provision.

### **3.5 Research and Enterprise**

During 2010/11 there have been some important developments in research and enterprise at the University. New structures for both research and enterprise were introduced in September 2010 and a new Research, Scholarship and Academic Enterprise Strategy were agreed by Academic Board in February 2011 as a platform for future developments.

The validating arrangements with Lancaster University for research degree provision were extended for a further five years. This is important as part of the University's plans to secure Research Degree Awarding Powers.

The University continued to develop its successful Knowledge Transfer Partnership work, establishing new KTPs in Cumbria, a successful development of a KTP with East Lancashire PCT for Respiratory Care and a successful contract for consultancy (re occupational health) audit work with Johnson and Johnson Global.

### **3.7 International**

The University commissioned an independent review of its international work which resulted in an updated international plan and agreement to create a new international office.

In July 2010 the Faculty of Health and Well Being hosted a Royal Visit by the Crown Prince and Princess of Perlis. The Princess is President of Allianze College of Medical Sciences (ACMS) (the University's collaborative partner in Northern Malaysia). Official memoranda were signed and further plans discussed for commencement of the new top-up BSc (Hons) Nursing Studies and MSc Teaching for Health Professionals in HE from early 2011.

The new MBA in Leadership and Sustainability recruited very strongly with 140 international students and featured in the *Financial Times* annual list of top online programmes. The first cohort of our overseas franchise with South Thames College, a large London-based FE College with an established track record in international recruitment, experienced their residential module at Ambleside. A further two residential sessions will happen in October and ten more are planned for 2012.

In late June, the Executive Dean of the Faculty of Health, Wellbeing and Sport represented the University on a UK Trade Mission to India and met representatives of the Indian Health Services, Universities and Colleges.

## **4 Resources and Sustainability**

### **4.1 People**

The University has refreshed both the personnel and the structure of its Senior Management Team. New appointments made in the year included a new Vice Chancellor, Professor Peter Strike, to replace Professor Graham Upton, interim Vice Chancellor, Pro Vice Chancellor (Academic), Director of HR, and Director of Estates and ICT

A new organisational structure was introduced in September 2010. The new structures reduced the number of Faculties from five to three and reduced the number of professional services areas to 10. In year staffing was reduced from 1,353 to 1,129 staff FTEs. This was achieved through the use of voluntary severance schemes to facilitate the re-organisation, limited use of compulsory severance and natural wastage.

The staffing reductions which were required to achieve the above savings and restructurings involved thorough consultation and strong levels of engagement from both faculties and professional services.

In spring/summer 2011 the University conducted its second staff survey achieving a response rate of 77%, a very good response rate. Overall the results were positive, particularly when taking into account the major cost reduction and change programme undertaken by the University in 2009/10 and 2010/11. The results were published in summer 2011 and an action plan has been developed with a cross University staff group. The action plan is being implemented in 2011-12.

### **4.2 Financial**

The University performed strongly against its budget forecast for 2010/11 making its first surplus since the University was established. The staffing: income ratio is currently at about 51%. Five-year financial planning has been completed and submitted to HEFCE, forecasting a surplus in each of the next five years.

The 2010/11 budget contained £3M provision for strategic developments and provision for an 8% cut in funding from April 2011. A further £1 million had been provided to cover the costs of any further voluntary severances that may arise. No provision was made for increased income from student fees, international students or any other similar source. It was considered to be a prudent budget.

Alongside the budget-setting process, the University conducted scenario planning work to assess the impact of anticipated funding cuts in 2010/11 and later years. These analyses have been presented to the University Board alongside key assumptions, risks and opportunities.

### **4.3 Physical**

The University finalised an updated Estate Strategy in 2011 and work has commenced on developing a more detailed estates plan, including the development of master plans for each site. The strategy assumes two main locations at Carlisle and at Lancaster with University presence at other distributed sites, University owned at Ambleside, but co-location through lease arrangements at Newton Rigg, Penrith, in Furness and West Cumbria and at Tower Hamlets in London. Immediate attention is focused on the Ambleside campus but planning is also underway with regards to the Lancaster and Carlisle campuses and in relation to residential accommodation.

## **5 Financial Statements**

These financial statements cover the fourth year since the University was formed in September 2007. After a period of internal change in which the University was fundamentally restructured, its governance arrangements enhanced and its strategic direction reviewed and refreshed, it is pleasing to report many excellent achievements during 2010/11 and not least among them is the delivery of the organisation's first surplus since its formation.

As well as focussing on both financial and non-financial successes from the year, this review will also outline the steps the University has taken as it faces challenges and takes opportunities arising from

changes in the external operating environment. As the University plans for these changes, it is committed to both increasing investment in the experience of students and ensuring that the organisation grows in financial strength.

## Results for Year

The University has recorded an operating surplus for the year of £6.6m (8% of turnover) and an overall surplus after exceptional items of £9.4m (11% of turnover).

	<u>2011</u>	<u>2010</u>
	<u>£m</u>	<u>£m</u>
Income	86.3	91.3
Expenditure including taxation	(79.6)	(89.5)
Trading surplus	<b>6.6</b>	<b>1.8</b>
<i>Exceptional Items:</i>		
Impairment of Newton Rigg assets	0	<u>(7.0)</u>
Restructuring – staffing costs	(0.8)	(3.8)
Restructuring – cost of onerous leases	(2.2)	0
Restructuring – release of deferred income	5.6	0
Exceptional item: Profit on sale of fixed assets	0.2	0
Surplus / (deficit) for the year	<b>9.4</b>	<b>(9.0)</b>

From a financial management perspective this has been a significant year for the University:

1. The University's direct involvement in loss making Further Education activity has been discontinued;
2. The University's expensive long term debt with NatWest has been refinanced; and,
3. The University operated for nearly a full year post the major right sizing and restructuring carried out in summer 2010.

The University's cash position at the end of the year was £9.7m (excluding £6.4m of cash held on behalf of the Energy Coast Campus programme).

The Group's operating surplus for the year, which incorporates the results of the University's subsidiary companies, was £9.4m compared to a deficit in 2009/10 of £9.0m. This excellent result is primarily due to the action that was taken during 2010 to reduce the staffing base and in-year controls over pay costs. As a consequence, staffing costs fell by £7.1m compared to 2009/10 and in a year when income reduced due primarily to funding body cuts, the control over costs has been the driver for the improved financial performance in year.

Two key developments took place during 2010/11 which affected several areas of the financial statements. Firstly, following a strategic decision by the University Board in 2009/10, the University ceased its Further Education provision at its Newton Rigg and Brampton Road campuses with effect from 31 July 2011. The provision at Newton Rigg was transferred to Askham Bryan College and the assets which were used in the delivery of Further Education and those which were used in the operations of the farms were sold to the new provider. This resulted in significant disposals which are recorded in the fixed assets note and a profit on the sale of fixed assets. The Further Education provision at Brampton Road was transferred to Carlisle College.

The cessation of Further Education will both affect the income and expenditure of the University in 2011/12 and in future years. Whilst the current contract with the Skills Funding Agency, which generated income of £4.2m in 2010/11, will cease, a significant amount of related costs will be also be removed. A

number of staff were transferred to the new providers at the point of transfer and others have left the University under voluntary severance arrangements and these costs are disclosed within the £0.8m staff restructuring expenditure cost which is disclosed within exceptional items in the financial statements.

The other significant impact of the transfer of Further Education at the Newton Rigg campus is that the University was able to release a £5.6m grant it received from the North West Development Agency in 2007 for the purchase of the site.

The second key development in 2010/11 was the refinancing of some of the University's long-term borrowing. The University was able to repay its £8.1m of loans with NatWest Bank Plc using a loan obtained from Barclays Bank Plc. The interest rates on this new £8.0m loan are greatly reduced from the rates payable to NatWest and will result in a significantly reduced interest cost each year. In order to repay the NatWest loans, the University incurred £2.8m of break costs and this is recorded within Interest and Other Financing Costs in the Income and Expenditure Account. This refinancing arrangement has led to substantially all the University's borrowing being disclosed as long-term liabilities within the Financial Statements.

### Income

University's income reduced by 6% compared to 2009/10. This is due both to a non-recurrent increase to income in 2009/10 which was related to adjustments to a funding body claw back provision and due to the effect of the Comprehensive Spending Review with funding body grants seeing a significant reduction.

### Expenditure

The University's most significant costs relate to staffing and the impact of the restructuring which took place at the end of 2009/10 and start of 2010/11 is clear from the accounts with staff costs reducing by 14%. Evidence of the progress that has been made in reducing and controlling pay costs can be derived from reference to staff costs as a percentage of income which is one of the University's key performance measures. This measure stood at 51% in 2010/11 compared to 56% in 2009/10.

