



University of Cumbria

Consolidated Financial Statements

For the Year Ended 31 July 2013

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Operating and Financial Review

Chairman's foreword

This year has been another significant year for the University. During the year the University updated its planning processes and developed the Corporate Strategy to make the strategy clearer and assist communication across the organisation. The University reported a financial surplus better than the sector average and significantly improved its cash position. This was set against a very difficult background where national changes in the teacher training and tuition fees saw enormous turbulence in the sector.

These achievements, building as they do on those of the previous two years, provide a strong platform on which the University will look to build in the coming years in a challenging and changing marketplace.

The University Board of Directors, through its strategic, financial and academic planning, has recognised the challenges facing the sector – and particularly how they have directly affected the University of Cumbria. They have been characterised by increasing uncertainty in the policy and funding environment, with major policy changes planned or being implemented, often with little lead time or clear guidance. The University Board of Directors has therefore, in its plans and risk assessments, made prudent assumptions including in its financial planning. It is also supporting strategic investments in developing new areas, including academic development, as well as in the infrastructure that support the student experience and the university's work with businesses.

Together, the national policy changes and the volatility they bring, continue to make planning and forecasting ever more challenging. The University has continued and will continue in 2013/14 to review the implications and address the likely impact of these changes as it seeks to ensure its offer is demand driven and student focused. The University recognises that there will be both opportunities and challenges arising from these changes, and has already placed itself in a strong position in a number of developing areas. It will look to build on its strong reputation and develop areas of niche provision across its programmes, seeking to capitalise upon its potential.

In the year ahead the university will continue to review the implications of the changing external landscape for its strategy and future direction. The changing environment, and the University's distributed nature, makes a focus on both income generation and cost reduction a key factor to ensure that the University can deliver this model in a sustainable way.

Against a backdrop of considerable uncertainty in the Higher Education sector, the year has been one of considerable progress. The Board continues to focus on our mission and values and ensure that students are at the heart of the University. The continuing improvement in our financial position has allowed the Board to make further investment to underpin the improvements that we now see coming through in student retention, satisfaction, achievement and employment.

Stephen Henwood

Chairman of the Board

Vice Chancellor's report

Introduction

This year has, in many ways, been a successful year for our University.

The most well publicised event was the change to the tuition fee regime for two thirds of our new students, those enrolling on the Higher Education Funding Council for England (HEFCE) undergraduate programmes and for teacher training programmes. Nationally there was enormous volatility in applications and, whilst we saw a decrease in for the recruitment of HEFCE students, the teacher training applications remained strong. As a University we took the decision that our average tuition fee charged to HEFCE students would be less than £7,500, making us one of the few universities nationally providing exceptional value in the Higher Education sector.

The year has also seen important changes in teacher education with significant post graduate teacher training places shifting from being University-led, to being School-led. As a University we are already at the forefront of teacher education and, with very strong school partnerships, we were able to successfully pilot these changes in 2012/13. This usefully highlighted some of the potential issues that might occur when the volume is significantly increased; in particular ensuring that there is sufficient resource and attention to providing support structures for schools and students are some of the issues we feel require debate at a national level.

In our health areas, we were able to build upon our strengths in distributed provision to support the British Army. A new academic initiative in 2012/13 resulted in 60 army medical technicians receiving a bespoke qualification at the Royal Military Academy, Sandhurst. Their qualification enables experienced medical technicians to develop skills they have been unable to practice in military situations. As a nationally recognised award it also allows military staff leaving the army to take up roles within the civilian health sector. This work saw the University nominated for the prestigious Times Higher Education awards for outstanding employer engagement initiative. The 'passing out' of these students on a parade ground was very different from the graduation ceremonies in Carlisle Cathedral, but the factor that links both was the pride of the students and their friends and families in attendance.

Our reputation as an institution continues to grow, and our strategic planning builds in strength. We have, in the last year, achieved what many in the sector have taken considerably longer to do. We have restructured our internal senior management and faculty organisation, moved one campus, redeveloped another and replaced significant behind the scenes infrastructure. At the same time we have continued to deliver a financial surplus that exceeded our budget and materially improved our balance sheet strength.

The Annual Operating Plan has been key in delivering our goals this year and been used to focus resources towards our priorities. This year we have articulated the plans into a simple to understand strategy map, so whatever the changes in the policy environment we are able to maintain our focus on ensuring the University goes from strength to strength.

Our students are at the heart of the University, and I continue to be both impressed and pleased by the role our Student Union plays in the University. As well as supporting the University clubs and societies, and the welfare and advocacy work that they undertake, they consistently bring the views of the students to the University and its Board in a very constructive manner. The Student Union Top 10 gave a real focus in 2012/13 for areas where the University and student body could work together to deliver a great student experience. Perhaps less well recognised, but equally impressive, is the many hours of community volunteering that the student union coordinate, which mean that we really are at the centre of the communities in which we operate. I was particularly pleased that our strong

partnership working with the Student Union was recognised by the HE Academy “highly commended” outcome in its annual University- Student Union Partnership Award

Investing in our Student Education

The University’s central focus on providing excellent and accessible higher education which benefits our students and communities is clear from the achievements of 2012/13. We educated over 7,500 students across numerous programmes. The majority of our students, 96%, come from state schools and colleges, with over 30% of our full time students from low participation neighbourhoods.

The work to develop our academic activity continues with both enhancements to current programmes and carefully selected new areas. The scoping work undertaken on the potential and direction of our National School of Forestry, for example, is enabling us to improve the offer and profile of this strategically important area, prior to its move to our Ambleside campus in 2014.

To further this work into 2013/14 and beyond, academic provision is now centred around two Faculties each with clear objectives around the experience and employability of our students, quality, income growth and innovation.

Student satisfaction

As we look back to 2012/13, there is much to celebrate. Progression, retention and student achievement all increased. The 2013 National Student Survey showed that 83% of our students were satisfied with their experience at the University. This is the highest satisfaction rate that we have achieved and is in line with the overall average rate for the university sector as a whole. The improvement in some areas has been dramatic and there are a range of areas in which the University is performing better than the sector average including in the learning resources, assessment and feedback and the academic support we provide. We will continue to build on areas of strength and drive improvement in other areas. This commitment to excellence is seen through the focus on student experience in business plans across the University and the work of a dedicated group focussed on improving the experience for students in all areas.

High quality teaching, learning and research

The quality of our academic activities is crucial to the success of our students and the University and we have a strong base to continue to build from.

In the most recent Quality Assurance Agency inspection, the University secured the best possible outcome of “broad confidence”. Areas of our current academic provision continue to be successfully approved by a range of Professional, Statutory and Regulatory Bodies through our validation/revalidation and routine monitoring procedures. In the last year this has included programmes validated by the Nursing and Midwifery Council and the Health and Care Professions Council, which regulates health, psychological and social work professionals

In the last year the OFSTED inspection of our teacher training activities judged us to be “Good” in all eight areas reviewed. Their report cited many positive features including our students’ behaviour, management skills and their ability to teach reading and mathematics effectively.

Our OFSTED report praised the support that trainees receive from their placement schools and the commitment that schools and practice settings display towards the partnership with us. Our partnership with schools is vital to the success of the teacher training we offer and the quality of this was specifically highlighted in the 2013 OFSTED review of the University’s teacher training activities in London. This work, in Tower Hamlets and Newham, was rated as “Outstanding” in every area with the report stating that the University has built a “learning community that is making a significant difference to the achievement and life chances of many young learners”.

Inspectors particularly praised 'strong leadership and management which led to outstanding levels of effectiveness in training high quality teachers.' Other areas singled out for particular praise included the high proportion of former students who are retained in the teaching profession and the strong pastoral and mentoring support provided for students. This provision will be further enhanced through the facilities and technology offered through the University's new leased site in London.

The University's long and celebrated history in teacher training was further developed in 2012/13 with our involvement in the School Direct initiative. This employment based approach to training allows us to build on our excellent relationships with schools across the region and beyond and involves us in providing a range of services to schools and to students as they work towards their qualification. We are delighted to have been able to partner with 18 schools and to expand the number of students on these programmes from 15 to 250 for 2013/14.

