



Annual Report

For the Year Ended 31 July 2021

Company Information

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

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

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Strategic Report

Foreword by the Chair of the Board of Directors

I am very pleased to present my first Annual Report as Chair of the Board of Directors at the University of Cumbria. My predecessor, Geoff Donnelly, played a key part over several years in helping the university through some challenging times, setting a clear strategic direction and recruiting a strong board. I am very grateful for his work, and hope to help the university to build further on the foundations he laid.

This Report illustrates continued progress for the University of Cumbria, during a year where the Covid pandemic caused great difficulties for many people all over the country. That included our staff and our students. Huge efforts were made, swiftly and under great pressure, to devise flexible and imaginative solutions that enabled the work of the university to continue, with a particular focus on delivering courses online. The Board very much appreciates the way that so many people went the extra mile for students, trying to provide the best and safest teaching and personal support that was possible in the circumstances. We also recognise that, despite these efforts, we were unable to give all our students the same university experience that they would have had in other years, and hope that the situation will be easier for everyone in 2021/22.

Despite the external difficulties, we believe this is a time of opportunity for Cumbria and its university. New investment is coming to the region, and with it come new demands for skilled people. As a university, we wish to do all we can to meet these demands, adapting our offer as necessary. As this Report illustrates, last year we continued to grow and diversify our apprenticeship provision, working closely with employers, and to achieve strong graduate employability rates. Further investment in our digital capabilities should help us expand our offer even more widely.

We were delighted, at the end of last year, to be offered significant government support for a major project to develop the historic disused court buildings in the centre of Carlisle into a new, modern university campus. With excellent support from Carlisle and Cumbria councils, this project offers huge benefits to the city and the university, and we are privileged to have the opportunity to make it happen. We are also very involved in council-led plans to develop a Learning Quarter in Barrow, and look forward to this chance to make higher education more readily accessible in South Cumbria.

These opportunities are only possible through successful bidding for external sources of funding, but we are also rightly expected to invest our own resources. This requires rigorous multi-year planning and a firm financial base. The Board is therefore very pleased that the financial situation of the University continues to improve. As a registered charity and a recipient of public money, we must constantly ask ourselves whether we are operating efficiently and responsibly, and seek to improve where we can.

I am very grateful to all the staff of the University of Cumbria, whose resilience and adaptability means that we enter 2021/22 with confidence. I am also grateful to my fellow Directors and Associate Directors. They voluntarily give their time, skills and knowledge to help the University achieve its goals, and we are fortunate to have such a strong and committed group of people.

Mr Martin Williams, Chair of the Board of Directors

Introduction by the Vice Chancellor

As we reflect on 2020/21 in this report - rightly emphasising positive metrics and data and our growing financial strength, new and significant training and research contracts and exciting estates developments, as well as continued areas for development - the standout highlight has been our people. Covid continued to cause significant disruption to the University's plans and operations and, at a personal level, presenting immense challenges to our students and staff. I am proud of the teamwork, resilience, flexibility and care shown by the entire University community in response to this considerable upheaval. These values have been shown in abundance this year and have been foundational to the progress we have made in difficult circumstances.

Our ongoing response to the pandemic prioritised the safety of students and staff, ensuring they received the support they needed, whether this was related to financial hardship, equipment requirements or various other needs. Whenever possible, face to face teaching and student placements took place, enabled by the huge efforts of a range of support staff, academic colleagues and our partners.

I know we worked very hard to do the best for our students and staff. Equally, I know there are lessons to learn, to improve on what and how we delivered, during a very challenging year. The National Student Survey results for 2021 are an example of this, with areas of notable dissatisfaction expressed by our students, alongside some excellent results. We will evaluate and address this feedback, as individuals and as a collective, with openness, accountability and a commitment to do better and more consistently for all our students.

I am delighted that we have been able to welcome all campus-based students back to our facilities in autumn 2021. In these and numerous other ways, our teams rose to the challenges presented during the year and I wish to formally thank them all for their commitment, care for others and hard work.

This people centred approach, which was so crucial to our achievements in 2020/21 and to date, is a key focus of our new strategy. Launching in early 2022, this sets out ambitious objectives for the University up to 2030. With an emphasis on digital transformation, sustainability, partnerships and mental and physical health and wellbeing, the strategy has a central commitment to enhancing the experience and outcomes of all our students and addressing the needs of place, economy and environment.

We approach this and other challenges, as well as many opportunities, with confidence. Strong recruitment to many aspects of our full-time undergraduate and postgraduate portfolio, alongside the rapid expansion of our demand-led offer to employers, most significantly in apprenticeships, are marks of the continued success of our academic strategy. Our provision is strategically and increasingly diversified, responsive to the skills needs of both our students as well as regional, employer and sector needs. With resulting graduate employment outcomes which continue to be among the highest in the sector.

Sustained growth in demand and careful cost management, has helped improve our financial position further, providing resources for significant and planned investment for next year and beyond.

Operating in, for and from Cumbria and our Lancaster and London campuses, our strategy aims to raise aspirations and attainment of our communities, opening up career choices and meeting high-level skills demands across public services and our region's businesses. We have achieved much in 2020/21 towards these goals and our clear strategic intent is to do more, not least through the Borderlands Growth Deal Initiative and the Barrow and Carlisle

Towns' Deals. This includes, working with Cumbria County Council, Carlisle City Council (and their successors), Cumbria LEP and Lancaster University Management School to establish a new digitally enabled campus in the centre of Carlisle. We look forward to beginning this transformative development in 2021/22, extending our impact and reach further and for many decades to come. Together with our work with Barrow Borough Council, BAE, Furness College and other partners to develop proposals to expand higher education opportunities via the Barrow Learning Quarter, these and many other initiatives demonstrate our ambition for our region and the recognition by others of the importance of the University to its success.

As 2020/21 has shown, there are always risks, challenges and uncertainties as we plan for the future. However, as is also evident from this year, we have effective and values-based leadership and governance approaches in place, considered and prudent risk management and a careful approach to delivering ambitious plans. With strengthening financials, determined leadership and dedicated staff, I am confident of further improvements as well as successes in 2021/22 and beyond.

Professor Julie Mennell, Vice Chancellor

Strategic Review

2020/21 saw the development of a refreshed strategy¹, establishing ambitious objectives for the University across the next decade. These objectives, which are centred on our vision to make a difference to lives and livelihoods as we equip our students, economy and communities with the skills and confidence to thrive, build on the clear successes of 2020/21. With growth in student recruitment, new and expanding contracts with a range of employers, improved financial performance and plans developed for transformational investment in our estate, these and the other achievements of the last 12 months position the University well as delivery of the new strategy begins.

The accomplishments set out in this report were delivered alongside addressing the issues presented by the ongoing Covid pandemic. Periods of lockdown, changing guidance and restrictions to on-campus learning and activities, created challenges and uncertainties throughout the year. Central to the University's response has been a focus on student and staff safety and welfare, regular two-way communication and provision of effective support to enable the best possible learning and working experience. Decisions such as reducing accommodation fees for all students and waiving charges where students were unable to use their rooms and our investment in a digital connectivity fund, allowing access to computers and the internet where needed, were examples of our people focussed approach. Alongside this, £0.5m of hardship funding was distributed during the year, including funding from the Office for Students, helping meet additional costs or reductions in income some of our students faced.

Where learning could be delivered safely face-to-face, the University sought to enable this. Smaller group sizes and repeat tutorials and practical sessions were examples of steps that were taken to maximise such opportunities. The University worked closely with placement providers in education and healthcare settings to ensure that students had full workplace experience where possible. Given the restrictions which were in place for much of the year, this approach was combined with effective online learning. Recognising the challenges this presented, the University responded to feedback proactively, invested in dedicated software and put in place support measures to assist students during the year and at key assessment points. While continuing to be conscious of Covid related risks, we have been able to welcome new and existing students to our campuses at the start of 2021/22.

Against this backdrop, the University recruited successfully to a wide range of programmes during 2020/21. Overall student numbers, as measured by our HESA return, increased by 16%, from 7,844 to 9,821, this equates to an increase in full time equivalent numbers of 734 (13%). This reflected a significant expansion across the healthcare portfolio, both in the recruitment of on-campus undergraduate students and to apprenticeship programmes; further successes against our strategic priorities to expand our activities in this area; and to develop training which responds to employer needs. Our partnership to deliver degree level paramedic apprenticeships with seven Ambulance Trusts across England began during the year with recruitment across multiple intake points. The expansion in this delivery in 2021/22 and ongoing work with regional Trusts to provide apprenticeship training in nursing and other healthcare disciplines demonstrates our growing reputation for excellence and illustrates our commitment to supporting the healthcare economy. Successes in these areas were mirrored in teacher training, with growth in campus and school-based provision, and the further development of apprenticeships, degree course and short course training in project management for a number of employers. Across a range of programmes, the number of apprentices enrolled at the University increased from 259 in 2019/20 to 830 during 2020/21, and with multiple apprenticeship contracts secured and ambitions to establish new partnerships with employers, we expect further growth 2021/22 and beyond.