The University recognises the need to continue to seek to control pay costs and, importantly, to ensure that its procurement of the goods and services which contribute to its "other operating expenses" continues to be performed with ever-increasing focus on efficiency, economy and effectiveness. Given the uncertainties of the new funding regime being introduced from 2012/13 and the need to generate internal funds to be invested in the University's estate, expenditure continues to be closely managed and further cost saving initiatives will be implemented during 2011/12.

### Balance Sheet

The consolidated balance sheet at 31 July 2011 reflects the improved financial performance during 2010/11. The University has moved from a position of having almost a nil discretionary reserve balance (09/10: £0.8m) to the far stronger position of holding £12.3m in the Income and Expenditure reserve. Discretionary reserves as a percentage of income is one of HEFCE's indicators of financial sustainability and the University is aware that these reserves must be further strengthened through the delivery of surpluses in 2011/12 and subsequent years.

As well as delivering surpluses year on year, the University's financial strategy is also predicated on ensuring that its cash resources are adequate to enable the essential investment in estate and infrastructure. Significant progress has been made towards this goal with the cash balance improving by £5.5m. Despite the payment of significant loan break costs, the cash balance stands at £16.1m of which £9.7m is the University's cash and £6.4m will be spent according to the Energy Coast Campus programme.

It should also be noted that the University now has net current assets of £1.5m compared to net current liabilities of £19.6m. Although much of this movement relates to the reclassification of loan balances and the release of the NWDA grant, this is a further sign of the improving financial health of the University.

### Capital Projects

The University did not carry out any major capital projects during 2010/11 and, as a result, capital expenditure was lower than it had been in previous years. However, some important works were carried out to upgrade teaching facilities and the first phase of a significant computer and laptop replacement project was completed at the end of the year. The University has now developed an IT and an Estates strategy and the delivery of this over future years will result in significant investment in its campuses intended to effect a step improvement in the student experience, and contribute to further efficiency and effectiveness improvements.

### Payments to Trustees

No trustee received any remuneration / waived payments from the group during the year. For 2010/11 the total expenses paid to the trustees was £7,384. This relates to travel and subsistence expenses incurred in their official capacity in attending Board Meetings, Board Committees and meetings related to their roles as trustees. The Board includes University staff who are paid as employees but who receive no supplementary payment for trusteeship. There were no payments in the year to any Board Director for services provided to the University. (See Note 28 in the Financial Statements)

### Charitable and Political Contributions

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

### Linked Charities

In its role as principal regulator of Higher Education Institutions that are exempt charities, HEFCE asked all Universities to identify any linked or associated charities, subsidiaries, trust funds and similar which may be within HEFCE's remit as regulator as set out in paragraph (w) under Schedule 2 of the Charities Act 1993.

The University has reviewed its relationship with such entities and has identified that the University has one linked charity as defined by the Act. The Swales Trust, which awards scholarships to University of Cumbria students engaged in agriculture or forestry related studies, had an opening reserves balance of £166,813. At the time of approval of these financial statements the finalised 2010/11 accounts of the Swales Trust were not available but the Trust has indicated that during 2010/11 the only income received arose from interest on its cash reserves and that no expenditure was incurred.

### Public Benefit Statement

The University of Cumbria is a company limited by guarantee and an exempt charity under the terms of the Charities Act 1993.

The Directors of the University Board are the trustees of the Charity. As such in setting and reviewing its objectives and activities, the University's Board of Directors has had due regard to the Charity Commission's guidance on the reporting of public benefit and its supplementary public benefit guidance on the advancement of education.

### *Charitable Objects*

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

The University through its updated strategic plan, 2011-2020, developed after consultation with staff, students, the Board and stakeholders, articulates its vision and mission as:

**Our Mission** is to provide and promote excellent and accessible higher education which enhances the lives of individuals and fosters the development of the communities to which we belong.

In 2020 we will be a dynamic, creative and entrepreneurial university rooted in our region with strong and sustainable national and international connections.

**Our students** will be contributors to a vibrant academic community committed to excellence in learning and teaching underpinned by research and academic enterprise, which equips them for employment, individual fulfilment and lifelong learning

**Our staff** will be innovative, enterprising and professionally outstanding individuals focussed on enabling our students and partners to realise their ambitions, and to drive the continuing success of the University.

**Our University** will be a first choice for students, employers, professional bodies, civic organisations and other partners and will engage with them flexibly in ways which meet their needs.

**Our communities** will be shaped by the demonstrable impact we and our graduates have on their intellectual, social, cultural and economic development.

#### *Beneficiaries*

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

#### *Fulfilment of the Charitable Objects*

The earlier sections of the OFR give examples of how the delivery of the University's objectives contribute to the public benefit, including engagement with businesses and the community, working with partners including charities, health service and schools; contributing to the local economy and supporting enterprise.

#### *Teaching*

- The University enrolled 11569 students. This equated to 8068 Full Time Equivalent (FTE) students of which 6482 FTE were home/EU undergraduates and 1482 FTE were Home/EU postgraduate. 6801 FTEs were full time and 1161 FTE were part time. The University enrolled 820 FE students.
- Continued the cycle of course review focusing on ensuring courses more effectively respond to the demands of the market and needs of employers
- The University can report some significant individual achievements from its students during 2010/11. These include:
  - A graduate from the BA (Hons) Multi-media Design and Digital Animation (MMDADA) being employed by Pixar as a Technical Director. His first project is working on the computer animation movie *Brave* which will be released in June 2012. Another graduate from the same programme was recognised as one of the 'Young Guns 8' by the Art Directors Club in New York. ADC Young Guns is a global, cross-disciplinary competition that identifies today's vanguard of young creative professionals, age 30 and under. A BA (Hons) Graphic Design graduate has won an MPA Roses Student creativity award as one of 10 winners for individual briefs set by top British design companies.
  - Graduate students from BA (Hons) Film & Television and BA (Hons) Multimedia Design and Digital Animation have been shortlisted for this year's regional Royal Television Society Awards. Their final year projects were nominated in the fields of Fiction and Animation.
  - A final year BSc (Hons) Forest and Woodland Management student has been awarded the first ever 'Prince of Wales Award' by the Woodland Heritage.

#### *Access/Widening Participation*

There is evidence that the University is succeeding in its aim to increase participation in HE in Cumbria, particularly from low-participating areas, and particularly in polar quintiles 2 and 3. The University is also

performing well against HESA widening participation indicators being 3.7% above its location adjusted benchmarks for young full-time first degree entrants from socio-economic classes 4-7 and 6.2% above for young full-time undergraduate students on other courses. The University has ambition to further develop its widening participation activities, as highlighted in its Strategic Plan. On the West Coast its areas of strength are related to the important social and economic needs of the sub region. The University is active in education and health through links with local schools, the hospital and health centres. The University is increasingly attracting local students to its undergraduate programmes and analysis shows that most students from this area are recruited into the University's Carlisle site. The Gateway site on the West Coast allows the University to support existing students better by providing a site closer to home for study and access to University services, as well as encouraging more students to apply. The design of the Gateway at Energus allows this remote access point to be connected to University of Cumbria services. The main development need is for the University to provide employer engagement programmes, enterprise and research to serve the needs of the local economy. The areas which the University plans to develop specifically for the West Coast are in health, business (including leadership) and engineering linked to the sustainable energy agenda.

The Cumbria Scholarship is awarded to students who meet our eligibility criteria and who are undertaking extra-curricular activities in Sport, Community Work or the Creative Arts. Awards are £1,000 per academic year.

The number of students receiving Cumbria Scholarships in 2010-11 was as follows:

New students	34	Amount: £34,000
Continuing students	43	Amount: £43,000
Totals	77	Amount paid out in total: £77,000

### *Research*

Noteworthy initiatives in 2010/11 include:

- The University's involvement as part of a research consortium led by Lancaster University, the Eden Demonstration Test Catchment project, which uses the Newton Rigg campus, near Penrith, Cumbria and works with the local rural communities to trial agricultural pollution control measures.
- The University secured an RDPE funded project on the impacts of subsidy reform on upland farming and an ERDF funded project where we would act as the 'knowledge base' for a large 'Cumbria Cohesion' project on energy saving in social housing in Cumbria.
- During the summer the Faculty of Health and Well Being received notification of a successful €690k project to develop postgraduate programmes in Public Health and Social Services with universities in Moldova, Georgia and Armenia. The University was only one of six UK universities to receive European Tempus funding, and one of 64 successful projects across the European Union.
- The University ran a conference on sonographer-led contrast enhanced ultrasound on the Lancaster campus funded by Bracco, an Italian contrast agent firm. This is a cutting edge technique which obviates the need for MRI or CT contrast agents which are toxic.
- The University has also secured a contract from the UK Border Agency for developing a Stilwell based learning package for staff involved in the care of refugees and asylum seekers who have been the victims of abuse and torture.
- Jim Eldridge, lecturer in Scriptwriting had nine books published in 2010; he also had a wide range of TV and Radio productions broadcast during the year
- Members of staff are working on the KnowHow 2 research project linking Iceland, Norway, Denmark and Herriot Watt Scottish College of Textile. The project is European funded and looks at Knowledge Transfer implementing curriculum design and innovation within Drawing and Textile courses at level 4 and 5.