The importance of maintaining and improving the high quality of our provision is being supported in 2013/14 by the creation of two new senior Faculty posts focussed on quality and these staff members, together with the newly formed Academic Quality and Development Service and colleagues across the University, will continue to enhance the quality of our teaching, learning and research.

Employment and skills focus

Our aim is to produce graduates who are both in demand from employers and who are prepared for the challenges of a rewarding future. We have continued our success in this area with the most recent destination of leaver survey showing that nine out of ten of our former students are in work or further study within six months of graduating.

To further enhance our students' prospects this year, the University's team of professional careers advisers has developed our Career Ahead award, based on what employers look for in their ideal candidate. It will help students to identify any gaps in their skill set, reflect on their experiences and offers the opportunity to participate in exclusive programmes and mock interviews with employers. At the end of the course students receive official recognition for their extracurricular achievements and the skills they have developed. Over 200 students participated in this in its first year. This brings together a support infrastructure for students that spans the entire life cycle of student learning, starting before they join us with our Head Start and Get Ready modules to orientate them into higher education life and study, through to placements, volunteering opportunities, and career workshops.

Our focus on quality has been combined with our aims around improvements in employability rates and student number growth as we continue to develop existing and new programmes, including in our core activity as a provider of the public sector workforce. The University has revised a number of programmes in year including its Working with Children and Families degree. We are embedding this degree as a strong feeder for postgraduate qualifications in Teacher Education, Social Work and Youth and Community Work and recruitment to this exciting area for 2013/14 is excellent. We were also successful in our bid to run the NHS contract for the Graduate Diploma: Nuclear Medicine and Radiation Protection. This is a part-time award for Physics graduates entering Healthcare Sciences careers, as part of the NHS strategy for Modernising Scientific Careers.

International

Our international links continue to grow steadily. We have a number of partnerships in place and, most notably, over 1,000 part-time students from 135 countries now complete the MBA programme that we offer in conjunction with the Robert Kennedy College in Switzerland. This blended distance-learning programme uses cutting-edge technology to enable students around the world to access online teaching or download course materials onto mobile devices such as tablets or phones, so they can study when convenient. We continue to work to form further partnerships and to attract international students to our programmes.

Key to much of our international recruitment and the success of a range of programmes and initiatives is the University's development of our Ambleside campus. With its fantastic location in the heart of the Lake District being attractive to students and businesses alike, the University is investing in new buildings and facilities on the campus. This work began in 2012/13 and will continue into next year with all programmes and our National School of Forestry previously located at our Newton Rigg campus transferring to Ambleside by August 2014.

Supporting business

A range of exciting initiatives and projects were planned and have or will shortly be launched. Each are focussed on supporting local businesses across Cumbria, North Lancashire and further afield fulfilling several core objectives for the University.

In the middle of the year we launched the University of Cumbria Business School, with events in Carlisle, Lancaster and Ambleside. This included showcasing a suite of new undergraduate and post graduate programmes recognising the global nature of the business world today.

The newly-established Institute for Leadership and Sustainability (IFLAS) is a research, education and enterprise hub offering a range of courses and support for individuals and organisations. Its mission is to create an internationally renowned, interdisciplinary community of practice and research, which offers solutions to the business challenges of the future. Based in the Lake District, but with a strong national and international reach it is establishing itself as a centre of excellence in leading entrepreneurial transitions and in resilience.

We have opened the Business Interaction Centre in Carlisle in the heart of the city centre. This draws together the products and services we offer to local businesses and also provides space for student, graduate and local entrepreneurs, including incubation, hot desks and office space. This investment, which has been widely supported by the City Council, has created a business support facility widely recognised as essential to support emergent small and medium sized entities across the city and region. We have also taken the opportunity to integrate our well respected Centre for Rural Economic Development into this visible and readily accessible position.

A Rural Growth Hub, following similar lines, will also open at our Ambleside, Lake District campus early in the new academic year, complementing the Institute for Leadership and Sustainability. Businesses are able to access knowledge transfer and innovation support, student and graduate placements, short courses and programmes of learning through these hubs.

The University has now worked with over 1,000 businesses, ranging from consultancy to contract research, bespoke courses and a number of very successful knowledge transfer partnerships. These involve forming a partnership between business and the University giving access to the knowledge, technology, skills and expertise held by our academics, professionals and technical specialists.

Research development

Our postgraduate research student numbers continue to grow, with 66 registered and 13 more joining us by January 2014. Excellent progress has been made in planning our submission for Research Degree Awarding Powers (RDAP) and much work has been undertaken to prepare for our Research Excellence Framework submission (REF), and we expect to submit up to six Units of Assessment.

Our future Estate and Infrastructure

This year saw more activity and significant investment in our facilities and technology to support learning, research and enterprise activity than at any time since the University was formed.

We are very fortunate to have beautiful campuses in beautiful locations. The most distinctive, at Ambleside, is undergoing a £7m redevelopment project, making it one of the largest projects in the Lake District. The first phase of the project encompassed a disposals programme that has enabled the release of £4m for reinvestment into the campus and the recycling of these assets for the wider benefit of Ambleside. The ongoing works will accommodate around 400 students in high quality facilities located in a world class outdoor environment. The project includes refurbishment of 120 existing student bed spaces.

In Carlisle, the University has worked with a provider to deliver a new 250 bed environmentally sustainable student accommodation development at Denton Holme. This project was the first in the country to achieve an "outstanding" BREEAM sustainability standard and is of significant benefit to our students in providing quality student residences that are accessible to the city centre and our campuses.

The University has moved its teacher training facilities in London into a well-equipped site at East India Dock Road in Tower Hamlets. This project was delivered over a compressed three month programme and has provided accommodation capable of supporting around 400 students. In addition to offering high quality IT and media enabled teacher training facilities, the site will also support additional academic and enterprise activities for the University where a London location is beneficial or creates an academic premium for the service.

Plans are being produced to further develop and improve the University's wider estate. The quality of some of the current facilities is below sector average and work is being prioritised to improve or replace a range of buildings. This investment is crucial to the University's academic and financial strategies and the experience of our students. Further, these plans are designed to deliver the University's 45% carbon reduction target by 2020 and build on our recent Green Gown award, which recognises exceptional sustainability initiatives, and the Eco Campus bronze award which have already been delivered.

This commitment to providing excellent and environmentally friendly facilities is mirrored in our approach to technology. The University continued the rapid replacement and expansion of essential end-user computer equipment and tools during the year with the completion of the major project to replace the bulk of our student and staff desktop computers with high specification equipment. We now ensure most software is the latest release from providers in order that our graduates are used to the software they will experience in the workplace.

At the same time, we completed the work to refresh all our major teaching rooms with standardised high quality, audio-visual equipment. Recognising that increasing numbers of our students do not want to simply use fixed University provided computer terminals, we increased wireless network (wifi) access in our building spaces. To assist exploitation of this facility, especially for students who do not own their own computers, we also increased the number and quality of laptops available to loan to students at all our campuses and sites. These customer-focussed changes have helped move the score for IT in the National Student Survey to two percentage points above the national average and the highest since the University was formed.

With the current major end-user computing needs met, the University moved focus to our infrastructure and the technology held in our data centres. This involved the complete replacement of the computer servers and storage that run our corporate systems, email and security as well as increasing the storage available for staff and students. By exploiting the data centres in Carlisle and Lancaster and using the latest 'private cloud' technology, not only have we safe-guarded our capacity for several years, we have greatly increased system resilience and reduced our carbon output from this area by over 40%. The project represents an investment of £3m over five years.

The supporting systems used across the University have also been an area of focus. This has included major upgrades to our Finance and Student Administration systems as well as expansion of our customer relationship management system which has had a major positive impact on recruitment.

Our People

The achievements of this year are a reflection of the commitment and effort of colleagues across the University. Without their focus on delivering the highest quality teaching, learning and support for our students and their vital efforts to continue to enhance our processes, governance and planning, few of the successes of 2012/13 would have been possible. There are countless examples of the dedication and innovation of our staff and we were able to celebrate some of these through our annual Vice-Chancellor's Excellence Awards.