¹ To be approved in 2021/22

The University's commitment to respond to the skills needs of employers in its regions and beyond is seen in these activities and other ongoing developments. Of particular note is our partnership with key businesses in the Barrow area and other education providers to offer essential higher-level skills education, knowledge exchange, research and upskilling in areas such as project management, supply chain, computing and healthcare. This project will see the establishment of a Learning Quarter in the town, significantly enhancing higher education provision in south-west Cumbria and, in so doing, meet employer needs and helping students to build successful careers locally.

Similar drivers lie behind the University's plans to redevelop a site in Carlisle City centre in order to create a new £77m campus, as part of the Borderlands project for Carlisle. Working jointly with Cumbria County Council, Carlisle City Council and the Cumbria Local Enterprise Partnership, the sector-leading facilities will be developed with strong emphasis on digital connectivity and transformation. As well as increasing opportunities for learners from the Borderlands area and beyond, this initiative will see the University further support business innovation and enhance its impact on the city and wider region through its teaching and research. This project, like our plans in Barrow, which would see around £11m of capital investment, has continued to be scoped during 2020/21 and forms a key strand of our plans for 2021/22 and in the forthcoming years. These projects are in the final stages of approval and are underpinned by Government funding, with £50m from the Department for Levelling Up, Housing & Communities as part of the Borderlands Growth Deal and £4m from the Carlisle Town Deal for the campus development in Carlisle and £9m from the Barrow Town Deal funding for the initiatives in Barrow.

The University's focus on responding to the requirements of employers and on equipping students with the skills needed for today's changing employment landscape, is evidenced by our consistently high levels of graduate employment. Per the latest Graduate Outcomes survey, 95% of all University graduates were in employment or further study 15 months after completion of their studies. Our performance in this area has been consistently high and now exceeds the rates of all universities in the North West of England, aside from one specialist institution.

Our ambition is that such opportunities are increasingly available to all. The University continues to strive to increase access to our excellent higher education provision, to ensure that all students achieve their potential during their studies and to equip them to thrive in fulfilling careers. Such student outcomes are central to the University's focus and actions, with "Student and Graduate Success" the first strand of the new strategy. We have set clear and ambitious targets for key measures such as student continuation, satisfaction, achievement and employment which build on recent improvements and identify where rapid progress is required.

Our Office for Students approved five-year Access and Participation Plan (APP) sets out key actions and investment to ensure that students who are underrepresented in our, or the national, student populations can increasingly access our provision and succeed when they do so. Alongside this work, the University has continued to lead the regional Office for Students funded Uni Connect partnership which aims to increase the number of young people from under-represented groups who go on into higher education. During 2020/21, we oversaw the use and distribution of over £0.9m through this programme. With 98.1% of undergraduate students from state schools, 18.9% from areas of low participation in higher education and 8.3% with declared disabilities, all ahead of national averages and benchmarks, the University has achieved much towards our ambitions, in line with our public benefit focus. As we implement the APP, the wider strategy and make significant investments, such as in developing the new campus in Carlisle, our clear intent is to extend our reach and to further enhance outcomes for all.

An area of particular and heightened focus is student satisfaction. The recent National Student Survey results provided some areas of encouragement, including several

programmes where over 90% of students were satisfied. However, like some others in the sector, satisfaction rates dropped compared to the prior year. While the Covid situation clearly affected this feedback, a focussed approach to improving the experience of all our students is a key immediate and ongoing priority, as reflected in our annual operating plan for 2021/22 and our strategy. This will involve applying the approaches adopted in areas of high satisfaction, including among our research student body whose feedback in the most recent Postgraduate Research Experience Survey places us 4th nationally for levels of student satisfaction.

The University has continued to invest in equipment and infrastructure to enhance many aspects of student experience and satisfaction. £1.3m was spent in the year on such areas, primarily focussed on supporting teaching and learning, including development of new clinical skills labs for our midwifery delivery, provision of tablet and IT connectivity for apprentices and refreshing a range of equipment used across the University's portfolio. Our 2021/22 capital programme will see further reinvestment of our cash surplus in such areas, as well as improving our facilities via refurbishments of teaching spaces.

Alongside the many successes in our teaching and learning activities, the University is developing and strengthening its research capacity, capability and reputation. With Research Degree Awarding Powers in place, income from research students and research projects has increased compared to 2019/20. This includes the ongoing work on a £2m four-year project to reintroduce native flora and fauna across the lowland of Morecambe Bay and our partnership with Lancaster University to help businesses access technical and management expertise to accelerate innovation as part of a £4.1m initiative. Our focus on collaborative research, drawing on our strengths and a range of partners, has seen our recent appointment to work with others to deliver key aspects of six research projects with total funding of £10.5m which help explore how trees can help the UK reach net zero emissions. We are confident that our submission to the Research Excellence Framework will further advance the reputation and credibility of the University's research and under the leadership of the newly appointed Director of Applied Research and Knowledge Exchange, the University will build on these successes, increasing activity, quality and impact.

The University begins delivery of its new strategy from a position of growing strength, albeit with some areas such as student satisfaction where improvements need to be accelerated. As set out in the Financial Review part of this report, income is increasing, costs are well-managed and the University's financial position enables us to make key investments to support achievement of our ambitions. An established senior team is in place and, with Directors appointed to each of the Academic Institutes in late 2019/20, the academic areas continue to develop, including in diversifying provision, strengthening the existing portfolio and addressing areas where there is more challenging recruitment patterns or lower student outcomes or satisfaction.

It is from this position that the University seeks to capitalise on significant opportunities and manage the risks and uncertainties that it faces. With our strategic alignment to the evolving levelling up, upskilling and reskilling agendas, coupled with our place-based partnership working we are well placed to do this. However, as we enter 2021/22, potential changes to the Higher Education funding arrangements, reforms to the approach to teacher training and developments in Office for Students' regulation will also present potential challenges which the University is prepared for and which it has been actively engaged in understanding, modelling, planning and responding to. Wider economic factors, such as inflation, and longer- term pension risks are understood and assumptions revisited, noting that the University has no exposure to the Universities Superannuation Scheme (USS) which is affecting many universities. We remain focussed on managing the impact on our students, staff and operations of Covid and we are building on the successful approaches adopted in 2020/21, constantly receiving and acting on feedback. Our financial results in 2021/22 reveal the underlying strength of our business model and ability to withstand challenges such as those from the pandemic. Where risks emerge or develop, our risk management

framework ensures that assessment and mitigation is considered promptly and, scenario planning and modelling takes place, enabling the Board of Directors, the senior team and staff across the University to respond effectively and in an informed way.

As we continue our development as a University into 2021/22, the achievements of 2020/21 leave us well placed to deliver further success as we deliver our new strategy, a strategy centred on our passion, pride and drive to make a positive difference to lives and livelihoods – for and from our county and localities - now and for generations to come.

Section 172 Statement – Stakeholder Interests

The Board of Directors have had regard to their duties under Section 172 of the Companies Act, and, in working to deliver the University’s charitable objects during 2020/21, the Directors have considered the interests of stakeholders.

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

The Board of Directors monitors progress and performance against the University’s strategy, using key performance indicators and the risk management framework. A balance scorecard approach is adopted, with indicators covering student experience and outcomes and staff satisfaction, as well as financial matters.

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

The Board of Directors includes an elected staff member, providing direct representation as well as an input and feedback mechanism with the broader staff body. Similarly, a sabbatical officer from the Students’ Union is appointed each year as a Director. This engagement with staff and students extends beyond formal committees, with working groups, consultations, surveys and joint initiatives taking place in multiple areas, as was demonstrated clearly during 2020/21 with the collective response to the coronavirus pandemic.

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

Financial Review

The financial performance and position for the financial year 2020/21 of the University shows significant improvement. While aspects of the University's financial results have been shaped by the ongoing impact of Covid, including accommodation fee waivers and investment to support students and staff to study and work effectively and safely, the underlying picture is one of increasing financial strength. As set out below, from a combination of further income diversification, targeted growth in a number of portfolio areas and careful cost management, the University has recorded higher income and cash surplus and goes into 2021/22 with cash and asset levels that prepare us well for the opportunities and challenges ahead.