### *Enterprise*

Noteworthy initiatives in 2010/11 include:

- All targets have been exceeded in the 'Get Qualified 2' enterprise project supporting over 1700 different coach qualifications across Lancashire and Cumbria with a resultant increased participation in sport of over 33,000 people through an additional 55,000 coaching hours.
- The Collaborative Tempus Project with the Yerevan State Medical University, Armenia commenced officially in February 2011. This 36 month project aims to establish a range of linked but locally and regionally relevant Masters programmes for professionals working in public health and social services sectors.
- The Faculty of Health Wellbeing and Sport's Enterprise Manager and Director of Sport are developing strategies to enhance clinic provision on and off the University's campuses. This has included University Sport and Exercise Therapy and Complementary Therapy degree students providing treatment at a new Health and Exercise Clinic on the campuses in Carlisle.
- The University Certificate in Stroke Care is an innovative programme funded through the Cumbria and Lancashire Stroke network and is a bespoke course developed and mapped to the stroke clinical competencies. The programme has been commended for its learning, teaching and assessment approach and due to the success of the first 2 cohorts, the University has been asked to bid to the Stroke Network for further funding.
- The final cohort to the successful LEAD project course started in 2010/11 and the University has also recruited the first cohort of 22 students to the Aspiring Leaders Programme in association with Brathay Outdoor education with further cohorts planned for the next two years.

### *Wider Community*

Noteworthy initiatives in 2010/11 include:

- An iconic installation by University of Cumbria Fine Art Principal Lecturer Robert Williams and his American collaborator Mark Dion, will be shown this autumn at the famous Guggenheim Museum in Bilbao. *Theatrum Mundi: Armarium* is a cabinet of curiosities containing collections of objects and documents that explore the cosmologies of two famous alchemists, Robert Fludd (Williams) and Ramon Lull (Dion) the characters of whom were adopted by the artists. Originally commissioned by Professor Lord Colin Renfrew, then Master of Jesus College, Cambridge and Director of the MacDonald Institute for Archaeological Research, the cabinet has been shown all over the world.
- During the year several Fine Art staff and students participated in exhibitions, workshops and residencies in the UK, Norway, and Tasmania.
- Students from the Foundation Degrees in Performing Arts contributed to an extensive range of live projects in Cumbria, working with The Sands Centre in Carlisle, regional theatres, and two major regional festivals, Solfest and Kendal Calling.
- Staff and students have been involved in setting up the Greenfingers Project which is a partnership between the University of Cumbria, Lancaster residents and Lancaster City Council's Park Management Service. It is designed to create a new wildlife habitat at Lancaster's Williamson Park through the reintroduction of native plant species. Local residents are encouraged to get involved as a way of benefiting the wider community, and also of enjoying the physical social and psychological benefits that accrue from engagement with this form of activity. Another staff and student initiative is Healthwalks organised with Lancaster City Council's Active Health Programme. This involves physical and social benefits of a group walking programme in a motivational setting.
- The University's Applied Psychology team secured new voluntary placements at the William Howard School behaviour unit for 1-3 students per term. This involved University students working with young people with mental health issues, physical or learning disabilities or behavioural and emotional difficulties.

### 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.

### 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 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.

#### Conclusion

The University has seen the benefits of the major change and cost reduction programme started in 2009/10 and continued in 2010/11 to address decisively and effectively strengthen its weak financial position as reported in 2008/09. These actions led by the new senior management team and University Board have enabled the University to further improve the financial and organisational performance in 2010/11.

The University enters a period in which publicly funded income is reducing and in which the HE policy environment is facing significant change. The University has continued to strengthen and improve its financial, management and governance processes and these will help to ensure that the University is able to respond effectively to the risks and opportunities it is presented with during 2010/11 and beyond.

## **Corporate Governance and Internal Control**

The following statement is provided to enable readers of the Accounts and the Operating and Financial Review of the University to obtain a better understanding of the governance and legal structure of the institution.

### *Constitution and Structure of Corporate Governance*

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 of Directors, which meets at least six times each year, has ultimate responsibility for the matters including finance, property and staffing of the University. It is specifically required to determine the educational character and mission of the University and to set its strategic direction. One of the Board's most important responsibilities is the appointment of the Vice Chancellor and the Board was pleased, after a thorough selection process to have been able to appoint Professor Peter Strike, as Vice Chancellor from 1 August 2011.

The University's Board of Directors comprises persons who are appointed in accordance with its Memorandum of Association. The current Chair is Mr Stephen Henwood 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.

In June 2010 the University Board completed an independent review of its effectiveness of the Board. The review's findings and recommendations were considered by the Board in June 2010 and the Board agreed an action plan to respond to the recommendations. A key part of the action plan agreed by the Board was to refresh and strengthen the Board through the targeted recruitment of new Board members with particular expertise and experience in the areas of finance and accounting and business. Following a public search a recruitment process, undertaken by the Board's Nominations Committee, the University appointed a new Chairman and five new non-executive directors onto the Board and three Associate Directors onto its sub committees from 1 October 2010.

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.

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

The Venerable Peter Ballard	Chairman (to 30 September 2010)
Mr Stephen Henwood	Chairman (w.e.f 1 October 2010)
Mr Euan Cartwright	Vice Chairman
Very Revd Mark Boyling	
Mr Bill Broekhuizen, MBE	
Mr Ian Bullough	(to 30 September 2010)
Dame Alexandra Burslem DBE JP DL	
Mr Robert Clarke, OBE	
Mr Darren Connor	Staff Representative (to 20 June 2011)
Mr Alan Cooper, OBE	(to 30 September 2010)
Dr Stephen Curl	(w.e.f 1 October 2010)
Dr Hilary Crowe	(w.e.f 25 November 2010)
Mr John Dell	(w.e.f 1 July 2011)
Mr Geoffrey Donnelly	(w.e.f 1 October 2010)
Mr Thomas Drummond	Student Representative
Mr Ed Elvish	
Mr Bill Hamilton	(to 30 September 2010)

Ms Carole Heatly	(to 30 September 2010)
Mrs Claire Hensman	(w.e.f. 25 November 2010)
Mr Brian Hetherington	
Lord Roger Liddle	
Mrs Patricia Lowrie	(to 30 September 2010)
Bishop James Newcome	
Mr Mark Renwick-Smith	(w.e.f 1 October 2010)
Mr William Sang	
Ms Barbara Stephens, OBE	
Prof Graham Upton	(Interim Vice Chancellor)

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 <http://www.cumbria.ac.uk/AboutUs/Services/VCO/LegalStatusAndStatutoryInformation.aspx>. The Board also applies the principles set out in the combined CUC Code on Corporate Governance as revised in 2009.

The University's Board of Directors met seven times in 2010/11. It was supported in its work by a number of subcommittees, including the Finance and Resources Committee, the Strategy and Planning Committee, the Audit Committee, the Nominations Committee, the Remuneration Committee, Employment Policy Committee and a FE 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 two additional Associate Directors, with appropriate expertise, who are not members of the University Board.

Finance and Resources Committee has responsibility for advising and recommending to the Board on financial, estates and ICT capital matters. It recommends to the University Board the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets and overall performance against the strategic plan.

The Strategy and Planning Committee has responsibility for advising the Board on strategy, planning and performance.

The Employment Policy 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.

The FE Committee was established in August 2009 to ensure appropriate Board detailed scrutiny and oversight of the University's FE provision. The Committee's expertise was augmented by the appointment of three Associate Directors, approved by the Board via the recommendation of the Nominations Committee.

The Nominations Committee considers nominations for appointment to the Board and its subcommittees. Nominations Committee met during 2010/11 to oversee a public search and recruitment exercise which led to the Board approving the appointment of four new Directors to the Board to take up office with effect from 1 August 2011, plus the appointment of the nominee from the Blackburn Diocesan Board of Education.

The Remuneration Committee determines the remuneration and conditions of service of the most senior staff, including the Vice Chancellor. It met on three occasions in 2010/11.

The Audit Committee met six times during the year, with the University's external and internal auditors in attendance. The University's Internal and External Auditors attend and report to the Audit Committee on

the systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Funding Councils as they affect the University's business and monitors adherence to the regulatory requirements. Amongst its responsibilities it provides an opinion on the adequacy of the management and quality assurance of data submitted to HESA (Higher Education Statistical Agency). 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 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 and an Anti Fraud Policy both of which can be found at [www.cumbria.ac.uk](http://www.cumbria.ac.uk).

### *Internal Control*

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

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 2011 and up to the date of approval of the annual report and accounts.