We continue to invest in our people. Alongside our Performance and Professional Development Review process, where staff set objectives and consider their training and development, the University launched its Sustainable Leadership Programme during the year. This is designed to further develop the leadership and management skills of a group of staff from various parts of the institution. The benefits of the first year of this Programme were clear to see and the second year will focus on the newly appointed Heads of Department from within our Faculties.

There have been two important changes to our organisational structures which are effective from August 2013. Our academic activities are now organised within two faculties – Health and Sciences and Education, Arts and Business. There are many benefits to this change including the creation of Heads of Department roles for each area of the academic provision. Among other objectives, these roles will be crucial in leading the review and development of strategies to grow and diversify our income.

The year also saw a review of the Senior Management Team's roles and responsibilities. The work led to the establishment of a smaller senior team with two new posts of Chief Operating Officer and Deputy Vice-Chancellor joining the Vice Chancellor, Director of Finance and Resources and Registrar and Secretary. This team is focussed on the delivery of our Corporate Strategy and embedding the many successes of 2012/13.

Our staff costs are a significant part of our expenditure and we maintain close scrutiny of staff recruitment to maintain our payroll costs at a maximum of 54% of our income. Our staffing base has reduced slightly from an average of 1,001 FTE in 2011/12 to an average of 986 FTE across this year.

Conclusion

As I mentioned in my introduction it has been a successful year, not without its challenges, but my abiding memory of this year will be the contribution that the staff within the University have made to ensuring we continue to deliver our strategic goals. I would want to put on public record my warmest thanks to everyone for their contribution and continued hard work.

These are challenging times for both the national economy and the sector. Despite this, our financial position grows in strength, and provides us with a solid platform for growth and investment for the future.

Professor Peter Strike

Vice Chancellor

Director of Finance and Resources' Report

The University has reported a strong surplus for 2012/13 of £5.4m after exceptional items. This result, and the overall £3.3m increase in cash reserves compared to 2011/12, has been achieved during a year which has seen considerable changes to the funding environment for the university sector. Whilst this has affected the level of income generated by the University, costs have also been controlled, allowing for continued investment in infrastructure to the benefit of students and staff.

	<u>2013</u>	<u>2012</u>
	<u>£m</u>	<u>£m</u>
Income	73.6	78.2
Expenditure including taxation	(69.4)	(70.6)
Operating surplus	<u>4.2</u>	<u>7.6</u>
Exceptional item: pension settlement	1.2	0
Exceptional item: Restructuring	0	(1.0)
Surplus / (deficit) for the year	<u>5.4</u>	<u>6.6</u>

This is the third year in succession that the University has delivered a surplus that is both in excess of the budget and is over 5% of income. Compared to an expected sector average surplus of 2.6% of income, this is an excellent achievement and demonstrates the University's ability to respond to challenges and seize opportunities. The growing cash reserves that have resulted provide a strong platform for the future as the University delivers its plans and strategies.

There is, however, more work to do. Income has fallen by 5.9% compared to last year and the University is still largely reliant on funding from public bodies and UK based students. Growth and diversification of income are vital to the achievement of our many ambitions. The provision of excellent physical and virtual learning environments and the development and growth of our teaching and research requires sustained investment. Our annual operating plans for 2013/14 and beyond recognise this and therefore seek to build on the successes of this year and focus efforts on income growth, new markets and the continued improvement of our estate, technology and processes.

Income

The main change in income sources with the previous year were the 44% reduction in funding body grants and the 32% increase in tuition fee income. This reflects the change in Government policy from 2012/13 with tuition fees replacing grants as the source of funding for most new UK undergraduates and Post Graduate Certificate in Education students.

Overall, income fell by £4.6m with student recruitment in 2012/13 being below the levels achieved in the previous year. That year, 2011/12 was an exceptional year for recruitment given that it was the final year of the old funding regime with its lower tuition fees. Reduced recruitment in 2012/13 was a national issue and not, therefore, unexpected and the University took steps to both control costs in year and to maximise recruitment in 2013/14.

Lower student recruitment also reduced income from residences and catering and there was a small reduction in the income generated from enterprise type activities.

Expenditure

Expenditure was £1.2m lower than 2011/12. However, the 2012/13 figure includes £2.8m of impairment charges which have mainly arisen due to the University's plans to redevelop its campuses. Without these costs, the figures demonstrate the University's continued effective management of resources.

Staff costs increased marginally compared to the previous year and, excluding the FRS 17 pension adjustment, staff costs as a percentage of income were 54% which is in line with the forecast sector average for 2012/13.

Other expenditure reduced by 15% compared to 2011/12 as a result of effective cost control and the response to lower student recruitment in year.

Balance Sheet

The increased strength of the balance sheet is demonstrated by the fact that discretionary reserves as a percentage of total income improved from 26% to 36% in 2012/13. This is a metric against which the University has improved rapidly in the last three years and continued progress towards the sector average in this area is anticipated in our financial plans.

The University continues to have a strong focus on cash generation and this is reflected by the significant improvement in its cash balance in year, which has risen to £17.5m. The improvement in cash is even more notable when it is considered that at the end of the preceding year the University administered £4.1m of cash on behalf of the Energy Coast Campus Project, of which now only £0.2m remains. Excluding this Energy Coast Campus Project funding, the University's cash has therefore increased from £10.1m to £17.3m. The strengthening of cash reserves, which can be invested in forthcoming estates and infrastructure works and other initiatives to enhance the experience of our students, is central to the University's future strategy.

These cash reserves have been utilised in year to deliver continued investment in the estate and infrastructure of the University. £1.3m was invested as part of the Ambleside, Lake District campus redevelopment 2012/13 with significant expenditure due also in 2013/14 to complete these works. Expenditure on information technology infrastructure and equipment remains a key priority for the University and 2012/13 saw the commencement of investment of over £3m in a new data centre, including £0.8m of leased assets.

The University has not entered into any new bank borrowing in year but, as part of our commitment to reducing our carbon emissions, the University successfully bid for £0.3m of funding under HEFCE's Revolving Green Fund 3 scheme. In line with the University's sustainability ambitions, this repayable funding will be received during 2013/14 and 2014/15 and will help improve our energy efficiency and reduce our carbon footprint across our campuses.

Pensions

The University is awaiting the outcome of the triennial valuation of the Local Government Pension Scheme as at 31 March 2013. This is due before the end of 2013 and is likely to affect the employer contribution rate. Increases in this contribution rate have been factored into future financial forecasts.

During 2012/13, the overall movements in the University's deficit in relation to this Scheme reduced by £4.0m reflecting both actuarial movements and an exceptional gain on settlement. This gain has arisen due to the transfer of the pension assets and liabilities relating to former members of staff between the University's Local Government Pension Scheme and their new employers.

Kate McLaughlin-Flynn

Director of Finance and Resources

Values and Responsibilities

Our approach to pursuing our mission and vision reflects our core values of:

- intellectual curiosity, rational enquiry and personal creativity
- emotional, creative and spiritual development
- social responsibility, equality, diversity, and inclusivity
- excellence and achievement
- environmental sustainability

As we provide teaching and facilitate learning, these values are at the centre of all we do. We encourage a culture of creativity and enterprise, ensuring that all our students have the opportunity to distinguish themselves from the crowd and are skilled for the profession that they will be joining wherever in the world this will be.

Student participation in wider university life is emphasised and supported. Becoming part of the University of Cumbria means students are able to take steps towards gaining their career of choice and becoming confident citizens. We view the student experience as a journey that has many components, and is not linear. Every student's need is individual and we aim to help students to achieve their full potential whatever their starting point.

With over 1,000 students registered, volunteering is one of the key services provided in partnership with the University of Cumbria Students' Union (SU). We believe that it gives students the chance to develop themselves as individuals outside their academic life at university. Volunteering is a chance for students to give back to the community, in which they study, giving the students themselves value to the people that live in the surrounding area. Students can also set up their own volunteering projects from scratch giving them the chance to mature beyond their course and develop skills that they may not have otherwise been able to develop. The huge variety of skills that students can gain through volunteering not only help students become more employable after university, it gives them confidence in their own abilities.