Financial Performance

The table below summarises the University's financial performance in 2020/21:

	2020/21	2019/20
	£m	£m
Total Income	61.7	56.4
Expenditure		
Staff Costs:		
Operational	38.6	37.2
Fundamental Restructuring	-0.1	0.6
Pension provision movement	2.8	2.6
Non-Staff Costs:		
Operational	17.6	17.0
Depreciation and Impairment	4.3	4.9
Pension provision movement	1.1	1.1
Total Expenditure	64.3	63.3
Loss on asset disposal	-0.1	0.0
Accounting Deficit	-2.7	-6.9
Add back accounting adjustments:		
Depreciation and impairment	4.3	4.9
Pension provision movements	4.0	3.6
Release of deferred capital grants	-1.1	-0.9
Loss on asset disposal	0.1	0.0
Cash Surplus	4.5	0.6
Cash Balance	17.3	11.8

The University focusses on its “cash surplus” level when planning and assessing its operating performance. This measure excludes the accounting adjustments that are required in the statutory accounts and it therefore gives a clearer indication of the levels of cash being generated for reinvestment. The cash surplus level of £4.5m demonstrates a £3.9m improvement on the prior year and, at 7% of income, represents clear progress towards the 10% objective stated in our strategy.

Income

The key driver for the improved cash surplus position has been growth in a range of income streams, reflecting the success of the University’s strategy, particularly with regard to diversification and off-campus delivery. Most significant has been the establishment and further development of contracts with multiple regional and national employers for the delivery of degree and higher-level apprenticeships. Income from these activities grew by £3m compared to the prior year, with focus on healthcare training, including paramedicine and nursing as well as project management and business. Coupled with increased recruitment to long-standing areas of the University’s academic portfolio, such as pre-registration healthcare and teacher training programmes, these activities have helped the University achieve a £5.3m (9%) increase in income, despite challenges to certain activities and revenues from Covid.

As in 2019/20, the University offered support to its students in a wide range of ways in response to the challenges posed by Covid, including discounting accommodation fees for all students across the year, which led to a £0.4m reduction in income, and waiving these fees during the post-Christmas lockdown, further reducing revenues by £0.3m. Given our expanding employer focussed training offer, Covid further affected revenues by reducing demand or delaying delivery – activity which we now intend to deliver in 2021/22.

Expenditure

The University has resourced this growth in income through carefully targeted investment in its staffing base, focussed workforce planning and via innovative delivery models, including secondments of subject specialists from industry. These and other measures have ensured that operational staff costs, when excluding non-recurrent costs, rose by just £0.7m. This rise includes the impact of incremental progression and the full-year application of the prior year pay award and teachers’ pension scheme contribution increases.

Non-staff costs have continued to be affected, favourably and adversely, by the impact of Covid. A range of costs increased compared to 2019/20 due to year-round safety and student support measures, including the distribution of £0.5m of grants to students in financial hardship and further investment to support learning such as the provision of hardware and mobile internet access. Limitations placed by Covid restrictions on on-campus activities also reduced some costs, including utilities and travel. Taking these and other factors into accounts, including some additional delivery costs associated largely with our growing apprenticeship portfolio, overall operational non-staff expenditure grew by £0.6m compared to the prior year.

Accounting Adjustments

In statutory accounts’ terms, the University has recorded a deficit for the year of £2.7m, after allowing for the accounting adjustments shown in the table above. The key adjustments were:

- **Pension provision movements:** changes in the Local Government Pension Scheme accounting deficit which are explored further below (total -£4.0m)

- **Depreciation and impairment:** depreciation is charged on the University's buildings and equipment, reflecting the annual usage of these assets, and a small impairment charge is included reflecting the valuer's view that an asset has reduced in value compared to the prior year (total -£4.3m)
- **Release of deferred capital grants:** when the University receives funds to support the purchase or construction of assets, the cash is used during the project but is only shown as income at the same rate as depreciation is charged (total +£1.1m)

These non-cash adjustments account for £8.3m (13%) of overall expenditure and £1.1m (2%) of income and, due to their net size, create an accounting deficit.

The University continues to actively seek to reduce the scale of accounting deficits and return to a surplus position. Our key objective is to progressively increase the annual levels of cash generation, as evidenced in 2020/21, over the short to medium term.

Financial Position

Cash

The operating performance for the year has contributed to growth in the cash balance held from £11.8m at 31 July 2020 to £17.3m at the end of this year. Alongside the in-year sale of surplus land and buildings for £1.5m, our operating performance has significantly strengthened the cash reserves of the University, which provides added confidence as we seek to continue our development, including plans for major investment in the estate and infrastructure.

Assets

£1.6m of the University's cash surplus was invested during the year in capital infrastructure, primarily in equipment to support teaching and learning and in IT hardware and systems. The levels of investment in the University's estate during 2020/21 were lower than in prior years. This is due, in part, to the challenges in completing projects due to the impact of Covid, with additional spend planned for 2021/22. It also reflects our focus in Carlisle on maintenance of the existing estate alongside plans for investment in a new campus in the heart of the city centre. Significant progress has been made towards this major initiative in 2020/21 with final decisions expected in 2021/22. A former hall of residence, which was no longer in use, was sold for £1.5m during the year, with the funds earmarked for this development.

A full accounting valuation of land and buildings took place at the end of 2019/20. Our valuers have provided an interim update to this, and these figures are reflected in the balance sheet and Note 10 to the accounts. After taking into account this update, additions and depreciation for the year and disposals, the overall net book value of assets has reduced slightly, to just below £120m.

Liabilities

The overall creditor balance of £36.5m includes supplier payments due during 2021/22 of £5.8m. This is similar to the prior year position and such payments are factored into our cashflow plans and projections. The remaining creditors relate to capital grants provided in 2019/20 and previous years which are released over the life of the assets they were used to purchase (£19.9m); loan payments due, which, annually, continue to be a small proportion of income (£5.1m); and cash received in advance of the University providing tuition or another service (£5.7m).

The provision set aside for the actuary's accounting estimate of the University's share of the Local Government Pension Scheme (LGPS) deficit has reduced from £67.3m in 2019/20 to £62.9m in 2020/21, reflecting improved returns on assets. While this accounting valuation remains a significant liability given the assumptions that need to be applied under accounting standards, it is the triennial valuation of the fund that determines contribution rates. Under this basis, the performance of the fund continues to be strong with a surplus position reported throughout the year. As we head towards the next valuation date of 31 March 2022, this gives confidence that this accounting position will not translate directly into additional contributions in the short-term.

Given the higher cash balance and the reduction in the pension provision, the balance sheet position has improved, with net assets rising to £42.4m from £35.6m. The unrestricted income and expenditure reserve has also increased and now stands at -£17m. This negative position reflects the £62.9m of charges related to the pension deficit; excluding this, the reserves level is relatively strong. Given the performance of the pension fund as outlined above, we do not believe that the headline negative reserves position reflects the underlying health of the University's financial standing, and we expect to improve this position further in 2021/22 and beyond.

Future Prospects

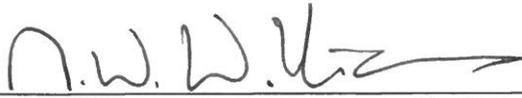
While facing numerous challenges and uncertainties during 2020/21, the University has delivered an improved cash surplus and enhanced its financial position significantly. Looking ahead, as well as maximising opportunities, our financial planning anticipates both continued and emerging risks. This includes the impact of Covid, uncertain economic and inflation outlooks and the shape of future Government funding policy. These challenges continue to be managed through careful planning, scenario planning and decisive action where necessary. Student recruitment levels for 2021/22 have been positive so far and the University continues to diversify its income, expanding its apprenticeship provision and other employer based training offerings. Given this and continued careful cash management, we expect to achieve a cash surplus in 2021/22 that exceeds 2020/21.

On the basis of the considerable progress made in securing new contracts, the overall delivery of student recruitment targets and the strong cash position and cashflow forecasts, for the period ahead, the Directors continue to have confidence in the current and future financial position of the University.

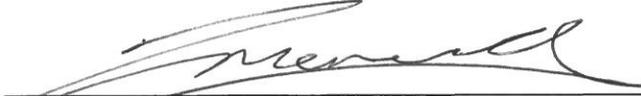
In planning for the future, further income growth is expected, along with significant estate and infrastructure developments, supported by a range of external funding as well as cash generation, which will enable the University to further meet the needs of its regions, employers and students. This includes work to secure a new campus in Carlisle and new opportunities in Barrow, with related capital expenditure of just under £90m in total across the next five years, substantially supported by Government funding. The senior team continues to drive these and other opportunities forward, alongside careful management of risks and resources, with clear Board oversight.

Taking all this into account, while there continue to remain uncertainties in the operating environment, not least due to the ongoing Covid situation, as set out more fully in the basis of preparation note to the financial statements, the Directors have prepared these financial statements on the going concern basis, confident of further improvements in financial performance in the years ahead.

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



Mr Martin Williams, Chair of the Board of Directors



Professor Julie Mennell, Vice Chancellor and Chief Executive

Directors' and Corporate Governance Report

The Directors' and Corporate Governance report and statement on internal control covers the period from 1 August 2020 to 31 July 2021, and up to the date of approval of the audited financial statements.

Governance

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

Background

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

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

The University has adopted the Committee of University Chairs (CUC) Higher Education Code of Governance and has also adopted a **statement of primary responsibilities** which is publicised on the University's web pages².