The University Board of Directors has in place the following processes for maintaining and reviewing the effectiveness of the system of internal control:

- The Board meets at regular intervals to consider the plans and strategic direction of the University.
- The 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.
- The Audit Committee receives regular reports from the Internal Auditors, which include an independent opinion on the adequacy of the effectiveness of the University's system of internal control together with recommendations for improvement.
- The Audit Committee provides oversight of the risk management policy and risk register process and requires regular reports from the University management on how risk is being managed including progress on key priorities.
- The Board has 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.
- Audit Committee has agreed with the external providers of the internal audit function appropriate audit planning arrangements and also audit methodology and approach, so that the audit function conforms to the latest professional standards reflecting the adoption of risk management.
- The internal audit function reports to the Audit Committee and for management purposes, to the Registrar and Secretary.

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 including consideration and approval of a revised Risk Management Policy and an updated risk management and risk register process, so that a full risk and control assessment could be undertaken before reporting on the year ended 31 July 2011.

## **Responsibilities of the Board of Directors of the University of Cumbria**

In accordance with the Education Reform Act 1988 and the Memorandum and Articles of Association and Articles of Government, the Board of Directors is responsible for the administration and management of the affairs of the University of Cumbria and is required to present audited financial statements for each financial year. This also includes ensuring the operation of an effective system of internal control.

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 revised Instrument and Articles of Government, the Audit Code of Practice issued by the Higher Education Funding Council for England, the Statement of Recommended Practice on Accounting in Higher and Further Education Institutions, 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 Board of Directors of the University of Cumbria and in accordance with Company Law, the University Board of Directors through its designated office holder (the Vice Chancellor), is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In the preparation of the financial statements the University Board of Directors has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgments and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 the University has adequate resources to continue 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 has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council, the Training and Development Agency for schools and the Skills Funding Agency are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and the Funding Memorandum with the Agency and any other conditions which the Funding Council or Agency 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 of Cumbria and to prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which are designed to discharge the responsibilities set out above include the following:

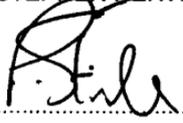
- Clear definition of the responsibilities and delegated authority of Heads of Academic and Professional Services.
- A comprehensive medium and short term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets.
- Regular review of academic and financial performance and regular reviews of financial results including variance reporting and updates of forecast outturns.
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approved levels set by the University Board of Directors
- Financial regulations detailing financial controls and procedures, approved by Audit Committee in consultation with Finance and Resources Committee.
- A professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the University Board of Directors and whose head provides the

Board with a report on internal audit activity within the University and an independent opinion on the adequacy and effectiveness of the University's system of internal control, including financial control, together with recommendations for improvement.

By Order of the University Board



.....  
MR STEPHEN HENWOOD - CHAIRMAN OF THE BOARD OF DIRECTORS



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

Date: 29 November 2011

## **Independent auditor's report to the Board of Directors and the Members of the University of Cumbria**

We have audited the Group and parent University financial statements of the University of Cumbria for the year ended 31 July 2011 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Board of Directors, and to the company's members, 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 Chapter 3 of Part 16 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 the company's members, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Board of Directors and auditor**

As explained more fully in the Statement of Responsibilities set out on page 17, the Board of Directors (and the Directors of the company for the purposes of company law) is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those auditing standards require us to comply with the Auditing Practices Board'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 parent University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and parent University as at 31 July 2011 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and the Companies Act 2006.

### **Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992**

In our opinion, in all material respects:

- funds from whatever source administered by the Group and the University for specific purposes have been applied to those purposes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

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

In our opinion the information given in the Operating and Financial Review and Report of the Board of Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

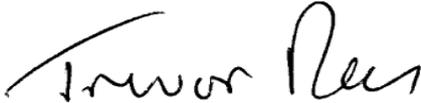
**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control (included as part of the Report of the Board of Directors) is inconsistent with our knowledge of the Group and the parent University.

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 by the parent University, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent University financial statements are not in agreement with the accounting records and returns;
- certain disclosures of directors' remuneration specified by law are not made;
- 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: 29.11.11

## **Statement of Principal Accounting Policies**

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

### **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 Higher Education Funding Council for England.

### **Basis of Accounting**

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

### **Basis of Consolidation**

The consolidated financial statements include the University and its subsidiary undertakings for the financial year to 31 July 2011. The financial statements of the Students' Union are not consolidated as it is a separate entity over which the University does not have control or significant influence.

### **Recognition of Income**

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 to which they relate.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors.

Non-recurrent grants from Funding Council 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.

### **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.

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.

## **Tangible Fixed Assets**

### **a) Land and Buildings**

Land and Buildings are stated at valuation. Valuations take place every five years with an interim valuation in the third year after a full valuation.

Buildings are depreciated over their expected lives of 50 years. Land is not depreciated.

Assets under construction are not depreciated.

Refurbishments are depreciated over their expected useful lives, up to a maximum of 20 years.

### **b) Furniture and Equipment**

Furniture and equipment, excluding computers, costing less than £2,000 (including any irrecoverable VAT) per individual item or group of related items, is written off to the income and expenditure account in the year of acquisition. All other furniture and equipment is capitalised at cost and is depreciated over the asset's expected useful life, up to a maximum of fifteen years.

### **c) Computer Equipment**

Computer equipment, costing less than £2,000 (including any irrecoverable VAT) per individual item or group of related items, is written off to the income and expenditure account in the year of acquisition. All other computer equipment is capitalised at cost and is depreciated over the asset's useful life, up to a maximum of ten years.

### **d) Capital Grants**

Where assets are acquired or constructed with the aid of specific grants, they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to the income and expenditure account over the expected useful life of the assets.

### **e) Impairments**

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.

### **f) Repairs and Maintenance**

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the income and expenditure account in the period it is incurred.

## **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.

## **Provisions**

Provisions are recognised when the University has a present legal or constructive obligation where, 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.

## **Stock**

Stocks are valued at the lower of cost or net realisable value.

## **Taxation Status**

The University is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. Subsidiary companies are liable to corporation tax.

The University is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

## **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.

## **Agency Arrangements**

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

UNIVERSITY OF CUMBRIA

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 JULY 2011

	Notes	2010/11 £'000	2009/10 £'000
<b>Income</b>			
Funding body grants	1	40,666	45,666
Tuition fees and education contracts	2	31,135	30,526
Research grants and contracts	3	247	82
Other income	4	14,141	15,073
Endowment and investment income	5	61	13
<b>Total income</b>		<b>86,250</b>	<b>91,360</b>
<b>Expenditure</b>			
Staff costs	6	43,763	50,852
Other operating expenses		27,026	28,877
Depreciation	10	3,811	4,878
Impairments	10	435	2,946
Interest and other finance costs	7	4,649	1,965
<b>Total expenditure</b>		<b>79,684</b>	<b>89,518</b>
<b>Surplus / (Deficit) after depreciation of tangible fixed assets and before tax</b>		<b>6,566</b>	<b>1,842</b>
Taxation		0	0
<b>Surplus / (Deficit) before exceptional items</b>		<b>6,566</b>	<b>1,842</b>
Exceptional items: continuing and discontinued operations			
Impairment of Newton Rigg assets	9	0	(6,993)
Restructuring - staffing costs	9	(827)	(3,781)
Restructuring - cost of onerous leases	9	(2,150)	0
Restructuring - release of deferred income	9	5,640	0
Profit on sale of fixed assets	9	161	0
<b>Surplus / (Deficit) for the year retained within general reserves</b>		<b>9,390</b>	<b>(8,932)</b>

Income and expenditure arise from both continuing and discontinued operations. See Note 31 for details of the discontinued operations which are included in the Income and Expenditure Account.

UNIVERSITY OF CUMBRIA

STATEMENT OF GROUP HISTORICAL COSTS SURPLUSES AND DEFICITS  
FOR THE YEAR ENDED 31 JULY 2011

	Notes	2010/11 £'000	2009/10 £'000
<b>Surplus / (Deficit) on continuing operations before taxation</b>		<b>9,390</b>	<b>(8,932)</b>
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	20	275	259
<b>Historical cost surplus / (deficit) for the year before taxation</b>		<b><u>9,665</u></b>	<b><u>(8,673)</u></b>
<b>Historical cost surplus / (deficit) for the year after taxation</b>		<b><u>9,665</u></b>	<b><u>(8,673)</u></b>

**UNIVERSITY OF CUMBRIA**

**STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 JULY 2011**

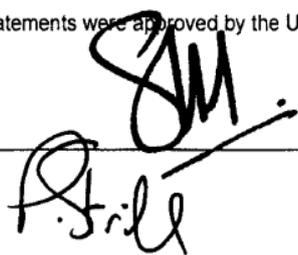
	Notes	2010/11 £'000	2009/10 £'000
<b>Surplus / (Deficit) on continuing operations after depreciation of assets, disposal of assets and tax</b>		<b>9,390</b>	<b>(8,932)</b>
Unrealised surplus on revaluation of fixed assets and investments	20	500	7,701
Impairment of existing revaluation reserve	20	0	(6,049)
New endowments	19	13	15
Expenditure of endowments	19	(27)	(16)
Reduction in pension scheme liabilities	30	0	4,366
Actuarial gain / (loss) in respect of pension scheme	30	718	(2,620)
Actuarial gain / (loss) in respect of enhanced pension provision	17	24	0
Gain on valuation of shares	20	5	4
<b>Reconciliation</b>			
Opening reserves and endowments		<u>(7,456)</u>	<u>(1,925)</u>
Total recognised gains / (losses) for the year		10,623	(5,531)
<b>Closing reserves and endowments</b>		<u><b>3,167</b></u>	<u><b>(7,456)</b></u>