The University prides itself on its commitment to community engagement and the work it does in this area is central to the core values of the institution. A great amount of emphasis is placed by the University and its representatives on working with and helping the community – and it does this in a number of ways including hosting public 'in-house' events and activities, participating in community and partnership events, promoting charitable and volunteer work, encouraging staff and students to create strong links with local schools, groups and organisations and contributing to, and organising schemes which benefit the community.

Widening participation

As a charity, the University exists for the benefit of the public through its educating of students. This education enables students to fulfil their potential and make important contributions to society. The effort the University makes to attract, retain and support a wider range of students, including those from low income and participation backgrounds, further demonstrates this commitment to the public benefit.

The University's strategic plan outlines this firm commitment to accessible higher education. Our course portfolio and the support available are designed to meet the needs of a wide range of students and those from across our region. The University has a commitment to its locality which has significant pockets of low participation in further and higher education and low educational aspiration and attainment.

We continue to attract additional students from underrepresented groups and consistently meet or exceed external benchmarks and our own targets. The University's Office for Fair Access (OFFA) Access Agreement reflects our commitment to deliver additional outreach and retention activity as well as developing a new more targeted financial support package for individual students.

In line with this the University delivered a range of outreach and retention activities in 2012/13 with expenditure of £0.7m on widening access, including disability and £1.8m on retention, outreach and retention partly utilising specific HEFCE funding.

In addition to this, the University has devised a £1.7m package of financial support which over 2,000 students benefited from in 2012/13. This included:

- 2,121 student receiving cash bursaries
- 97 entrants receiving a National Scholarship Programme bursary
- 9 students receiving Outstanding Performance Awards
- 3 new entrants receiving an Achievement scholarships

The University's future plans reflect a continued commitment in this area and a desire to widen access further and to offer targeted and effective support to our diverse student population.

Environmental Sustainability

We aim to operate our estate to the highest standards of energy management and have made significant progress towards achieving this goal. The University continues to target a 45% reduction in carbon emissions by 2020, investing in and improving existing heating and power systems, and challenging staff and student behaviours through targeted awareness campaigns. As noted above, we successfully applied for HEFCE Revolving Green Fund funding and have started investing in a number of energy saving projects including new boilers, LED lighting, loft and plant room insulation, and a low loss transformer installation at our Lancaster campus. Once completed, these projects will reduce our carbon emissions by a further 300 tonnes per year.

Our work to reduce carbon emissions associated with business travel, with a 119 tonne reduction in three years, led to the University receiving a Green Gown award for Carbon Reduction. This has also seen our successes in this area highlighted in a recent Department for Transport / Energy Savings Trust guidance document. This achievement, coupled with a new corporate travel plan and new environmental, energy and waste management policies also saw the University achieve the Higher Education targeted 'EcoCampus' Bronze level award for environmental management. Successful implementation of such policies and behavioural campaigns has also contributed to a reduction in the University's waste totals of 35%, whilst a new waste management contract has helped to increase recycling rates by 20%.

We have continued to work in partnership with the SU with this highlighted in the successful bid to the NUS's 'Green Fund'. This exciting project will see the SU employ two new project officers tasked with strengthening links with local schools and colleges and delivering behavioural campaigns around the theme of sustainability related to energy, waste and food. These close links with the SU alongside the continued efforts detailed above have also contributed to the University rising over 40 places in the Higher Education sector 'Green League' assessment. Overall, we continue to make great strides towards achieving our sustainability goals.

Corporate Governance and Internal Control

The University was established in 2007 through an amalgamation of St Martin's College, Cumbria Institute of the Arts and the Cumbrian assets of the University of Central Lancashire. Its primary focus is to assist the people in the northwest region to gain new skills, along with new hopes and aspirations. It is serving a region where higher education opportunities had been limited for many people.

The University of Cumbria is a company limited by guarantee and is also an exempt charity under the terms of Charities Act 20011.

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 website 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 is a member of Million+ and Universities UK.

Structure of governance

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, is the University's governing body. The responsibilities of the Board of Directors are set out in detail on page 20 but, in summary, it is responsible for approving the corporate strategy and associated plans and budgets, monitoring the performance of the University and its executive, determining major business decisions and policies and is responsible for the overall framework of governance and management. It is specifically required to determine the educational character and mission of the University and to set its strategic direction.

The University's Board of Directors comprises persons who are appointed in accordance with its Memorandum of Association. The Chair is Mr Stephen Henwood and the Vice Chair is Dr Stephen Curl, with a second Vice Chair, Dr Hilary Crowe. The composition of the University Board is 21 with independent Directors forming the majority. The membership includes the Vice Chancellor and via open elections a staff director and a student director. A full list of members is at page 18.

Directors do not receive fees or other remuneration for serving as trustees. Travel and subsistence expenses incurred in their official capacity in attending Board Meetings, Board Committees and meetings related to their roles as trustees are reimbursed. These totalled £8,277 in 2012/13.

Academic Board

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.

Board Committees

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

- Audit Committee (chaired by Mr Brian Hetherington until 31 July 2013) which is responsible for reviewing the effectiveness of the systems of internal control, including risk management and financial controls and procedures. The Committee receives reports and oversees the performance of the internal and external auditors and provides an opinion on the adequacy of the management and quality assurance of the University's data and its approach to value for money.
- Finance and Resources Committee (chaired by Dr Stephen Curl) which advises and makes recommendations to the Board on financial, estates and infrastructure and capital matters. It recommends to the 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.
- Strategy and Planning Committee (chaired by Dr Hilary Crowe) which has responsibility for advising the Board on strategy and planning in the medium to longer term.
- Employment Policy Committee (chaired by Mr Geoff Donnelly) 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 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.
- Remuneration Committee (chaired by Dr Stephen Curl) which determines the remuneration and conditions of service of the most senior staff, including the Vice Chancellor.
- Nominations Committee (chaired by Dr Hilary Crowe) which considers nominations for appointment to the Board and its subcommittees. The Nominations Committee met during 2012/13 to oversee a public search and recruitment exercise that led to the Board approving the appointment of three new Directors, and the appointment of an associate director to the Finance and Resources Committee.

Public Benefit Statement

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

The University's aims and objectives are centred on benefitting the public and the achievements of this year, as set out in this report, demonstrate that this is our focus in practice.

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 2013 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 2013.

Risk Management

The University sees the strategic management of risk as an integral element within its decision-making processes and culture, supporting effective planning and evaluation of its activities. Effective risk management includes encouraging innovation and the successful management of change. Risk management is accepted as a creative component of management generally, not an "add-on". The University seeks to promote the development of a risk management culture in all sectors of the institution, through the acceptance by all staff of their shared responsibility for the good organisation of the institution.

The regular management and reporting on progress against strategic objectives and risks aids in the quarterly re-evaluation of strategic risk by informing updates to risk improvement plans. It creates a 'cascade' of risk management in which identified activities are mapped against the next highest level demonstrating an upward flow of mitigating controls from operational to strategic.

As activities progress and risks are improved at the lower level so they enable risks to be managed at the next highest level: e.g. management of project risks ensure the risks to the delivery of the University's Annual Operating Plan are mitigated. An increase in a project risk flags a potential increase to the associated operating plan risk and so on up the hierarchy.

Annual Operating Plan Projects are aligned to strategic risks as identified controls within risk improvement plans. If an operating plan risk increases this flags a potential impact in the efficacy of the control at the strategic risk level and thus impacts on the net risk score for that strategic risk.

Going Concern

The University's business activities, together with the factors likely to affect its future development, performance and position are set out in this Operating and Financial Review alongside the financial position of the University, its cash flows, liquidity position and borrowing.