The University Board of Directors, which meets at least five times each year, is the University's governing body. It is responsible for approving the corporate strategy and associated plans and budgets, monitoring the performance of the University and its executive, determining major business decisions and policies and is responsible for the overall framework of governance and management. It is specifically required to determine the educational character and mission of the University and to set its strategic direction. The responsibilities of the Board of Directors are set out in detail on page 28.

The University's Board of Directors comprises persons who are appointed in accordance with its Articles of Association. During 2020/21 the Chair was Mr Geoffrey Donnelly and the Vice Chair for the majority of the year was Ms Jill Stannard. The membership includes the Vice Chancellor, a student director, who is an elected official from the Students' Union and, via open elections, a staff director. A full list of members is at page 19.

Mr Geoffrey Donnelly took up the role of Chair of the Board in 2018/19 following a planned succession. Changes to the Chairs of the Board's committees has also been managed, with the chairs new to the role in 2020/21 having experience of the Committee prior to commencing as Chair. Membership of the committees has been managed to ensure sufficient continuity alongside refreshing the membership as appropriate to ensure fresh challenge.

In considering the composition of the University Board its Nominations Committee takes account of the skills and experience of current directors, requirements of the Board required for effective discharge of its duties, and the need to ensure an appropriate balance and mix

² https://www.cumbria.ac.uk/media/university-of-cumbria-website/content-assets/vco/documents/legal/Statement-of-Primary-Responsibilities-2021_22.pdf

of skills, expertise and experience as well as the diversity of the Board and its subcommittees. The Board currently has a good gender balance and age profile, however it is less diverse with respect to ethnicity, Nominations Committee seeks to address this at each recruitment opportunity, both in terms of Board Directors and in relation to Associate Directors, engaged for their specialist input to a particular Board Committee.

Subject to the overall responsibility of the University Board, the Academic Board has oversight of the academic affairs of the University and draws its members from staff and students of the University. It is concerned with general issues relating to the teaching, professional and research work of the institution.

In order to ensure that the University's arrangements for corporate governance are adequate and effective, independent external effectiveness reviews are undertaken in line with the CUC Higher Education Code of Governance. The most recent independent external effectiveness review reported to University Board in January 2019. The review had a focus on the operations and effectiveness of both the Board and each of its committees, alongside benchmarking the Board's operations against the Code of Governance. No significant changes were proposed; all recommendations have now been implemented.

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

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

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

Board Committees

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

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

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

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

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

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

People Performance and Culture Committee (chaired by Ms Jill Stannard until 12 April 2021; Rev'd Canon Cameron Butland from 13 April 2021) inter alia considers and recommends to the University Board on matters of Human Resource strategy and policy and monitors performance in relation to people related matters. It also considers and recommends to the University Board on matters in respect of Health and Safety and Equality, Diversity and Inclusivity, ensuring that arrangements relating to compliance with statutory and regulatory requirements are adequate and effective.

Nominations Committee (chaired by Mr Geoffrey Donnelly until 22 October 2020; Mr Martin Williams from 23 October 2020) considers nominations for appointment to the Board and its subcommittees. In considering the composition of the Board and its subcommittees, Nominations Committee takes account of skills and experience of Directors as well as the diversity of the Board and its subcommittees.

Remuneration Committee (chaired by Mr Martin Williams in 2020/21) determines the remuneration and conditions of service of the most senior staff, including the Vice Chancellor. The Committee has adopted the Committee of University Chairs' Higher Education Senior Staff Remuneration Code in full.

Attendance

The members of the University Board of Directors in 2020/21 and their attendance at University Board and relevant committees in the year is set out below. University Board had additional meetings scheduled as required for approvals required by the Office for Students and in relation to the ongoing major projects.

Senior Officers and Executive Committees

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

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

The Vice Chancellor's Executive comprises the Vice Chancellor's direct reports. In 2020/21 the membership consisted of:

Professor Julie Mennell (Vice Chancellor)

David Chesser (Chief Operating Officer)

Professor Robert Trimble (Deputy Vice Chancellor (Academic))

Professor Brian Webster-Henderson (Deputy Vice Chancellor (Health, Environment and Innovation))

Michelle Leek (Pro Vice Chancellor (People Performance and Culture)) until 1 December 2020

Dr Jean Brown (University Secretary)

Members of the University Board of Directors in 2020/21 and their attendance at University Board and relevant committees in 2020/21:

	Board (9 in year)	Finance & Resources Committee (6 in year)	Audit & Risk Committee (4 standard meetings in year)	Academic Governance Committee (4 in year)	People Performance & Culture Committee (3 in year)	Nominations Committee (1 in year)	Remuneration Committee (2 in year)
Prof Julie Mennell (attendance noted where a member of a committee)	8	6		3	2	1	
Chair of the Board of Directors							
Mr Geoffrey Donnelly	9	6				1 (Chair)	2
Members of the Board of Directors							
Ms Fiona Aiken	8		4 (Chair)	4			
Mrs Emma Bales (staff director)	8	5					
Mr John Batty	8		4	4			
Mr Clive Bush (until 31 December 2020)	2 (of2)		1 (of2)			0 (of1)	
Revd Cameron Butland	8				3 (Chair from 13 April)	1	
Ms Jill Johnston	7				3		2
Prof John Lee	9			4	3		
Mr Ian Looker	9	6 (Chair)					
Ms Molly McConnell (student director from 08/07/20)	8			4			
Mr Charles Nall (from 12 May 2021)	3 (of3)	1 (of1)					
Mr Ian Purdham (from 18 January 2021)	6 (of7)		2 (of2)				
Mrs Jill Stannard (until 12 April 2021)	5 (of5)				2 (Chair until 12 April)	1	1
Mrs Pam Tatlow	8			4 (Chair)			
Mr Martin Williams	9	6				1	2 (Chair)
Mr Peter Yates	9	6					2
Members of the Board of Directors							
Mr Atta Hanfi	N/a				2		
Mr Charles Nall (until 11 May 2021)	N/a	4 (of5)					
Mr Ian Purdham (until 17 January 2021)	N/a				0 (of1)		
Mr Mark Renwick-Smith	N/a		4				
Mr Peter Stafford	N/a		1				

Director / Trustee Remuneration

Members of the Board of Directors, who are the trustees of the University, do not receive fees or other remuneration for their role as Directors. Two Directors are employed by the University, the Vice Chancellor and the Staff Director, and they receive remuneration solely with regard to their employment.

The total expenses paid to or on behalf of Directors/Trustees and Associate Directors in 2020/21 was £1,283 (2019/20 was £4,170). Eight Directors/Trustees or Associate Directors claimed expenses during the period. This relates to travel and subsistence expenses incurred in their official capacity in attending Board Meetings, Board Committees and meetings related to their roles as trustees.

Vice Chancellor Remuneration

The University has adopted the Committee of University Chairs' Higher Education Senior Staff Remuneration Code, published in June 2018, in full. One aspect of this, the annual Remuneration Committee report to the Board for the 2020/21 financial year, can be found [here](#)³. In line with the publication requirements of the Office for Students' Accounts Direction, the element of this report that covers the process for setting the Vice Chancellor's remuneration and the justification of this remuneration is set out below.

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

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

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

As set out in the 2019/20 Annual report of Remuneration Committee to University Board, 2019/20 was a year in which the University made significant progress, however the start of the Covid19 Pandemic led to priorities being amended in the latter part of the year.

The value and performance of the Vice Chancellor through the 2019/20 academic year was recognised by the Directors on the Board: the report to Remuneration Committee referenced the improved position of the University over the previous twelve months and the Vice Chancellor's personal role in this was agreed by the Committee. However, in the circumstances at that point in time, with the pandemic still a major concern and UCEA having agreed a pay freeze for all spine points on the National Pay Framework, the Chair reported that he had asked the Vice Chancellor what her position was. The Vice Chancellor had clearly set out that senior staff, including herself, should be subject to the same position with respect to pay as all staff.

³ Publications | University of Cumbria

The Committee agreed to honour the Vice Chancellor's request for her salary to be frozen for 2020/21, while noting that in a normal year she would have received a pay rise.

Public Benefit Statement

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

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

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

The University's aims and objectives are centred on benefitting the public and the achievements of this year, as set out in more detail within the Strategic Review from page 6, demonstrate that this is our focus in practice.

Regularity and propriety of use of Public Funds

The University has an effective system of controls in place to ensure the regularity of its use of public funds. Relevant legislation, guidance and regulatory advice is understood at senior and operational levels and is reflected in internal policies and procedures, which are adhered to across the University.

Where specific conditions or uses attach to the use of funds, these funds are ring-fenced for the purpose intended within our financial systems and separately managed by budget holders.