UNIVERSITY OF CUMBRIA

BALANCE SHEET  
AS AT 31 JULY 2011

	Notes	2010/11		2009/10	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Fixed assets</b>					
Tangible assets	10	66,314	66,314	68,000	67,933
Investments	11	0	230	14	230
		<u>66,314</u>	<u>66,544</u>	<u>68,014</u>	<u>68,163</u>
<b>Endowment assets</b>	12	<u>122</u>	<u>122</u>	<u>136</u>	<u>136</u>
<b>Current assets</b>					
Investments	11	19	0	0	0
Stocks	13	44	44	296	51
Debtors	14	2,533	3,211	3,509	4,128
Cash at bank and in hand		16,117	15,764	10,588	10,261
		<u>18,713</u>	<u>19,019</u>	<u>14,393</u>	<u>14,440</u>
Less creditors: amounts falling due within one year	15	(16,839)	(17,426)	(34,032)	(34,042)
<b>Net current assets / (liabilities)</b>		<u>1,874</u>	<u>1,593</u>	<u>(19,639)</u>	<u>(19,602)</u>
<b>Total assets less current liabilities</b>		<b>68,310</b>	<b>68,259</b>	<b>48,511</b>	<b>48,697</b>
Debtors: amounts falling due after more than one year	14	0	0	0	29
Less creditors: amounts falling due after more than one year	16	(16,364)	(16,364)	(6,692)	(6,692)
Less: provisions for liabilities	17	(2,937)	(2,937)	(826)	(826)
<b>Total net assets excluding pension liability</b>		<u>49,009</u>	<u>48,958</u>	<u>40,993</u>	<u>41,208</u>
Net pension liability	30	(23,243)	(23,243)	(22,475)	(22,475)
<b>Total net assets including pension liability</b>		<u>25,766</u>	<u>25,715</u>	<u>18,518</u>	<u>18,733</u>
<b>Deferred capital grants</b>	18	<b>22,599</b>	<b>22,599</b>	<b>25,974</b>	<b>25,974</b>
<b>Endowments</b>					
Expendable	19	9	9	9	9
Permanent		113	113	127	127
		<u>122</u>	<u>122</u>	<u>136</u>	<u>136</u>
<b>Reserves</b>					
Income and expenditure account excluding pension reserve	20	12,262	12,242	816	1,057
Pension reserve		(23,243)	(23,243)	(22,475)	(22,475)
Income and expenditure account including pension reserve		<u>(10,981)</u>	<u>(11,001)</u>	<u>(21,659)</u>	<u>(21,418)</u>
Revaluation reserve		14,026	13,995	14,067	14,041
<b>Total funds</b>		<u>25,766</u>	<u>25,715</u>	<u>18,518</u>	<u>18,733</u>

The financial statements were approved by the University Board on 29 November 2011 and were signed on its behalf on that date by:



Stephen Henwood, Chairman of the Board of Directors

Professor Peter Strike, Vice Chancellor

**UNIVERSITY OF CUMBRIA**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 JULY 2011**

	<b>Notes</b>	<b>2010/11 £'000</b>	<b>2009/10 £'000</b>
Net cash inflow / (outflow) from operating activities	21	8,745	5,833
Returns on investments and servicing of finance	22	(810)	(599)
Capital expenditure and financial investment	23	(1,829)	481
Financing	24	(591)	4,555
<b>Increase / (decrease) in cash in the year</b>		<b><u>5,515</u></b>	<b><u>10,270</u></b>
 <b>Reconciliation of net cash flow to movement in debt</b>			
<b>Increase / (decrease) in cash in the year</b>		<b>5,515</b>	<b>10,270</b>
Change in debt	24	591	(4,555)
<b>Change in net debt</b>		<b><u>6,106</u></b>	<b><u>5,715</u></b>
Net funds / (debt) at 1 August	25	(4,531)	(10,246)
<b>Net funds / (debt) at 31 July</b>	<b>25</b>	<b><u>1,575</u></b>	<b><u>(4,531)</u></b>

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2011

	Notes	2010/11 £'000	2009/10 £'000
<b>1 Funding body grants</b>			
<b>Recurrent grant</b>			
Gross Higher Education Funding Council (HEFCE)		17,585	19,054
Clawback relating to the current year		(250)	(192)
Release of prior year clawback accrual		0	2,656
Net HEFCE		<u>17,335</u>	<u>21,518</u>
Skills Funding Agency (SFA) / Learning Skills Council (LSC)		4,183	4,225
Training and Development Agency (TDA)		13,216	13,140
<b>Specific grants</b>			
HEFCE		2,589	3,345
TDA - Subject Knowledge Enhancement		377	352
<b>Deferred capital grants released in year</b>			
Buildings	18	556	434
Equipment	18	2,410	2,652
		<u>40,666</u>	<u>45,666</u>
<b>2 Tuition fees and education contracts</b>			
Full-time home and EU students		17,580	16,777
Full-time international students		538	508
Part-time students		1,992	2,423
		<u>20,110</u>	<u>19,708</u>
Education contracts (NHS)		11,025	10,818
		<u>31,135</u>	<u>30,526</u>
<b>3 Research grants and contracts</b>			
Research councils and charities		247	82
		<u>247</u>	<u>82</u>
<b>4 Other income</b>			
Residences		3,140	3,399
Catering		1,655	2,050
Conferences		345	416
Release from deferred capital grants	18	409	376
Release of Energy Coast Campus funding	29	940	893
Other income		7,652	7,939
		<u>14,141</u>	<u>15,073</u>
<b>5 Endowment and investment income</b>			
Income from short term investments		61	13
		<u>61</u>	<u>13</u>

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2011

	Notes	2010/11 £'000	2009/10 £'000
<b>6 Staff costs</b>			
Salaries		36,153	41,901
Social security costs		2,738	3,024
Employer's pension contributions		4,315	5,007
FRS 17 adjustment	30	557	920
<b>Total</b>		<b>43,763</b>	<b>50,852</b>

	2010/11 Number	2009/10 Number (restated)
<b>Average staff numbers by major category</b>		
Academic departments	439	515
Support services	690	838
	<b>1,129</b>	<b>1,353</b>

The numbers disclosed above relate to full-time equivalents

	2010/11 £'000	2009/10 £'000
<b>Restructuring costs</b>		
Costs associated with major restructuring that took place in year including voluntary severance payments and related pension costs.	827	3,781

	2010/11 £	2009/10 £
<b>Annual emoluments of the Vice-chancellor</b>		
Salary	258,938	178,916
Benefits	0	0
	<b>258,938</b>	<b>178,916</b>
Pension contributions	0	17,625
	<b>258,938</b>	<b>196,541</b>

The University paid an interim provider £258,938 for the services of the University's Vice Chancellor, Professor Graham Upton.

**Annual remuneration of higher paid staff (other than the Vice-Chancellor), excluding employer's pension contributions, was within the ranges set out below**

	2010/11 Number	2009/10 Number
£100,000 to £109,999	3	1
£110,000 to £119,999	0	0
£120,000 to £129,999	0	0
£130,000 to £139,999	0	1
£140,000 to £149,999	0	1
£150,000 to £159,999	0	0
£160,000 to £169,999	0	0
£170,000 to £179,999	0	0
£180,000 to £189,999	0	0
£190,000 to £199,999	0	0
£200,000 to £209,999	0	0
£220,000 to £229,999	0	0
£230,000 to £239,999	0	0
£240,000 to £249,999	1	0
	<b>4</b>	<b>3</b>

The table above discloses payments made to an interim provider for the services of the Interim Director of Finance (£248,649).