The University has considerable financial resources together with contracts with a number of customers and suppliers. As a consequence, the directors believe that the University is well placed to manage its business risks successfully despite changes in funding policy and the current uncertain economic outlook. The Board of Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Therefore the Board of Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Members of the Board of Directors 2012/13

	Attendance at Board in 2012/13 (maximum 6)
Vice Chancellor Prof Peter Strike (2, 3, 4, 5, 6)	6
Chair of the Board of Directors Mr Stephen Henwood CBE (2,3,5, 6)	5
Members of the Board of Directors	
David Allen (1)	5
The Very Revd Mark Boyling (4)	5
Prof Linda Challis (3, 6)	4
Dr Hilary Crowe (2, 3, 6)	6
Dr Stephen Curl (2, 5)	6
Prof Trevor Curnow	5
Mr John Dell (2)	4
Mr Geoff Donnelly (4)	5
Mrs Claire Hensman (1, 5)	4
Mr Brian Hetherington (1) ^a	5
Mr Stuart Hyde (4)	3
Mr Ian Johnson (2)	2
Lord Roger Liddle (3) (resigned June 2013)	3
The Right Revd James Newcome, Bishop of Carlisle (6)	1
Mrs Liz Nicholls (3) (resigned May 2013)	2
Mr Mark Renwick-Smith (1) ^a	3
Mr Bill Sang (2)	6
Mr John Sharp	5

Associate Directors
David Atkinson (3)
Jeanette Brown (1) ^a
Paul Pharaoh (1)
Jill Johnston (2)

Notes

1. Audit Committee
2. Finance and Resources Committee
3. Strategy and Planning Committee
4. Employment Policy Committee
5. Remuneration Committee
6. Nominations Committee

- a. Term of Office ended 31 July 2013

Members of the Senior Management Team
Prof Peter Strike (Chair) (Vice Chancellor)
Prof Liz Beaty (Pro Vice Chancellor Academic Enterprise & External Relations)
Prof Sandra Jowett (Pro Vice Chancellor Academic)
Mr Neil Harris (Registrar and Secretary)
Mrs Kate Mclaughlin-Flynn (Director of Finance)
Mr Mike Berry (Director of Estates & IT)
Mrs Janet Whitworth (Director of HR)
The Revd Canon Prof Robert Hannaford (Executive Dean, Faculty of Arts, Business & Science)
Prof Sam Twiselton (Executive Dean, Faculty of Education)
Dr Robin Talbot (Executive Dean, Faculty of Health & Wellbeing)

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; and
- 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:

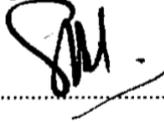
- ensure that funds from the Higher Education Funding Council and the Teaching Agency/National College for Training and Leadership are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and the Funding Memorandum with the 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; and
- 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.

Signed on behalf of the Board of Directors:



.....

Mr Stephen Henwood – Chair of the Board of Directors



.....

Professor Peter Strike – Vice Chancellor and Chief Executive

Date: 25 November 2013

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

We have audited the group and University financial statements (the "financial statements") of the University of Cumbria for the year ended 31 July 2013 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 the Board of Directors and auditor

As explained more fully in the Statement of Responsibilities set out on page 20, 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 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 2013 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 Practices - 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 properly 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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

Date: 28 November 2013

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 2013. 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 2013

	Notes	2012/13 £'000	2011/12 £'000
Income			
Funding body grants	1	18,536	32,972
Tuition fees and education contracts	2	42,977	32,457
Research grants and contracts	3	491	692
Other income	4	11,477	11,964
Endowment and investment income	5	85	71
Total income		73,566	78,156
Expenditure			
Staff costs	6	40,597	40,229
Other operating expenses		21,839	25,585
Depreciation	10	2,980	3,269
Impairments	10	2,772	186
Interest and other finance costs	7	1,173	1,290
Total expenditure		69,361	70,559
Surplus after depreciation of tangible fixed assets and before tax		4,205	7,597
Taxation		0	0
Surplus before exceptional items		4,205	7,597
Exceptional items: continuing operations			
Restructuring - staffing costs	9	0	(1,028)
Pension settlement on bulk transfer of staff	9	1,186	0
Surplus for the year retained within general reserves		5,391	6,569

All items of income and expenditure arise from continuing operations

UNIVERSITY OF CUMBRIA

STATEMENT OF GROUP HISTORICAL COSTS SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 JULY 2013

	Notes	2012/13 £'000	2011/12 £'000
Surplus on continuing operations before taxation		5,391	6,569
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	20	258	258
Historical cost surplus for the year before taxation		<u>5,649</u>	<u>6,827</u>
Historical cost surplus for the year after taxation		<u>5,649</u>	<u>6,827</u>

UNIVERSITY OF CUMBRIA

**STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JULY 2013**

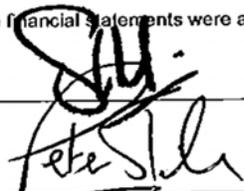
	Notes	2012/13 £'000	2011/12 £'000
Surplus on continuing operations after depreciation of assets, disposal of assets and tax		5,391	6,569
Unrealised deficit on revaluation of fixed assets and investments		(4,212)	0
New endowments	19	4	20
Expenditure of endowments	19	(11)	(18)
Actuarial gain / (loss) in respect of pension scheme	30	4,454	(4,427)
Actuarial gain / (loss) in respect of enhanced pension provision		(9)	(47)
Reconciliation			
Opening reserves and endowments		<u>5,264</u>	<u>3,167</u>
Total recognised gains and losses for the year		5,617	2,097
Closing reserves and endowments		<u>10,881</u>	<u>5,264</u>

UNIVERSITY OF CUMBRIA

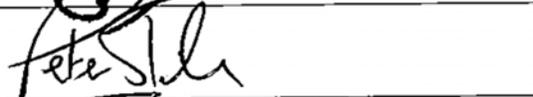
BALANCE SHEET
AS AT 31 JULY 2013

	Notes	2012/13		2011/12	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Fixed assets					
Tangible assets	10	58,076	58,076	65,994	65,994
Investments	11	0	10	0	195
		<u>58,076</u>	<u>58,086</u>	<u>65,994</u>	<u>66,189</u>
Endowment assets	12	<u>117</u>	<u>117</u>	<u>124</u>	<u>124</u>
Current assets					
Assets held for resale	10	1,749	1,749	0	0
Stocks	13	28	28	26	26
Debtors	14	3,335	3,383	2,398	2,441
Cash at bank and in hand		17,482	17,482	14,198	14,146
		<u>22,594</u>	<u>22,642</u>	<u>16,622</u>	<u>16,613</u>
Less creditors: amounts falling due within one year	15	(12,007)	(12,114)	(13,764)	(14,010)
Net current assets		<u>10,588</u>	<u>10,529</u>	<u>2,858</u>	<u>2,603</u>
Total assets less current liabilities		68,781	68,732	68,976	68,916
Less creditors: amounts falling due after more than one year	16	(11,848)	(11,848)	(12,525)	(12,525)
Less: provisions for liabilities	17	(2,575)	(2,575)	(2,358)	(2,358)
Total net assets excluding pension liability		<u>54,358</u>	<u>54,309</u>	<u>54,093</u>	<u>54,033</u>
Net pension liability	30	(24,927)	(24,927)	(29,025)	(29,025)
Total net assets including pension liability		<u>29,431</u>	<u>29,382</u>	<u>25,068</u>	<u>25,008</u>
Deferred capital grants	18	18,538	18,538	19,780	19,780
Endowments	19				
Expendable		9	9	9	9
Permanent		108	108	115	115
		<u>117</u>	<u>117</u>	<u>124</u>	<u>124</u>
Reserves	20				
Income and expenditure account excluding pension reserve		26,435	26,386	20,445	20,392
Pension reserve		(24,927)	(24,927)	(29,025)	(29,025)
Income and expenditure account including pension reserve		<u>1,508</u>	<u>1,459</u>	<u>(8,580)</u>	<u>(8,633)</u>
Revaluation reserve		9,268	9,268	13,744	13,737
Total funds		<u>29,431</u>	<u>29,382</u>	<u>25,068</u>	<u>25,008</u>

The financial statements were approved by the University Board on 25 November 2013 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 2013**