The University's code of conduct, financial regulations and other related policies require complete propriety to be applied in the use of public funds. Robust approval processes are in place to ensure the highest standards in procurement and in all forms of payments, with proactive counter-fraud controls in place. Regular and transparent reporting of financial matters is embedded, with scrutiny of such reports as well as other forms of assurance, such as internal and external audit reports, forming a key part of the University's governance framework.

Statement of Internal Control

This Statement of Internal Control relates to the financial year ended 31 July 2021 and is current until the date of approval of the audited financial statements.

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

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

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

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

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

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

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

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

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

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

The Audit and Risk Committee receives a regular report from the Executive on the delivery of actions agreed within any external and internal audit reports, with any extensions to action deadlines requiring approval from the Committee.

The Board receives the full minutes of each Audit and Risk Committee meeting and a verbal report on the business of the meeting from the Chair of the Audit and Risk Committee. These updates include matters relating to internal control in the light of regular reports from the internal auditors and from managers on the steps they are taking to manage risks in their areas of responsibility. Any material weaknesses or breakdowns in internal control must be reported to the University Board.

The University and its Board of Directors are satisfied with the effectiveness of the system of internal control at the University. No reports of material internal control weaknesses have been made in 2020/21 or up to the point of the audited financial statements being approved.

Risk Management

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

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

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

The University's risk profile has continued to improve through 2020/21, with the core strategic risks remaining similar to those in previous years. The Covid19 pandemic has remained a risk through 2020/21, with the nature of the risk changing as the pandemic progressed and society moved between lockdowns and opening up. As set out in 2019/20, the Covid19 pandemic has led to a different slant on a number of risks, of particular note is the impact of the restrictions on the experience of students, with the University, in line with others in the sector, having to move to on-line learning for many students through the majority of the year. Staff resilience and well-being has been of ongoing concern, along with increased frequency of cyber-attacks on the sector.

Changes to the risks articulated on the risk register in-year included additional emphasis on the potential impact of changes to government policy, in particular with respect to the significance of public sector funding to the University's finances. Due to the evolution of Cyber security related issues across society and the sector, the risk was moved from being a key compliance risk into the strategic risk register. In recognition of the continued

challenges of dealing with Covid, delivering the annual operating plan and furthering the strategic initiatives underway, a risk around executive capacity was added. Significant project risks remained in relation to the University's engagement with the Borderlands Initiative; the Barrow Learning Quarter project was added to the project risk register in year.

Further detail on the key risks is set out below:

- **Failure to maintain a sustainable business model:** The strategic plan focusses on sustainability, identifying opportunities for growth and highlighting the need for cost constraint and positive cash management. Income is increasingly diversified and key partnerships have been built with partners and employers, particularly in relation to delivery of apprenticeships to the public sector. However, with capped tuition fees and the potential for further changes to funding, inflationary cost pressures, including from changes to pensions and national insurance, there remains pressure on budgets, especially in areas where recruitment is capped due to placement capacities or remains a challenge.
- **Income from undergraduate on-campus student recruitment, apprentice recruitment and contracts not meeting budget:** The operating environment continues to be challenging with increased competition and, especially in teacher training and pre-registration healthcare areas, subject to changes in Government policy. The awarding of major contracts for apprenticeship provision has been welcomed, however the development and maintenance of these and new areas of provision is required.
- **Impact of changes to government policy on the institution in particular with respect to the significance of Public Sector funding:** Changes to government policy in many areas could have a significant impact on the University's income. In addition to risks relating to tuition fees for under-graduate programmes, the main areas of income for the University come from public sector or quazi-public sector professions or organisations, in the main relating to health and education, but also policing and our relationship with key industries such as BAE Systems and Sellafield. This has the advantages of stability in the fact that there will always be a requirement to train people for these sectors, however changes in government policy, in relation to any of these sectors, for example the review of teacher training currently underway, could be significant for the university.
- **Student experience, wellbeing and outcomes:** Progress has been made towards the University's targets and benchmarks for a range of student outcome measures, in particular Graduate Outcomes, however, further and sustained improvement in student outcomes is essential, particularly in response to aspects of the University's NSS2021 results. This is at the heart of the University's mission and is key to improvements in the University's attractiveness and its position in league tables. Through clear action plans and effective student engagement we expect that this risk will be increasingly mitigated. The impact of the Covid19 pandemic has brought issues of student wellbeing to the fore particularly around mental health.
- **Failure to have and maintain the culture and people resources required to enable delivery of the strategy:** Staff are the University's most important and expensive resource – without staff with the skills and capability, working within an appropriate culture, employed at the appropriate level and contractual terms the institution's Strategy will not be delivered. Aligned with this is the need for staff to be engaged with the University's vision, mission and values and for staff morale, resilience and wellbeing to be well managed. As with the risk above, the ongoing Covid19 pandemic has added to challenges for many staff. The University is working hard to support staff and to develop a new Health and Wellbeing strategy for the next period.

- **Inability to maintain the standards and compliance conditions required by Professional, Regulatory and Statutory bodies:** The University has to be able to evidence that it is operating within the requirements of relevant Professional, Regulatory and Statutory Bodies, for example the Education and Skills Funding Agency (ESFA) for apprenticeship provision, Ofsted for apprenticeship and teacher training provision, and professional bodies such as the Nursing and Midwifery Council, Health Care Professions Council and Social Work England. Relevant discipline areas have significant focus on the requirements of the various bodies, however, the implications of a poor inspection would be significant and potentially far reaching.
- **Having an appropriate estate, technology and systems – failure to deliver the estate and IT strategies:** Delivery of the estate and IT strategies is critical in supporting the business of the University, with IT being even more important through the Covid19 pandemic and into the future. The University has continued to target investment to ensure optimal benefit to the student experience.
- **Cyber-attack:** Along with all universities and businesses, the potential for a cyber-attack to have a significant impact on the operation of the University is a real and ever-present threat. The implications of a cyber-attack could be extensive, as seen elsewhere in the sector over recent months. The University has a range of controls and mitigations in place alongside regular internal audits to provide assurance over the management of the risk. However, the risk is ongoing and evolving with the Covid19 pandemic providing additional opportunities for cyber-criminals.
- **Response to the Covid19 pandemic:** As set out above, the Covid-19 pandemic has impacted on various aspects of the University’s business – students, staffing, employers and stakeholders. Significant focus has been given to how the University responds to the ongoing situation, with health and wellbeing at the core of decision making alongside provision of a high quality student experience.

Diversity and Employee Involvement

The University is committed to nurturing an environment where its applicants, employees, students and visitors are treated fairly and with respect at all times. This is a key focus of the training we provide, the policies and procedures that we have put in place and is a central element of our values. We recognise that if we provide a fully inclusive working and studying environment, via which we demonstrate the behaviours that we uphold, we will assist everyone to perform individually and collectively to the best of their ability.

Employee Involvement

It is the University’s policy to communicate with and involve all employees, subject to commercial and practical limitation, in matters affecting their interests at work and to inform them of the University’s performance. Employees are provided with information about the University through our weekly email news update (Global), as well as regular team briefings, one to one meetings and staff forums led by the Vice Chancellor and her executive. In addition, the University has a member of staff, as staff director, on the University Board and we have regular formal dialogue with our recognised trade unions as staff representatives through our Joint Negotiating and Consultative Committee. Our internal and external websites further support availability and clarity of information.

Commitments to Equality, Diversity and Inclusion (EDI)

In alignment with meeting our public sector equality duty, the University is committed to addressing areas of under-representation and advancing equality of opportunity. The University utilises positive action statements and embeds EDI within the culture of the

organisation our University inclusivity statement frames our values and expectations for all staff and students with regards to inclusivity. Equality impact assessments support our commitments and ensure that due regard is paid to potential impact on individuals and groups.

The University takes positive steps to ensure that disabled people can compete equally for employment opportunities and have the support they need to develop and perform well in their jobs. The University is committed to the Disability Confident Scheme which enables us to draw from the widest possible pool of talent and to secure high-quality staff who are skilled, loyal and hard-working. Reasonable adjustments are made where appropriate and career development and promotion opportunities are provided for all staff.

At the University of Cumbria, we stand in solidarity with our local and global communities in the fight against racism and inequality. Throughout 2020/21 we have reinforced the message that we will not tolerate discrimination, bullying or harassment. This includes collaborating with the Students' Union to produce a Black Lives Matter statement incorporating elements of education, wellbeing and commitment to action

We are committed to embracing our responsibility as a facilitator of change and continue to develop our equality agenda.