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2011

	Notes	2010/11 £'000	2009/10 £'000
<b>7 Interest and other finance costs</b>			
Loans repaid in year		724	0
Loans wholly repayable within five years		0	538
Repayable wholly or partly in more than five years		154	72
Finance leases		0	2
FRS 17 Adjustment: Net interest on pension liabilities - LGPS	30	929	1,353
FRS 17 Adjustment: Net interest on pension liabilities - pension provision	17	45	0
Loan break costs	16	2,797	0
		<b>4,649</b>	<b>1,965</b>

**8 Analysis of total expenditure by activity**

Academic departments and services	45,852	48,255
Administration and central services	25,843	30,745
Premises	6,286	5,768
Residences, catering and conferences	3,007	3,446
Research grants and contracts	278	343
Impairments	435	9,939
Others	960	1,796
	<b>82,661</b>	<b>100,292</b>

Other operating expenses include:

External auditors' remuneration in respect of audit services	52	119
External auditors' remuneration in respect of non-audit services	57	175

In year operating lease rentals		
Land and buildings	869	854
Other	432	556

**Trustees**

No trustee received any remuneration or waived payments from the group during the year. The total expenses paid to trustees was £7,384. This relates to travel and subsistence expenses incurred in their official capacity in attending Board Meetings, Board Committees and meetings related to their roles as trustees.

**9 Exceptional items**

Restructuring - staffing costs	6	(827)	(3,781)
Restructuring - cost of onerous leases	17	(2,150)	0
Restructuring - release of deferred income	31	5,640	0
Profit on sale of fixed assets	10	161	0
Impairment of Newton Rigg assets		0	(6,993)
Loan break costs	16	(2,797)	0
		<b>27</b>	<b>(10,774)</b>

For more details of the exceptional items, please see the notes that are referenced above.

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2011

10 Tangible assets

	Freehold Land and Buildings £'000	Furniture and Equipment £'000	Motor Vehicles £'000	Computers £'000	Total £'000
<b>Consolidated</b>					
<b>Cost and valuation</b>					
At 1 August 2010	62,195	8,136	566	8,601	79,496
Additions - at cost	731	699	0	793	2,223
Gain on revaluation	500	0	0	0	500
Impairments	(450)	0	0	0	(450)
Disposals	(275)	(320)	(485)	0	(1,080)
<b>At 31 July 2011</b>	<b>62,701</b>	<b>8,515</b>	<b>81</b>	<b>9,394</b>	<b>80,689</b>
<b>Depreciation</b>					
At 1 August 2010	0	4,071	468	6,959	11,496
Charge for the year	1,354	1,306	52	1,099	3,811
Written back on revaluation	(15)	0	0	0	(15)
Disposals	(275)	(198)	(444)	0	(917)
<b>At 31 July 2011</b>	<b>1,064</b>	<b>5,179</b>	<b>76</b>	<b>8,058</b>	<b>14,375</b>
<b>Net book value</b>					
<b>At 31 July 2011</b>	<b>61,637</b>	<b>3,336</b>	<b>5</b>	<b>1,336</b>	<b>66,314</b>
<b>At 31 July 2010</b>	<b>62,195</b>	<b>4,065</b>	<b>98</b>	<b>1,642</b>	<b>68,000</b>
<b>University</b>					
<b>Cost and valuation</b>					
At 1 August 2010	62,191	7,833	458	8,601	79,083
Additions - at cost	731	699	0	793	2,223
Gain on revaluation	500	0	0	0	500
Impairments	(450)	0	0	0	(450)
Disposals	(271)	(267)	(377)	0	(915)
<b>At 31 July 2011</b>	<b>62,701</b>	<b>8,265</b>	<b>81</b>	<b>9,394</b>	<b>80,441</b>
<b>Depreciation</b>					
At 1 August 2010	0	3,817	374	6,959	11,150
Charge for the year	1,349	1,295	50	1,099	3,793
Written back on revaluation	(15)	0	0	0	(15)
Disposals	(271)	(182)	(348)	0	(801)
<b>At 31 July 2011</b>	<b>1,063</b>	<b>4,930</b>	<b>76</b>	<b>8,058</b>	<b>14,127</b>
<b>Net book value</b>					
<b>At 31 July 2011</b>	<b>61,638</b>	<b>3,335</b>	<b>5</b>	<b>1,336</b>	<b>66,314</b>
<b>At 31 July 2010</b>	<b>62,191</b>	<b>4,016</b>	<b>84</b>	<b>1,642</b>	<b>67,933</b>

Revaluation of land and buildings was carried out by CB Richard Ellis Limited on 31 July 2010. The valuer was qualified for the purpose of the valuation in accordance with RICS Appraisal and Valuation Standards. The valuation was carried out on the basis of depreciation replacement cost for specialised properties and existing use value for non-specialised properties.

**UNIVERSITY OF CUMBRIA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2011**

**10 Tangible assets (continued)**

Due to its withdrawal from Further Education provision during 2010/11 (see Note 31), the University disposed of all its land and buildings at the Newton Rigg campus as well as equipment and motor vehicles which were related to its Further Education provision or the operations of the farm at the site. The profit arising from the sale of these assets (£0.16m) is recorded in the Income and Expenditure account as an exceptional item.

The University carried out an impairment review at 31 July 2011 and identified that the value of one of its buildings had reduced by £0.24m compared to the value at 31 July 2010. This loss has been recorded as a cost in the Income and Expenditure Account.

The net book value of land and buildings based on historic cost would be £56,631,000

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.

Under the terms of establishment of the University, the Church of England retains an interest in the former freehold and leasehold properties of St Martin's College.

**11 Investments**

	Notes	2010/11		2009/10	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Subsidiary companies	32	0	230	0	230
Other investments:					
Genus PLC and National Milk Records PLC		19	0	14	0
		<u>19</u>	<u>230</u>	<u>14</u>	<u>230</u>

The investments in Genus PLC and National Milk Records PLC, which are held by Newton Rigg Enterprises Ltd, have been valued at market value. These investments have been disclosed as current assets due to NREL's intention to sell these shares during 2011/12

**12 Endowment assets (consolidated and university)**

	2010/11 £'000	2009/10 £'000
Balance at 1 August	136	137
New endowments invested	13	15
Decrease in cash balances held for endowment funds	(27)	(16)
<b>Balance at 31 July</b>	<u>122</u>	<u>136</u>

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2011

	2010/11		2009/10	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>13 Stock</b>				
Stocks of goods for resale	<u>44</u>	<u>44</u>	<u>296</u>	<u>51</u>
<b>14 Debtors</b>				
Amounts falling due within one year:				
Debtors	1,315	1,315	1,520	1,520
Prepayments and accrued income	1,218	1,136	1,989	1,934
Amounts due from subsidiary companies	<u>0</u>	<u>760</u>	<u>0</u>	<u>674</u>
	<b>2,533</b>	<b>3,211</b>	<b>3,509</b>	<b>4,128</b>
Amounts falling due after more than one year:				
Amounts due from subsidiary companies	0	0	0	29
	<u>0</u>	<u>0</u>	<u>0</u>	<u>29</u>
	<b>2,533</b>	<b>3,211</b>	<b>3,509</b>	<b>4,157</b>

**15 Creditors: amounts falling due within one year**

Loans	1,402	1,402	8,558	8,558
Obligations under finance leases	2	2	5	5
Trade creditors	3,710	3,710	2,984	2,984
Amounts due to subsidiary companies	0	596	0	35
Social security and other taxation payable	917	917	1,188	1,188
Accruals and Deferred Income	<u>10,808</u>	<u>10,799</u>	<u>16,241</u>	<u>16,216</u>
	<b>16,839</b>	<b>17,426</b>	<b>28,976</b>	<b>28,986</b>

**16 Creditors: amounts falling due after more than one year**

Loans	13,260	13,260	6,692	6,692
Obligations under finance leases	0	0	2	2
Accruals and Deferred Income	<u>3,104</u>	<u>3,104</u>	<u>5,056</u>	<u>5,056</u>
	<b>16,364</b>	<b>16,364</b>	<b>11,750</b>	<b>11,750</b>

The details of the University's loans are as follows:

Lender	Amount Outstanding 31 July 2011 £'000	Term	Interest rate	Security
Barclays Bank plc	8,000	2036	3.29% until 31/07/14	Fixed charge over halls of residence at Brampton Road campus
Cumbria County Council	481	Indefinite (reducing balance)	4.61% - variable	Unsecured
Barclays Bank plc	953	2020	10.74% - fixed	Fixed charge over halls of residence at Brampton Road campus
HEFCE - SDF loan for major restructuring costs	5,000	2016	0.00%	Unsecured
HEFCE / Salix	<u>228</u>	Indefinite	0.00%	Unsecured
	<b>14,662</b>			

The University repaid its outstanding loans with NatWest Bank Plc (£8.1m) in July 2011 and entered into an £8m loan with Barclays Bank Plc which is repayable over 25 years. In order to repay the NatWest loans, the University incurred £2.8m of loan break costs which are recorded in Note 7 of the financial statements.

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2011

17 Provisions for liabilities

	Onerous Leases £'000	Enhanced Pensions £'000	Total £'000
<b>Consolidated and University</b>			
At 1 August 2010	0	826	826
Utilised in year	0	(84)	(84)
Transfer from / (to) the Income and Expenditure Account	2,150	45	2,195
<b>At 31 July 2011</b>	<b>2,150</b>	<b>787</b>	<b>2,937</b>

The University has provided £2.2m in respect of the future costs which are related to several property leases it holds. This provision has been made under FRS 12 due to the fact that these future costs are unavoidable and represent an onerous obligation to the University in that no economic benefit will be derived from these payments.