	Notes	2012/13 £'000	2011/12 £'000
Net cash inflow from operating activities	21	7,957	2,932
Returns on investments and servicing of finance	22	(295)	(314)
Capital expenditure and financial investment	23	(2,829)	(3,133)
Financing	24	(1,556)	(1,402)
Increase / (decrease) in cash in the year		<u>3,277</u>	<u>(1,917)</u>
 Reconciliation of net cash flow to movement in debt			
Increase / (decrease) in cash in the year		3,277	(1,917)
Change in debt	25	775	1,404
Change in net debt		<u>4,052</u>	<u>(513)</u>
Net funds at 1 August	25	1,062	1,575
Net funds at 31 July	25	<u>5,114</u>	<u>1,062</u>

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2013

	Notes	2012/13 £'000	2011/12 £'000
1 Funding body grants			
Recurrent grant			
Higher Education Funding Council (HEFCE)		9,107	15,197
		9,107	15,197
Skills Funding Agency (SFA)		0	109
National College for Teaching and Leadership (NCTL) / Teaching Agency (TA)		5,624	12,577
Specific grants			
HEFCE		2,271	2,394
NCTL / TA		224	183
Deferred capital grants released in year			
Buildings	18	456	456
Equipment	18	854	2,056
		18,536	32,972
2 Tuition fees and education contracts			
Full-time home and EU students		28,456	19,657
Full-time international students		495	718
Part-time students		2,166	1,158
		31,117	21,533
Education contracts (NHS)		11,860	10,924
		42,977	32,457
3 Research grants and contracts			
Research councils and charities		491	692
		491	692
4 Other income			
Residences		3,196	3,281
Catering		1,195	1,325
Conferences		316	250
Release from deferred capital grants	18	315	307
Release of Energy Coast Campus Programme funding	29	510	646
Other income		5,945	6,155
		11,477	11,964
5 Endowment and investment income			
Income from short term investments		85	71
		85	71

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2013

	Notes	2012/13 £'000	2011/12 £'000
6 Staff costs			
Salaries		32,438	32,995
Social security costs		2,569	2,596
Employer's pension contributions		4,085	4,152
Restructuring - staffing costs		734	1,028
FRS 17 adjustment	30	771	486
Total		40,597	41,257

The restructuring costs incurred during 2011/12 (£1.0m) are disclosed in the Income and Expenditure Account as exceptional items under FRS 3.

Pension Settlement on Bulk Transfer of Staff

FRS 17 exceptional gain on settlement	31	(1,186)	0
Total		(1,186)	0

	2012/13 Number	2011/12 Number
Average staff numbers by major category		
Academic departments	369	381
Support services	617	620
	986	1,001

The numbers disclosed above relate to full-time equivalents

	2012/13 £	2011/12 £
Annual emoluments of the Vice-chancellor		
Salary	170,150	170,075
Benefits	0	0
	170,150	170,075
Pension contributions	23,991	23,991
	194,141	194,066

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

	2012/13 Number	2011/12 Number
£100,000 to £109,999	3	2
£110,000 to £119,999	1	2
£120,000 to £129,999	0	0
£130,000 to £139,999	0	0
£140,000 to £149,999	0	1
£150,000 to £159,999	0	0
£160,000 to £169,999	0	1
	4	6

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2013

	Notes	2012/13 £'000	2011/12 £'000
7 Interest and other finance costs			
Loans not wholly repayable within five years		358	379
FRS 17 Adjustment: Net interest on pension liabilities - LGPS	30	771	869
FRS 17 Adjustment: Net interest on pension liabilities - pension provision	17	44	42
		<u>1,173</u>	<u>1,290</u>

8 Analysis of total expenditure by activity

Academic departments and services		37,769	39,651
Administration and central services		18,696	22,133
Premises		5,656	6,495
Residences, catering and conferences		2,471	2,476
Impairments		2,772	186
Others		811	646
		<u>68,175</u>	<u>71,587</u>

Other operating expenses include:

External auditors' remuneration in respect of audit services		45	45
External auditors' remuneration in respect of non-audit services		12	51
In year operating lease rentals			
Land and buildings		2,039	1,624
Other		103	259

The operating lease payments above include £0.6m of expenditure (2011/12: £0.6m) which was provided for and charged to the Income and Expenditure Account in 2010/11 . See Note 17 for further details.

Trustees

No trustee received any remuneration or waived payments from the group during the year. The total expenses paid to or on behalf of trustees was £8,277 (2011/12: £11,490). 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	0	1,028
FRS 17 exceptional gain on settlement	31	(1,186)	0
		<u>(1,186)</u>	<u>1,028</u>

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 2013

10 Tangible assets

	Freehold Land and Buildings £'000	Furniture and Equipment £'000	Motor Vehicles £'000	Computers £'000	Assets in the Course of Construction £'000	Total £'000
Consolidated and University						
Cost and valuation						
At 1 August 2012	63,103	8,909	81	10,954	0	83,047
Additions - at cost	191	203	36	2,031	1,334	3,795
Gain on revaluation	575	0	0	0	0	575
Impairments	(10,507)	0	0	0	0	(10,507)
Disposals	0	0	0	0	0	0
At 31 July 2013	53,362	9,112	117	12,985	1,334	76,910
Depreciation						
At 1 August 2012	2,169	6,092	81	8,711	0	17,053
Charge for the year	1,141	1,030	13	796	0	2,980
Written back on revaluation	(2,948)	0	0	0	0	(2,948)
Disposals	0	0	0	0	0	0
At 31 July 2013	362	7,122	94	9,507	0	17,085
Net book value						
At 31 July 2013	53,000	1,990	23	3,478	1,334	59,825
At 31 July 2012	60,934	2,817	0	2,243	0	65,994

Valuation of freehold and buildings

A revaluation of land and buildings was carried out by CB Richard Ellis Limited on 31 July 2013. 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 depreciated replacement cost for specialised properties and existing use value for non-specialised properties.

This valuation resulted in a net reduction in the net book value of the University's freehold land and buildings of £6.9m with a net charge to the Income and Expenditure account of £2.6m. An impairment applied to one property in 2009/10, which was recognised in the Income and Expenditure Account, was partially reversed in 2012/13 due to changes in the property's use and configuration since the previous valuation. The difference of £0.4m between the property's net book value and the valuation amount was recognised as a credit in the Income and Expenditure Account.

Assets held for resale

At 31 July 2013, land and buildings with net book value of £1.7m were transferred to Current Assets on the balance sheet. The sale of these assets is expected during 2013/14.

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2013

10 Tangible assets (continued)

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

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

11 Investments

	Notes	2012/13		2011/12	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Subsidiary companies	32	0	10	0	195
		<u>0</u>	<u>10</u>	<u>0</u>	<u>195</u>

12 Endowment assets (consolidated and university)

	2012/13 £'000	2011/12 £'000
Balance at 1 August	124	122
New endowments invested	4	20
Decrease in cash balances held for endowment funds	(11)	(18)
Balance at 31 July	<u>117</u>	<u>124</u>

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2013

	2012/13		2011/12	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
13 Stock				
Stocks of goods for resale	<u>28</u>	<u>28</u>	<u>26</u>	<u>26</u>
14 Debtors				
Amounts falling due within one year:				
Debtors	1,184	1,184	1,042	1,042
Prepayments and accrued income	2,151	2,151	1,356	1,352
Amounts due from subsidiary companies	0	48	0	47
	<u>3,335</u>	<u>3,383</u>	<u>2,398</u>	<u>2,441</u>
15 Creditors: amounts falling due within one year				
Loans	1,416	1,416	1,408	1,408
Obligations under finance leases	146	146	0	0
Trade creditors	2,516	2,516	2,157	2,155
Social security and other taxation payable	823	823	1,115	1,115
Accruals and Deferred Income	7,106	7,106	9,084	9,084
Amounts due to subsidiary companies	0	107	0	248
	<u>12,007</u>	<u>12,114</u>	<u>13,764</u>	<u>14,010</u>
16 Creditors: amounts falling due after more than one year				
Loans	10,455	10,455	11,852	11,852
Obligations under finance leases	468	468	0	0
Accruals and Deferred Income	925	925	673	673
	<u>11,848</u>	<u>11,848</u>	<u>12,525</u>	<u>12,525</u>