Trade Union Facility Time

Under the Trade Union Act 2016, the University is required to publish information on the time provided to enable trade union officials for trade union duties and activities ("facility time"). The required information relating to trade union facility time for period 1 April 2020 - 31 March 2021 is as follows:

Relevant Union Officials:

Number of employees who were relevant union officials during the relevant period	6
Full-time equivalent employee number of employees who were relevant union officials during the relevant period	5

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

Percentage of time	Number of employees
0%	0
1-50%	5
51-99%	0
100%	1

Percentage of total pay bill spent on facility time*:

Total cost of facility time	£102,048
Total pay bill	£37,600,423
Percentage of the total pay bill spent on facility time	0.27%

Paid trade union activities*:

Time spent on paid trade union activities as a percentage of total paid facility time hours	0%
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* Trade union representatives at the University are entitled to paid time off to carry out trade union duties, for example casework and representation of employees, and the details of this are disclosed above as "facility time". The University does not provide paid time off for trade union activities, for example conference attendance, and therefore no sums are included in the tables above in respect of such activities.

Streamlined Energy & Carbon Reporting

The University is committed to improving its energy efficiency, continually looking at reducing energy use and its corresponding reduction in CO2 emissions. Environmental performance targets are reviewed on a regular basis. These targets are used to drive performance towards the sector and national requirements, specifically in relation to carbon reduction.

In line with the Streamlined Energy & Carbon (SECR) reporting requirements, the following information is included about the University's energy use and associated greenhouse gas (GHG) emissions within the Annual Report. The Regulations provide no prescribed methodology; the University collates its GHG data annually and complies with the Higher Education Statistics Agency (HESA) Estates Management Record methodologies. We have used the 2021 emissions conversion factors developed by Defra and BEIS. Please note that an updated methodology has been applied to the reporting this year and therefore the 2019/20 figures have been restated on this basis.

	2019/20			2020/21		
	UK and offshore			UK and offshore		
	Non Residential	Residential	University Total	Non Residential	Residential	University Total
Energy consumption used to calculate emissions: (kWh):						
Electricity kWh	2,578,270	1,074,980	3,653,250	2,916,424	609,068	3,525,492
Fuel (Litres)	6,134	-	6,134	3,258	-	3,258
Gas kWh	8,659,937	2,873,803	11,378,511	7,726,475	4,357,657	12,084,132

Emissions from combustion of gas kgCO2e (Scope 1)	1,592,303	528,406	2,092,167	1,415,181	798,148	2,213,330
Emissions from combustion of fuel for transport purposes (Scope 1)	15,598	-	15,598	8,212	-	8,212
Emissions from purchased electricity (Scope 2, location-based) kgCO2e	601,098	250,621	851,719	619,244	129,323	748,568
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3):						

Rental cars (kgCO ₂ e)	111,254	-	111,254	13,524	-	13,524
Employee-owned vehicles (kgCO ₂ e)	40,898	-	40,898	11,863	-	11,863
Total gross CO ₂ e based on above	2,361,150	779,027	3,111,636	2,068,024	927,472	2,995,496
Gross Internal Area m ²	54,044	15,045	69,089	55,084	13,130	68,214
Intensity ratio: kgCO ₂ e gross figure based from fields above	43.69	51.78	45.04	37.54	70.64	43.91

The period covered 1 August 2020 to 31 July 2021 and the calculations are for the following scope:

- Building-related energy - natural gas (Scope 1) and electricity (Scope 2);
- Emissions form from fuel used onsite and in employer fleet vehicles (Scope 3);
- Emissions from fuel used in Hire Cars used for business travel (scope 3);
- Emissions from Fuel used in employee owned vehicles where the organisation reimburses its employees following claims for business mileage (Scope 3).

The current Carbon Management Plan expired in 2020. The targets set out in that document were to reduce scope 1&2 carbon emissions by 45% by the end of the plan. By July 2021, an actual reduction of carbon emission by 71% was achieved.

A new Carbon Management Plan for 2021 to 2030 is being developed. Work has also commenced with sustainability consultants to develop a road map to achieve net zero carbon by 2050, linking to the carbon management plan. This will include total emissions of Scope 1,2 and 3.

Scope 3 data collection process will be developed, enabling further detailed reporting in future SECR returns and other environmental returns, such as the HESA Estates Management Return.

Responsibilities of the Board of Directors of the University of Cumbria

In accordance with the Education Reform Act 1988 and the Articles of Association, incorporating instrument and articles of government, the Board of Directors is responsible for the entire control and management of the University of Cumbria. As part of this responsibility it is required to present an annual report which includes audited financial statements, a statement on corporate governance and a statement on internal control for each financial year.

The Board of Directors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the Articles of Association, the Office for Students Terms and Conditions of Funding, the Statement of Recommended Practice on Accounting in Higher and Further Education Institutions, the Accounts Direction issued by the Office for Students and other relevant accounting standards. In accordance with Company Law, the University Board of Directors through its designated office holder (the Vice Chancellor), is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

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

- Suitable accounting policies are selected and applied consistently.
- Judgments and estimates are made that are reasonable and prudent.
- Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- An assessment of the group and parent University's ability to continue as a going concern has taken place, disclosing, as applicable, matters related to going concern.
- The going concern basis of accounting has been used unless they either intend to liquidate the group or the parent University or to cease operations, or have no realistic alternative but to do so.

The University Board of Directors is responsible for keeping proper accounts and proper records in relation to the accounts. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The University Board of Directors has taken reasonable steps to:

- Ensure that funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
- Ensure that funds from the Office for Students, Research England, the Department for Education and other sources are used only for the purposes for which they have been given and in accordance with all relevant terms and conditions.
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources.
- Safeguard the assets of the University of Cumbria and to prevent and detect fraud.
- Secure the economical, efficient and effective management of the University's resources and expenditure.

Financial Statements

Independent Auditor's Report to the Board of Directors of the University of Cumbria

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the University of Cumbria ("the University") for the year ended 31 July 2021, which comprise the Consolidated and University Statement of Comprehensive Income, Consolidated and University Statement of Financial Position, Consolidated and University Statement of Changes in Reserves, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2021, and of the Group's and of the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been properly prepared in accordance with the Companies Act 2006.

Basis for opinion

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

Going concern

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

In our evaluation of the Board of Directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and University's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board of Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Board of Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the University's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the University will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Board of Directors, the Audit Committee, and inspection of policy documentation as to the Group and University’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group and University’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit Committee minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition due to tuition fees being generally based on standard fee rates and due to their non-variable nature. We do not believe there to be an incentive to manipulate other income streams that are material as amounts received either typically relate to a single specific financial year or the source transactions are non-complex, involving little judgement.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by the infrequent users and those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Board of Governors and other management (as required by auditing standards), and discussed with the Board of Governors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group and University is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity’s procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group and University is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), taxation legislation, pensions legislation and specific disclosures required by higher education legislation and regulation, and we assessed the extent of compliance with

these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group and University is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: compliance with Higher Education regulatory requirements of the Office for Students, recognising the regulated nature of the University's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Board of Directors is responsible for the other information, which comprises the Strategic Review and the Report of the Directors and Corporate Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic Review and the Report of the Directors and Corporate Governance Statement is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Board of Directors' responsibilities

As explained more fully in their statement set out on page 28, the Board of Directors (who are the Directors of the University company for the purposes of company law) is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS⁴

We are required to report on the following matters by the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction').

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's articles of government;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the financial statements meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

Matters on which we are required to report by exception

We are required by the Accounts Direction to report to you where the University has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Group's and the University's expenditure on access and participation activities for the financial year disclosed in Note 24 has been materially misstated.

We are also required by the Accounts Direction to report to you where the results of our audit work indicate that the Group's and the University's grant and fee income, as disclosed in Note 3 to the financial statements has been materially misstated.

We have nothing to report in these respects.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Board of Directors, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board of Directors for our audit work, for this report, or for the opinions we have formed.



James Boyle (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 St Peter's Square

Manchester

M2 3AE

8 December 2021

Consolidated and University Statement of Comprehensive Income

Year Ended 31 July 2021

		Year Ended 31 July 2021	Year ended 31 July 2020
		£'000	£'000
Income	Notes		
Tuition fees and education contracts	1	49,233	44,314
Funding body grants	2	6,169	5,234
Research grants and contracts	3	401	234
Other income	4	5,868	6,551
Investment income	5	7	42
Donations and endowments	6	6	18
Total income		61,684	56,393
Expenditure			
Staff costs	7	41,395	39,776
Fundamental restructuring costs	7	(98)	580
Other operating expenses		17,449	16,842
Depreciation	10	3,990	3,692
Impairments	10	274	1,211
Interest and other finance costs	8	1,248	1,235
Total expenditure	9	64,258	63,336
Deficit before other losses		(2,575)	(6,944)
Loss on disposal of fixed assets		(101)	(7)
Deficit before tax		(2,675)	(6,951)
Taxation		0	0
Deficit for the year		(2,675)	(6,951)
Unrealised (deficit) / surplus on revaluation of land and buildings	10	1,217	3,486
Actuarial gain / (loss) in respect of Local Government Pension Scheme	22	8,295	(17,929)
Actuarial loss in respect of enhanced pension provision		(20)	(3)
Total comprehensive income for the year		6,816	(21,397)
Represented by:			
Restricted comprehensive income for the year		0	0
Unrestricted comprehensive income for the year		6,904	(23,586)
Revaluation reserve comprehensive income for the year		(87)	2,189
Attributable to the University		6,816	(21,397)
Attributable to the non-controlling interest		0	0
		6,816	(21,397)

All items of income and expenditure relate to continuing activities.