The enhanced pension provision relates to liabilities to former staff from which the University cannot reasonably withdraw at the balance sheet date. In calculating the provision for enhanced pension costs under Financial Reporting Standard 17, Retirement Benefits, an interest rate of 5.36% (2009/10: 5.40%) and a net interest rate of 2.75% (2009/10: 3.00%) have been assumed.

18 Deferred capital grants

	Funding Council £'000	Other Grants £'000	Total £'000
<b>Consolidated and University</b>			
<b>At 1 August 2010</b>			
Buildings	17,769	1,256	19,025
Equipment	5,582	1,367	6,949
<b>Total</b>	<b>23,351</b>	<b>2,623</b>	<b>25,974</b>
<b>Cash receivable</b>			
Buildings	0	0	0
Equipment	0	0	0
<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)	556	31	587
Equipment (notes 1 and 4)	2,410	378	2,788
<b>Total</b>	<b>2,966</b>	<b>409</b>	<b>3,375</b>
<b>At 31 July 2011</b>			
Buildings	17,213	1,225	18,438
Equipment	3,172	989	4,161
<b>Total</b>	<b>20,385</b>	<b>2,214</b>	<b>22,599</b>

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2011

19 Endowments (consolidated and university)

	Unrestricted Permanent £'000	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2011 Total £'000	2010 Total £'000
<b>Balances at 1 August 2010</b>						
Accumulated income	0	127	127	9	136	137
<b>Changes during the year</b>						
New endowments	0	13	13	0	13	15
Expenditure	0	(27)	(27)	0	(27)	(16)
<b>Balances at 31 July 2011</b>	<b>0</b>	<b>113</b>	<b>113</b>	<b>9</b>	<b>122</b>	<b>136</b>

20 Reserves

	Notes	Year ended 31 July 2011	
		Consolidated £'000	University £'000
<b>Income and expenditure reserve</b>			
At 1 August 2010		816	1,057
Surplus retained for the year		9,390	9,129
Transfer from revaluation reserve		546	546
Actuarial gain on Local Government Pension Scheme	30	718	718
Actuarial gain on enhanced pension provision	17	24	24
Pension scheme charge to general reserves		768	768
<b>At 31 July 2011</b>		<b>12,262</b>	<b>12,242</b>
<b>Pension reserve</b>			
At 1 August 2010		(22,475)	(22,475)
Actuarial gain / (loss)		718	718
Charge to income and expenditure account		(1,486)	(1,486)
<b>At 31 July 2011</b>		<b>(23,243)</b>	<b>(23,243)</b>
<b>Revaluation reserve</b>			
At 1 August 2010		14,067	14,041
Gains on revaluation		500	500
Gain on valuation of shares held by Newton Rigg Enterprises Limited		5	0
Transfer from revaluation reserve to general reserve in respect of:			
Depreciation charged on revalued assets		(275)	(275)
Release of revaluation surpluses on current year disposals		(271)	(271)
		<b>14,026</b>	<b>13,995</b>

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2011

	Notes	2010/11 £'000	2009/10 £'000
<b>21 Reconciliation of surplus before tax to net cash flow from operating activities</b>			
Surplus / (deficit) after depreciation of tangible fixed assets at valuation and before tax		6,566	1,842
Restructuring - staffing costs (exceptional item in Income and Expenditure account)	9	(827)	(3,781)
Restructuring - onerous leases (exceptional item in Income and Expenditure account)	9	(2,150)	0
Restructuring - release of deferred income (exceptional item in Income and Expenditure account)	9	5,640	0
Profit on sale of fixed assets (exceptional item in Income and Expenditure account)	9	161	0
Depreciation	10	3,811	4,878
Impairments	10	435	2,946
Deferred capital grants released to income	18	(3,375)	(3,462)
Pension costs less contributions payable	30	1,510	2,273
Investment income	5	(61)	(13)
Interest payable	7	878	612
(Increase) / decrease in stocks	13	252	(42)
(Increase) / decrease in debtors and prepayments	14	991	32
Increase / (decrease) in creditors and accruals	15	(7,197)	577
Increase / (decrease) in provisions	17	2,111	(29)
<b>Net cash inflow / (outflow) from operating activities</b>		<b><u>8,745</u></b>	<b><u>5,833</u></b>
<b>22 Returns on investments and servicing of finance</b>			
Other interest received		46	13
Interest paid		(856)	(612)
		<b><u>(810)</u></b>	<b><u>(599)</u></b>
<b>23 Capital expenditure and financial investment</b>			
New endowment funds received	19	13	15
Endowment funds expended	19	(27)	(16)
Payments made to acquire fixed assets	10	(1,815)	(3,280)
Deferred capital grants received	18	0	3,762
<b>Net cash inflow / (outflow) for capital expenditure and financial investment</b>		<b><u>(1,829)</u></b>	<b><u>481</u></b>
<b>24 Financing</b>			
New financing acquired - Barclays refinancing loan		8,000	5,000
New financing acquired - Salix revolving green fund		0	48
Repayments of amounts borrowed		(8,588)	(485)
Capital element of finance lease rental payments		(3)	(8)
		<b><u>(591)</u></b>	<b><u>4,555</u></b>

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2011

25 Analysis of changes in net debt

	Notes	At 1 August 2010 £'000	Cash Flows £'000	Non-cash Changes £'000	At 31 July 2011 £'000
Endowment assets	12	136	(14)	0	122
Cash at bank and in hand		10,588	5,529	0	16,117
		<b>10,724</b>	<b>5,515</b>	<b>0</b>	<b>16,239</b>
Debts due within one year		(8,558)	(7,156)	0	(1,402)
Debts due after one year		(6,692)	(6,568)	0	(13,260)
Finance lease		(5)	3	0	(2)
		<b>(4,531)</b>	<b>(8,206)</b>	<b>0</b>	<b>1,575</b>

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2011

	2010/11		2009/10	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>26 Capital Commitments</b>				
Provision has not been made for the following capital commitments at 31 July 2011:				
Commitments contracted for:	627	627	991	991
	<u>627</u>	<u>627</u>	<u>991</u>	<u>991</u>

**27 Amounts disbursed as agent (consolidated and institution)**

	2010/11 £'000	2009/10 Restated £'000
<b>HEFCE - Access to Learning Fund</b>		
Excess of income over expenditure at 1 August	25	28
Funding council grants	214	247
Interest earned	2	4
Grants paid	(224)	(254)
<b>Excess of income over expenditure at 31 July</b>	<u>17</u>	<u>25</u>

	2010/11 £'000	2009/10 £'000
<b>TDA - Training Bursaries</b>		
Excess of income over expenditure at 1 August	(391)	(134)
Funding council grants	5,170	4,982
Grants paid	(4,493)	(5,239)
<b>Excess of income over expenditure at 31 July</b>	<u>286</u>	<u>(391)</u>

	2010/11 £'000	2009/10 £'000
<b>LSC - Residential and Hardship Funds</b>		
Excess of income over expenditure at 1 August	24	47
Funding council grants	293	241
Interest earned	0	1
Grants paid	(244)	(265)
<b>Excess of income over expenditure at 31 July</b>	<u>73</u>	<u>24</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.

The North West Development Agency paid funds of £1.3m to the University during 2010/11 for the development of educational facilities at Furness College. The University acted solely as paying agent in this arrangement and it disbursed all funds directly to Furness College. Due to this, no related amounts have been recognised in the Income and Expenditure Account.

## UNIVERSITY OF CUMBRIA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2011

#### **28 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 in 2010/11 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.

The Chairman of the Board of Directors, who took up office on 1 October 2010, is also the Chairman of the Nuclear Decommissioning Authority from which the University has received funding as outlined in Note 29.

#### **29 Energy Coast Campus Funding**

The Nuclear Decommissioning Authority (NDA) has provided £10m of funding in previous years for a programme that is being delivered at the Energy Coast Campus. The funding is recorded on the Balance Sheet within Accruals and Deferred Income in Note 16. When University expenditure is incurred on projects approved by the Programme Board, a matching amount of income is released to the Income and Expenditure Account from these funds. When funds are to be passed to other parties for their delivery of projects, no amounts are recognised in the Income and Expenditure Account.

At 31 July 2011, £6.7m of the funding has been recorded within the Accruals and Deferred Income balance in Note 16. £6.4m of the cash received from the NDA remains unspent and this amount is recorded within the Cash at Bank and in Hand figure on the Balance Sheet. The difference between the Accruals and Deferred Income balance and the unspent cash balance relates to timing differences between cash payments that have been made and the recognition of the related expenditure on long-term assets.