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

Lender	Amount Outstanding 31 July 2013 £'000	Term	Interest rate	Security
Barclays Bank plc	7,360	2036	3.23% until 31/07/14	Fixed charge over halls of residence at Brampton Road campus
Cumbria County Council	443	Indefinite (reducing balance)	4.52% - variable	Unsecured
Barclays Bank plc	821	2020	10.62% - fixed	Fixed charge over halls of residence at Brampton Road campus
HEFCE - SDF loan for major restructuring costs	3,000	2016	0.00%	Unsecured
HEFCE / Salix	228	Indefinite	0.00%	Unsecured
HEFCE RGF	19		0.00%	
	<u>11,871</u>			

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2013

16 Creditors (continued)

Finance Lease

The University entered into a finance lease during 2012/13 for equipment installed as part of the upgrade to its data centre. The leased equipment had net book value of £0.8m at 31 July 2013. An obligation of £0.6m has been recognised on the balance sheet and the amount payable in the future under this lease has been analysed as follows:

	£'000
Payable in next year	146
Payable in two to five years	468
	614

17 Provisions for liabilities

	Onerous Leases £'000	Enhanced Pensions £'000	Dilapidations £'000	Funding Review £'000	Other £'000	Total £'000
Consolidated and University						
At 1 August 2012	1,530	813	0	0	15	2,358
Arising in year	0	0	639	548	0	1,187
Utilised in year	(604)	(67)	0	0	(15)	(686)
Transfer from / to the Income and Expenditure Account	(337)	53	0	0	0	(284)
At 31 July 2013	589	799	639	548	0	2,575

Onerous Leases

The University provided £2.2m in 2010/11 in respect of the future costs which are related to several property leases it holds. This provision was made under FRS 12 due to the fact that these future costs are unavoidable and represent an onerous obligation to the University from which it expected to derive no economic benefit. During 2012/13, the University began to utilise one of the leased properties and therefore the remaining provision relating to this lease (£0.3m) was released to the Income and Expenditure Account.

Enhanced Pensions

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 4.28% (2011/12: 3.89%) and a net interest rate of 2.50% (2011/12: 2.50%) have been assumed.

Dilapidations

The University has provided £0.6m in respect of the liability for dilapidations works at two leased properties

Funding Review

The University has provided £0.5m in relation to a review of funding which was received in previous financial years.

18 Deferred capital grants

	Funding Council £'000	Other Grants £'000	Total £'000
Consolidated and University			
At 1 August 2012			
Buildings	16,757	1,194	17,951
Equipment	1,116	713	1,829
Total	17,873	1,907	19,780
Received in year			
Buildings	0	0	0
Equipment	193	0	193
Total	193	0	193
Transferred from deferred income			
Buildings	0	0	0
Equipment	118	72	190
Total	118	72	190
Released to income and expenditure account			
Buildings (notes 1 and 4)	456	31	487
Equipment (notes 1 and 4)	854	284	1,138
Total	1,310	315	1,625
At 31 July 2013			
Buildings	16,301	1,163	17,464
Equipment	573	501	1,074
Total	16,874	1,664	18,538

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2013

19 Endowments (consolidated and University)

	Restricted Permanent £'000	Restricted Expendable £'000	2013 Total £'000	2012 Total £'000
Balances at 1 August 2012				
Accumulated income	115	9	124	122
Changes during the year				
New endowments	2	2	4	20
Expenditure	(9)	(2)	(11)	(18)
Balances at 31 July 2013	108	9	117	124

20 Reserves

	Notes	Year ended 31 July 2013	
		Consolidated £'000	University £'000
Income and expenditure reserve excluding pension reserve			
At 1 August 2012		20,445	20,392
Surplus retained for the year		5,391	5,389
Transfer from revaluation reserve		258	258
Actuarial gain on Local Government Pension Scheme	30	4,454	4,454
Actuarial loss on enhanced pension provision	17	(9)	(9)
Pension scheme charge to general reserves		(4,098)	(4,098)
Disposal of subsidiary company		(6)	0
At 31 July 2013		26,435	26,386
Pension reserve			
At 1 August 2012		(29,025)	(29,025)
Actuarial gain on Local Government Pension Scheme		4,454	4,454
Charge to income and expenditure account		(356)	(356)
At 31 July 2013		(24,927)	(24,927)
Revaluation reserve			
At 1 August 2012		13,744	13,737
Gains on revaluation		1,095	1,095
Impairments of fixed assets		(5,307)	(5,307)
Transfer from revaluation reserve to general reserve in respect of:			
Depreciation charged on revalued assets		(258)	(258)
Disposal of subsidiary company		(6)	1
At 31 July 2013		9,268	9,268

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2013

	Notes	2012/13 £'000	2011/12 £'000
21 Reconciliation of surplus before tax to net cash flow from operating activities			
Surplus after depreciation of tangible fixed assets at valuation and before tax		4,205	7,597
Restructuring (exceptional item in Income and Expenditure account)	9	0	(1,028)
FRS 17 gain on settlement (exceptional item in Income and Expenditure account)	9	1,186	0
Depreciation	10	2,980	3,269
Impairments	10	2,772	186
Deferred capital grants released to income	18	(1,625)	(2,819)
Pension costs less contributions payable	30	356	1,308
Investment income	5	(85)	(71)
Interest payable	7	358	379
(Increase) / decrease in stocks	13	(2)	18
(Increase) / decrease in debtors and prepayments	14	(897)	163
Increase / (decrease) in creditors and accruals	15	(1,494)	(5,534)
Increase / (decrease) in provisions	17	208	(579)
(Profit) / Loss on disposal of subsidiary company		(5)	35
Loss on disposal of shares held by subsidiary company		0	8
Net cash inflow / (outflow) from operating activities		7,957	2,932
22 Returns on investments and servicing of finance			
Interest received		45	43
Interest paid		(340)	(357)
		(295)	(314)
23 Capital expenditure and financial investment			
New endowment funds received	19	4	20
Endowment funds expended	19	(11)	(18)
Payments made to acquire fixed assets	10	(3,015)	(3,135)
Deferred capital grants received	18	193	0
Net cash inflow / (outflow) for capital expenditure and financial investment		(2,829)	(3,133)
24 Financing			
New financing acquired - HEFCE RGF		19	0
Repayments of amounts borrowed		(1,408)	(1,402)
Capital element of finance lease rental payments		(167)	0
		(1,556)	(1,402)

UNIVERSITY OF CUMBRIA

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FOR THE YEAR ENDED 31 JULY 2013

25 Analysis of changes in net debt

	Notes	At 1 August 2012 £'000	Cash Flows £'000	Non-cash Changes £'000	At 31 July 2013 £'000
Endowment assets	12	124	(7)	0	117
Cash at bank and in hand		14,198	3,284	0	17,482
Debts due within one year		(1,408)	0	(154)	(1,562)
Debts due after one year		(11,852)	1,389	(460)	(10,923)
		<u>1,062</u>	<u>4,666</u>	<u>(614)</u>	<u>5,114</u>

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2013

	2012/13	2011/12
	Consolidated and University £'000	Consolidated and University £'000
26 Capital Commitments		
Provision has not been made for the following capital commitments at 31 July 2013:		
Commitments contracted for:	2,764	552
	<u>2,764</u>	<u>552</u>
27 Amounts disbursed as agent (consolidated and University)		
HEFCE - Access to Learning Fund		
Excess of income over expenditure at 1 August	10	17
Funding council grants	201	203
Interest earned	3	3
Grants paid	(204)	(213)
Excess of income over expenditure at 31 July	<u>10</u>	<u>10</u>
NCTL / TA - Training Bursaries		
Excess of income over expenditure at 1 August	60	286
Funding council grants	3,854	1,664
Returned to Funding Council	(60)	(286)
Grants paid	(3,835)	(1,604)
Excess of income over expenditure at 31 July	<u>19</u>	<u>60</u>
SFA - Residential and Hardship Funds		
Excess of income over expenditure at 1 August	0	73
Funding council grants	0	0
Returned to Funding Council	0	(73)
Interest earned	0	0
Grants paid	0	0
Excess of income over expenditure at 31 July	<u>0</u>	<u>0</u>
NHS - Health visitor bursaries		
Excess of income over expenditure at 1 August	43	0
Funding council grants	20	100
Interest earned	0	0
Grants paid	(54)	(57)
Excess of income over expenditure at 31 July	<u>9</u>	<u>43</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.