Consolidated and University Statement of Changes in Reserves

Year ended 31 July 2021

Consolidated	Income and expenditure account		Revaluation reserve	Total
	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000	£'000
Balance at 1 August 2019	105	(737)	57,661	57,029
Deficit from the income and expenditure statement	0	(6,951)	0	(6,951)
Other comprehensive income	0	(17,932)	3,486	(14,446)
Total comprehensive income for the year	0	(24,883)	3,486	(21,397)
Transfers between revaluation and income and expenditure reserve	0	1,297	(1,297)	0
Balance at 1 August 2020	105	(24,323)	59,850	35,632
Deficit from the income and expenditure statement	0	(2,675)	0	(2,675)
Other comprehensive income	0	8,275	1,217	9,492
Total comprehensive income for the year	0	5,600	1,217	6,816
Transfers between revaluation and income and expenditure reserve	0	1,304	(1,304)	0
Balance at 31 July 2021	105	(17,419)	59,763	42,449

University	Income and expenditure account		Revaluation reserve	Total
	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000	£'000
Balance at 1 August 2019	105	(834)	57,661	56,932
Deficit from the income and expenditure statement	0	(6,951)	0	(6,951)
Other comprehensive income	0	(17,932)	3,486	(14,446)
Total comprehensive income for the year	0	(24,883)	3,486	(21,397)
Transfers between revaluation and income and expenditure reserve	0	1,297	(1,297)	0
Balance at 1 August 2020	105	(24,420)	59,850	35,535
Deficit from the income and expenditure statement	0	(2,675)	0	(2,675)
Other comprehensive income	0	8,275	1,217	9,492
Total comprehensive income for the year	0	5,600	1,217	6,816
Transfers between revaluation and income and expenditure reserve	0	1,304	(1,304)	0
Balance at 31 July 2021	105	(17,516)	59,763	42,352

Consolidated Statement Cash Flows

Year ended 31 July 2021

	Notes	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Cash flow from operating activities			
Deficit for the year		(2,675)	(6,951)
Adjustment for non-cash items			
Depreciation	10	3,990	3,692
Impairments	10	274	1,211
Decrease / (Increase) in debtors	12	(881)	191
Increase in creditors	13	1,751	2
Increase in pension provisions	15	3,958	3,608
Increase / (Decrease) in other provisions	15	(168)	218
Adjustment for investing or financing activities			
Investment income	5	(7)	(42)
Interest payable	8	105	160
Loss on the sale of fixed assets		101	7
Capital grant income		(1,148)	(938)
		<u>5,300</u>	<u>1,158</u>
Cash flows from investing activities			
Proceeds from sales of fixed assets		1,498	572
Capital grants receipts		754	476
Investment income		7	59
Payments made to acquire fixed assets		(1,469)	(1,703)
		<u>789</u>	<u>(596)</u>
Cash flows from financing activities			
Interest paid		(106)	(162)
Repayments of amounts borrowed		(405)	(521)
		<u>(511)</u>	<u>(683)</u>
Increase / (Decrease) in cash and cash equivalents in the year		<u><u>5,578</u></u>	<u><u>(121)</u></u>
Cash and cash equivalents at beginning of the year	17	11,771	11,892
Cash and cash equivalents at end of the year	17	17,349	11,771

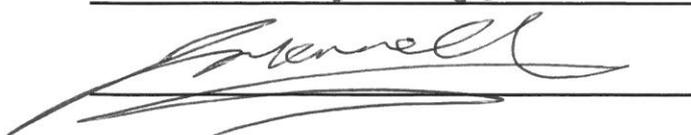
Consolidated and University Statement of Financial Position As at 31 July 2021

	Notes	As at 31 July 2021		As at 31 July 2020	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Fixed assets	10	119,575	119,575	122,591	122,591
Investments	11	0	10	0	10
		<u>119,575</u>	<u>119,585</u>	<u>122,591</u>	<u>122,601</u>
Current assets					
Trade and other receivables	12	5,943	5,943	5,062	5,062
Cash and cash equivalents	17	17,349	17,349	11,771	11,771
		<u>23,292</u>	<u>23,292</u>	<u>16,833</u>	<u>16,833</u>
Less:					
Creditors: amounts falling due within one year	13	(11,869)	(11,976)	(10,917)	(11,024)
Net current assets		11,423	11,316	5,916	5,809
Total assets less current liabilities		130,999	130,902	128,507	128,410
Creditors: amounts falling due after more than one year	14	(24,624)	(24,624)	(24,464)	(24,464)
Provisions					
Pension provisions	15	(62,911)	(62,911)	(67,248)	(67,248)
Other provisions	15	(1,015)	(1,015)	(1,163)	(1,163)
Total net assets		42,449	42,352	35,632	35,535
Restricted Reserves					
Income and expenditure reserve - restricted reserve	16	105	105	105	105
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		(17,419)	(17,516)	(24,323)	(24,420)
Revaluation reserve		59,763	59,763	59,850	59,850
Total Reserves		42,449	42,352	35,632	35,535

The financial statements were approved by the Governing Body on 25 November 2021 and were signed on its behalf on that date by:



Mr Martin Williams, Chairman of the Board of Directors



Professor Julie Mennell, Vice Chancellor

Statement of Accounting Policies for the year ended 31 July 2021

1. Basis of preparation

These financial statements have been prepared in accordance with:

- the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019;
- Financial Reporting Standards (FRS 102);
- the Office for Students Accounts Direction; and
- the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments).

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

Going Concern

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

The Board has reviewed cash flow forecasts for future periods, including, specifically, for the 12 month period from the date of approval of these financial statements. In doing so, the Board has considered the University's current financial position, the outlook across 2021/22 and beyond, fully considering key risks, applying severe but plausible downsides and how they are being or will be mitigated. Key assumptions around the ongoing impact of Covid, student recruitment levels and the delivery of contractual income are considered, along with risks related to expenditure such as those related to inflation and delivery of key projects.

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

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

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

2. Basis of consolidation

The consolidated financial statements include the University and its subsidiary for the financial year to 31 July 2021.

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

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

3. Income recognition

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

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

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

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

Statement of Accounting Policies (continued) for the year ended 31 July 2021

3. Income recognition (continued)

Grant funding

Government revenue grants, including those from the Office for Students, are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants (including research grants) from non government sources are recognised in income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms other restriction applied to the individual endowment fund.

Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

4. Accounting for retirement benefits

Retirement benefits for employees of the University of Cumbria are provided by defined benefit schemes which are funded by contributions from the University and employees. Payments are made to the Teachers' Pension Scheme (TPS) for academic staff and to the Local Government Pension Scheme (LGPS) for support staff. These are both independently administered schemes. The TPS is administered by the Government and the LGPS is administered by Lancashire Pension Service.

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

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

Statement of Accounting Policies (continued) for the year ended 31 July 2021

5. Employment benefits

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

6. Finance leases

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

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

7. Service Concession Arrangements

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

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

8. Operating leases

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

9. Foreign currency

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

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

Statement of Accounting Policies (continued) for the year ended 31 July 2021

9. Foreign currency (continued)

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

10. Fixed assets

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

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

Land and buildings

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

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

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

Leasehold land is depreciated over the life of the lease.

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

Equipment

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

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

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

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

Borrowing costs

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

Statement of Accounting Policies (continued) for the year ended 31 July 2021

11 Investments

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

12 Cash and cash equivalents

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

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

13 Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

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

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

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

14 Taxation

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

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

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

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

15 Reserves

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

Notes to the Accounts

for the year ended 31 July 2021

	Notes	Year Ended 31 July 2021 Consolidated & University £'000	Year Ended 31 July 2020 Consolidated & University £'000
1 Tuition fees and education contracts			
Full-time home and EU students		37,355	36,200
Full-time international students		905	868
Part-time students		4,399	3,128
Apprenticeship income: ESFA		3,445	1,080
Apprenticeship income: others		948	326
Education Contracts (NHS)		877	1,565
Non-credit bearing courses		1,304	1,147
		49,233	44,314
2 Funding body grants			
Recurrent grant			
Office for Students		3,917	3,321
Specific grants			
Research England		346	329
Department for Education		79	14
Office for Students / Research England - capital grant release		903	763
National Collaborative Outreach Programme / Uni Connect		924	807
		6,169	5,234
3 Research grants and contracts			
Research Councils		9	10
Research Charities		63	14
Government (UK and Overseas)		212	181
Industry and Commerce		2	13
Other		115	16
		401	234
Note: The source of grant and fee income included in notes 1 to 3 is as follows:			
Grant income from the Office for Students		4,820	4,071
Grant income from other bodies		1,750	1,397
Fee income for taught awards (exclusive of VAT)		47,846	43,067
Fee income for research awards (exclusive of VAT)		83	100
Fee income from non-qualifying courses (exclusive of VAT)		1,304	1,147
Total grant and fee income		55,803	49,782