## UNIVERSITY OF CUMBRIA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2011

#### 30 Pension schemes

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

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

	<b>2010/11</b>	<b>2009/10</b>
	<b>£'000</b>	<b>£'000</b>
TPS contributions paid	2,550	2,938
LGPS contributions paid (including severance related costs)	2,279	2,371
<b>Total pension cost</b>	<b>4,829</b>	<b>5,407</b>

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

	<b>TPS</b>	<b>LGPS</b>
	<b>2010/11</b>	<b>2010/11</b>
Investment returns per annum	6.50%	12.84%
Salary scale increase per annum	5.00%	4.90%
Pension increase per annum	3.00%	2.90%
Market value of assets at date of last valuation (£ million)	116,000	3,962
MFR proportion of members accrued benefits covered by the actuarial value of the assets	N/A	84%

#### Teachers' pension scheme

TPS is valued 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 2011

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 is 14% from 1st April 2011.

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 2011.

In its June 2010 budget, the Government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). In the year ended 31 July 2010, the University considered the Lancashire County Pension Fund scheme rules and associated members' literature and concluded that as a result, a revised actuarial assumption about the level of inflation indexation should be made, with the resulting gain of £4.4m recognised as a "past service cost" through the Statement of Total Recognised Gains and Losses in the 2009/10 financial statements. Following the issue of Urgent Issues Task Force Abstract 48 in December 2010, the University has reconsidered its position in respect of the above and has concluded that the above treatment of the gain remains appropriate.

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 2011 were:

	2010/11 (%)	2009/10 (%)
Price increases (CPI)	2.9%	2.8%
Salary increases	4.9%	5.1%
Pension increases	2.9%	2.8%
Discount rate	5.3%	5.5%

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

	2010/11 (Years)	2009/10 (Years)
<i>Retiring today</i>		
Males	21.60	21.20
Females	24.20	24.10
<i>Retiring in twenty years</i>		
Males	23.00	22.20
Females	25.80	25.00

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2011

30 Pension schemes (continued)

Local Government Pension Scheme (continued)

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

	2010/11		2009/10		2008/09	
	Long-term return	Fund value £'000	Long-term return	Fund value £'000	Long-term return	Fund value £'000
Equities	7.00%	30,925	7.50%	22,623	7.50%	19,109
Bonds - Government	3.90%	2,494	4.20%	3,016	4.50%	2,124
Bonds - Other	4.90%	6,983	5.10%	5,656	5.80%	4,247
Property	6.00%	4,489	6.50%	3,016	6.50%	1,821
Cash	0.50%	1,496	0.50%	1,131	0.50%	1,213
Other	7.50%	3,492	7.50%	2,262	7.50%	1,821
		<u>49,879</u>		<u>37,704</u>		<u>30,335</u>

The following amounts at 31 July 2011 were measured in accordance with the requirements of FRS17:

	2010/11 £'000	2009/10 £'000
<b>Analysis of the amount shown in the balance sheet</b>		
The University's estimated asset share	49,879	37,704
Present value of the University's scheme liabilities	(73,122)	(60,179)
Deficit in the scheme - net pension liability	<u>(23,243)</u>	<u>(22,475)</u>
<b>Analysis of the amount charged to staff costs within operating surplus</b>		
Current service cost	(2,624)	(2,957)
Past service cost	(188)	4,366
Settlements and curtailments	(24)	(334)
Total operating charge	<u>(2,836)</u>	<u>1,075</u>
<b>Analysis of the amount that is credited to other finance income / (charged to interest payable)</b>		
Expected return on pension scheme assets	2,422	2,040
Interest on pension scheme liabilities	(3,351)	(3,393)
Net return / (charge)	<u>(929)</u>	<u>(1,353)</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	8,588	(5,385)
Changes in assumptions underlying the present value of scheme liabilities	(7,870)	2,765
Actuarial gain / (loss) recognised in STRGL	<u>718</u>	<u>(2,620)</u>
<b>Movement in deficit in the year</b>		
Deficit in scheme at beginning of year	(22,475)	(21,948)
Movement in the year:		
Current service costs	(2,624)	(2,957)
Employer Contributions	2,279	2,371
Past service costs	(188)	4,366
Net return on assets	(929)	(1,353)
Impact of settlements and curtailments	(24)	(334)
Actuarial gain / (loss)	718	(2,620)
Deficit in scheme at end of year	<u>(23,243)</u>	<u>(22,475)</u>

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2011

30 Pension schemes (continued)

Local Government Pension Scheme (continued)

	2010/11 £'000	2009/10 £'000
<b>Analysis of the movement in the present value of the scheme liabilities</b>		
At beginning of the year	60,179	52,283
Current service cost	2,624	2,957
Interest cost	3,351	3,393
Contributions by scheme participants	918	1,090
Actuarial gains and losses	7,870	5,385
Benefits/transfers paid	(2,032)	(897)
Past service cost	188	(4,366)
Business combinations	0	0
Curtailments	24	334
Settlements	0	0
At end of the year	<u>73,122</u>	<u>60,179</u>
<b>Analysis of the movement in the market value of the scheme assets</b>		
At beginning of the year	37,704	30,335
Expected rate of return on scheme assets	2,422	2,040
Actuarial gains and losses	8,588	2,765
Contribution by the employer	2,279	2,371
Contributions by scheme participants	918	1,090
Benefits paid	(2,032)	(897)
Business combinations	0	0
Settlements	0	0
At end of the year	<u>49,879</u>	<u>37,704</u>

History of experience gains and losses

Cumulative	2010/11 £'000	2009/10 £'000	2008/09 (Cumbria) £'000	2008/09 (Lancashire) £'000
Difference between the expected and actual return on scheme assets:				
Amount (£'000)	8,588	2,765	(617)	(4,631)
Percentage of scheme assets	17.2%	7.3%	33.8%	-16.2%
Experience gains / (losses) on scheme liabilities				
Amount (£'000)	(6,405)	0	0	0
Percentage of present value of scheme liabilities	8.8%	0.0%	0.0%	0.0%
Total amount recognised in statement of total recognised gains and losses:				
Amount (£'000)	(718)	2,620	-40	-852
Percentage of present value of scheme liabilities	1.0%	4.4%	0.9%	1.8%

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is £718,000. (2010: £2,620,000).

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 2012 is £1,922,000

## UNIVERSITY OF CUMBRIA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2011

#### 31 Transfer of Further Education provision

During July 2011, the University agreed to transfer its Further Education provision at its Brampton Road and Newton Rigg campuses to Carlisle College and Askham Bryan College respectively. These Financial Statements therefore record the final year's income and expenditure which is related to the delivery of Further Education and the impact of the sale of various assets and stock to Askham Bryan College which were related to the Further Education provision and the operations of Newton Rigg Enterprises Ltd, which operated the farm, at the Newton Rigg campus. The fixed assets which were sold as a result of the transfer are recorded in Note 10 of the Financial Statements and the profit arising from the disposals (£0.16m) is disclosed as an exceptional item in the Income and Expenditure Account itself. The wider strategic context for the withdrawal from Further Education provision is set out in the Operating and Financial Review.

The cessation of Further Education provision constitutes a discontinued operation under FRS 3. However, due to the amount of apportionment which would be necessary to separately report the income and particularly the expenditure of this provision as distinct from the continuing Higher Education and other provision, the University has followed FRS 3 in not separating continuing and discontinued operations in the Income and Expenditure Account.

The University received £6m from the North West Regional Development Agency in 2007 to facilitate its purchase of the Newton Rigg site. This was initially accounted for as a deferred capital grant but the remaining unreleased balance of £5.6m was transferred to Accruals and Deferred income in the 2009/10 financial statements given that it was clear that the related assets would be passed to the new provider of Further Education. The University obtained the funder's consent to dispose of the assets purchased with this funding during 2010/11 and the remaining balance of £5.6m has therefore been released to the Income and Expenditure Account as an exceptional item.

#### 32 Subsidiary undertakings

The University owns 100% of the share capital of the five subsidiary companies listed below. Only Newton Rigg Enterprises Ltd traded during 2010/11 and this company ceased trading on 31 July 2011 due to the wider transfer of Further Education provision at the Newton Rigg campus (see Note 31)

##### Companies

Newton Rigg Enterprises Ltd  
UOC Trading Ltd  
Moorbury Ltd  
Sunnyglen Ltd  
St. Martin's Services Ltd

#### 33 Linked Charities

The University has reviewed its relationship with its subsidiary, associated or linked charitable entities in order to determine whether those entities are linked charities according to paragraph (w) under Schedule 2 of the Charities Act 1993 and therefore within HEFCE's remit as principal regulator. This review identified that the Swales Trust is a linked charity as defined by the Act. The Swales Trust, which awards scholarships to University of Cumbria students engaged in agriculture or forestry related studies, had an opening reserves balance of £166,813. At the time of approval of these financial statements the finalised 2010/11 accounts of the Swales Trust were not available but the Trust has indicated that during 2010/11 the only income received arose from interest on its cash reserves and that no expenditure was incurred.