As lead partner in the ESF Graduate Employability Project, the University made payments of £0.5m (2012: £0.9m) as paying agent to partner institutions.

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013

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 2012/13 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 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. During 2012/13, £3.5m was paid to other parties for their delivery of projects; this was not recognised in the Income and Expenditure Account.

At 31 July 2013, £0.4m of the funding has been recorded within the Accruals and Deferred Income balance in Note 16. Of the £10m funding received from the NDA, £0.2m remains unspent and this amount is recorded with the Cash at Bank and in Hand figure on the Balance Sheet. The difference between the Accruals and Deferred Income and the unspent cash balances relates to timing differences between cash payments that have been made and the recognition of the related expenditure in the Income and Expenditure Account.

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013

30 Pension schemes

The University has two principal pension schemes, the Teachers' Pensions Scheme England and Wales (TPS) and the Lancashire County Pension Fund.

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

	2012/13 £'000	2011/12 £'000
TPS contributions paid	2,208	2,317
LGPS contributions paid (including severance related costs)	1,878	1,835
Total pension cost	4,086	4,152

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.

Lancashire County Pension Fund - Local Government Pension Scheme (LGPS)

The Lancashire County Pension Fund is a funded defined benefit scheme, with assets held in separate trustee administered funds. The total contribution of the University into the scheme in 2012/13 was £1.9m (2011/12: £1.9m). The current employer contribution rate is 14.0%.

The scheme is valued every three years by professionally qualified independent actuaries with the rates of contribution payable being determined by the trustees on the advice of the actuaries. The results of the valuation as at 31 March 2013 will be released during the 2013/14 financial year.

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 assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest Actuarial Valuation	31 March 2010
Actuarial method	Projected unit
Market value of assets at last valuation	£3,962m
Discount rate	6.75%
Pension increase per annum	3.00%
Salary scale increases per annum	5.00%
Proportion of members' accrued benefits covered by the actuarial value of the assets	80%
Inflation CPI	3.10%

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013

30 Pension schemes (continued)

Local Government Pension Scheme (continued)

The University has applied FRS 17 and the following disclosures relate to this standard. The University recognises any gains or losses in each period in the Statement of Total Recognised Gains and Losses. The material assumptions used by the actuary at 31 July 2013 were:

	2012/13 (%)	2011/12 (%)
Price increases (CPI)	2.4%	2.2%
Salary increases	4.4%	4.2%
Pension increases	2.4%	2.2%
Discount rate	4.6%	4.5%

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

	2012/13 (Years)	2011/12 (Years)
<i>Retiring today</i>		
Males	22.1	22.0
Females	24.8	24.7
<i>Retiring in twenty years</i>		
Males	23.9	23.8
Females	26.7	26.6

UNIVERSITY OF CUMBRIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2013

30 Pension schemes (continued)

Local Government Pension Scheme (continued)

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

	2012/13		2011/12		2010/11	
	Long-term return	Fund value £'000	Long-term return	Fund value £'000	Long-term return	Fund value £'000
Equities	7.00%	31,543	7.00%	33,940	7.00%	30,925
Bonds - Government	3.30%	4,243	2.50%	2,652	3.90%	2,494
Bonds - Other	4.30%	12,666	3.40%	9,387	4.90%	6,983
Property	5.70%	5,103	6.00%	4,773	6.00%	4,489
Cash	0.50%	2,890	0.50%	2,121	0.50%	1,496
Other	7.00%	5,042	7.00%	159	7.50%	3,492
		61,487		53,032		49,879

The following amounts at 31 July 2013 were measured in accordance with the requirements of FRS17:

	2012/13 £'000	2011/12 £'000
Analysis of the amount shown in the balance sheet		
The University's estimated asset share	61,487	53,032
Present value of the University's scheme liabilities	(86,414)	(82,057)
Deficit in the scheme - net pension liability	(24,927)	(29,025)
Analysis of the amount charged to staff costs within operating surplus		
Current service cost	(2,666)	(2,428)
Past service cost	0	0
Settlements and curtailments	1,186	0
Total operating charge	(1,480)	(2,428)
Analysis of the amount that is credited to other finance income / (charged to interest payable)		
Expected return on pension scheme assets	2,973	3,068
Interest on pension scheme liabilities	(3,744)	(3,937)
Net return / (charge)	(771)	(869)
Analysis of the amount that would be recognised in the statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	6,365	(1,733)
Changes in assumptions underlying the present value of scheme liabilities	(1,911)	(2,694)
Actuarial gain / (loss) recognised in STRGL	4,454	(4,427)
Movement in deficit in the year		
Deficit in scheme at beginning of year	(29,025)	(23,243)
Movement in the year:		
Current service costs	(2,666)	(2,428)
Employer Contributions	1,895	1,942
Past service costs	0	0
Net return on assets	(771)	(869)
Impact of settlements and curtailments	1,186	0
Actuarial gain / (loss)	4,454	(4,427)
Deficit in scheme at end of year	(24,927)	(29,025)

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FOR THE YEAR ENDED 31 JULY 2013

30 Pension schemes (continued)

Local Government Pension Scheme (continued)

	2012/13 £'000	2011/12 £'000
Analysis of the movement in the present value of the scheme liabilities		
At beginning of the year	82,057	73,122
Current service cost	2,666	2,428
Interest cost	3,744	3,937
Contributions by scheme participants	898	873
Actuarial gains and losses	1,911	2,694
Settlements	(3,596)	0
Benefits/transfers paid	(1,266)	(997)
Past service cost	0	0
At end of the year	<u>86,414</u>	<u>82,057</u>
Analysis of the movement in the market value of the scheme assets		
At beginning of the year	53,032	49,879
Expected rate of return on scheme assets	2,973	3,068
Actuarial gains and losses	6,365	(1,733)
Contribution by the employer	1,895	1,942
Contributions by scheme participants	898	873
Benefits paid	(1,266)	(997)
Settlements	(2,410)	0
At end of the year	<u>61,487</u>	<u>53,032</u>

History of experience gains and losses

Cumulative	2012/13 £'000	2011/12 £'000	2010/11 £'000
Difference between the expected and actual return on scheme assets:			
Amount (£'000)	6,365	1,733	8,588
Percentage of scheme assets	10.4%	3.3%	17.2%
Experience gains / (losses) on scheme liabilities			
Amount (£'000)	0	0	(6,405)
Percentage of present value of scheme liabilities	0.0%	0.0%	8.8%
Total amount recognised in statement of total recognised gains and losses:			
Amount (£'000)	(4,454)	4,427	(718)
Percentage of present value of scheme liabilities	5.2%	5.4%	1.0%

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 2014 is £1,885,000

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013

31 Pension Settlement on Bulk Transfer of Staff

The transfer of the University's Further Education provision to Askham Bryan College in August 2011 led to a number of staff leaving the University's employment and joining the College under the Transfer of Undertakings (Protection of Employment) Regulations. 62 of these staff were members of the Local Government Pension Scheme (LGPS) which is operated by the Lancashire County Council for University staff and by the North Yorkshire Pension Fund for Askham Bryan College employees.

The LGPS Regulations require that a transfer of assets is made between the two Funds in recognition of the transfer of liabilities. The transfer is governed by the Regulations which provide for the transfer to be determined by agreement between the two fund actuaries.

Agreement was reached during 2013 and this resulted in the transfer of £3.6m of liabilities and £2.4m of assets from the Lancashire County Council to the North Yorkshire Pension Fund. This resulted in a gain on settlement of £1.2m which has been recognised in the Income and Expenditure Account as an exceptional item.

32 Subsidiary undertakings

The University owns 100% of the share capital of the three subsidiary companies listed below. None of the companies traded during 2012/13.

Companies

UOC Trading Ltd
Moorbury Ltd
Sunnyglen Ltd

33 Connected charitable institutions

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 awarded scholarships to University of Cumbria students engaged in agriculture or forestry related studies until the transfer of Further Education at the end of 2010/11.