Notes to the Accounts for the year ended 31 July 2021

		July 2021 Consolidated & University	July 2020 Consolidated & University
4 Other income	Notes	£'000	£'000
Residences		1,377	1,738
Conferences		196	248
Other capital grants		245	175
Coronavirus Job Retention Scheme		170	429
Other income		3,880	3,961
		5,868	6,551
5 Investment income			
Investment income on restricted reserves	16	0	0
Other investment income		7	42
		7	42
6 Donations and endowments			
Donations with restrictions	16	2	4
Unrestricted donations		4	14
		6	18
7 Staff costs			
Salaries		29,477	29,039
Social security costs		3,084	3,072
Occupational Pension Scheme Costs:			
Employer Contributions	22	6,091	5,877
Changes in pension provisions	22	2,824	2,552
Changes in accrual for untaken annual leave		(81)	(820)
Restructuring: fundamental		(98)	580
Restructuring: other		0	56
		41,297	40,356

Within the 2019/20 "Restructuring: fundamental" expenditure in Note 7, the University included a provision of £264k for the costs of organisational changes which were to be completed in 2020/21. The related costs incurred in 2020/21 were lower than estimated and therefore £98k is shown as a credit balance in 2020/21 in the note.

Compensation for loss of office is paid where staff leave the University's employment and receive some form of compensation, including where it occurs at the end of a fixed-term contract. Compensation for loss of office of £166k was paid to 15 staff in 2020/21 (2019/20 £317k; 31 staff). The 2020/21 costs were funded from the provision referred to above and were therefore accounted for in 2019/20.

Average full-time equivalent staff numbers by category:	No.	No.
Academic	338	335
Academic support and other support staff	455	458
	793	793

Notes to the Accounts for the year ended 31 July 2021

7 Staff costs (Continued)

Vice Chancellor Remuneration	Year Ended 31 July 2021	Year Ended 31 July 2020
	£	£
Salary	194,998	193,561
Performance related pay	0	0
Employer pension contributions	46,176	44,686
Total including pension costs	241,174	238,247

Vice Chancellor Remuneration - Pay Multiple

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

The Vice Chancellor's basic salary is 5.8 times (2019/20: 5.7) the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The Vice Chancellor's total remuneration is 6.5 times (2019/20: 7.0) the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the provider of its staff.

Vice Chancellor Remuneration - Justification

The justification for the Vice Chancellor's total remuneration is included on page 20 of the Annual Report.

Senior Staff Remuneration

The table below provides details of the number of staff paid a full-time equivalent basic salary of over £100,000, before salary sacrifice arrangements.

	Year Ended 31 July 2021	Year Ended 31 July 2020
	No.	No.
£100,000 to £104,999	0	1
£105,000 to £109,999	0	0
£110,000 to £114,999	0	1
£115,000 to £119,999	1	1
£120,000 to £124,999	0	1
£125,000 to £129,999	2	1
£130,000 to £134,999	0	0
£135,000 to £139,999	0	0
£140,000 to £144,999	0	0
£145,000 to £149,999	1	1
£150,000 to £154,999	0	0
£155,000 to £159,999	0	0
£160,000 to £164,999	0	0
£165,000 to £169,999	0	0
£170,000 to £174,999	0	0
£175,000 to £179,999	0	0
£180,000 to £184,999	0	0
£185,000 to £189,999	0	0
£190,000 to £194,999	1	1
	5	7

Senior Staff Remuneration - Compensation for Loss of Office

	Year Ended 31 July 2021	Year Ended 31 July 2020
	£'000	£'000
Compensation payable recorded within staff costs	0	0
	Number	Number
Number of staff paid	0	0

Notes to the Accounts for the year ended 31 July 2021

7 Staff costs (Continued)

Key management personnel

While the oversight, control and governance of the University is the responsibility of the University Board of Directors, the day to day operations were led and managed by the Vice Chancellor and the other members of the Vice Chancellor's Executive.

In 2020/21 the Vice Chancellor's Executive comprised of the Vice Chancellor, Chief Operating Officer, Deputy Vice Chancellor (Academic), Deputy Vice Chancellor (Health, Environment & Innovation), Pro Vice Chancellor (People Performance & Culture) and the University Secretary.

The figures below include gross salaries, employer's pension contributions and, in 2019/20, payments to an external organisation for a seconded member of staff.

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Key management personnel compensation	765	901

Payments to Trustees

The members of the University Board of Directors are the trustees for charitable law purposes. No trustee received any remuneration or waived payments from the University during the year. The total expenses paid to or on behalf of trustees and associate directors was £1,283 (19/20: £4,170). This relates to travel and subsistence expenses incurred in their official capacity in attending Board Meetings, Board Committees and meetings related to their roles as trustees.

	Year Ended 31 July 2021 Consolidated & University £'000	Year Ended 31 July 2020 Consolidated & University £'000
Notes		

8 Interest and other finance costs

Loan interest	105	160
Net charge on Local Government Pension Scheme	22 1,134	1,055
Net charge on enhanced pension provision	9	20
	1,248	1,235

9 Analysis of total expenditure by activity

Academic departments and services	35,797	35,372
Administration and central services	17,000	15,643
Restructuring	(98)	636
Pension accounting adjustments	3,967	3,628
Premises	5,641	5,516
Residences, catering and conferences	1,215	1,214
Impairments	274	1,211
Research grants and contracts	462	117
	64,258	63,337

Other operating expenses include:

External auditors remuneration in respect of audit services (19/20 audit)	7	56
External auditors remuneration in respect of audit services (20/21 audit)	84	0
External auditors remuneration in respect of non-audit services	5	5
Operating lease rentals:		
Land and buildings	325	371
Other	47	74

Notes to the Accounts for the year ended 31 July 2021

10 Fixed Assets

	Freehold Land and Buildings	Equipment	Total
	£'000	£'000	£'000
Consolidated and University			
Cost or valuation			
At 1 August 2020	119,702	14,623	134,325
Additions	280	1,349	1,629
Impairment	(1,031)	0	(1,031)
Surplus on revaluation	877	0	877
Loss on revaluation	(1,727)	0	(1,727)
Disposals	(1,500)	(2,974)	(4,474)
At 31 July 2021	116,601	12,998	129,599
Consisting of valuation as at:			
31 July 2021	116,601	0	116,601
Cost	0	12,998	12,998
	116,601	12,998	129,599
Depreciation			
At 1 August 2020	0	11,734	11,734
Charge for the year	2,827	1,163	3,990
Written back on impairment	(22)	0	(22)
Written back on revaluation	(2,802)	0	(2,802)
Disposals	(4)	(2,873)	(2,877)
At 31 July 2021	0	10,024	10,024
Net book value			
At 31 July 2021	116,601	2,974	119,575
At 31 July 2020	119,702	2,889	122,591

At 31 July 2021, freehold land and buildings included £19.3m in respect of freehold land which is not depreciated (19/20 - £20.0m).

Land and Buildings Revaluation

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

An update to this valuation was performed by the valuers as at 31 July 2021, with indexation and depreciation applied and market values updated as appropriate. This led to a reduction in the cost of land and building of £1.73m, gains totalling £0.88m and the write back of £2.80m of accumulated depreciation. The net resulting gain of £1.96m is reflected in the Comprehensive Statement of Income as expenditure (impairment) of £0.27m and as an overall increase to the Revaluation Reserve of £2.23m.

Notes to the Accounts for the year ended 31 July 2021

11 Non-Current Investments

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Subsidiary Companies	0	10	0	10
	0	10	0	10

The University owns 100% of the share capital of its subsidiary, UoC Trading Limited. This company did not trade in 2020/21 or 2019/20.

12 Trade and other receivables

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Other trade receivables	2,409	2,409	2,508	2,508
Prepayments and accrued income	3,534	3,534	2,554	2,554
	5,943	5,943	5,062	5,062

Notes to the Accounts

for the year ended 31 July 2021

13 Creditors : amounts falling due within one year

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Unsecured loans	333	333	405	405
Trade payables	2,241	2,241	2,034	2,034
Social security and other taxation payable	793	793	864	864
Accruals and deferred income	7,388	7,388	6,666	6,666
Deferred income - capital grants	1,114	1,114	948	948
Amounts due to subsidiary companies	0	107	0	107
	11,869	11,976	10,917	11,024

14 Creditors : amounts falling due after more than one year

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Unsecured loans	4,787	4,787	5,120	5,120
Deferred income	1,053	1,053	0	0
Deferred income - capital grants	18,784	18,784	19,344	19,344
	24,624	24,624	24,464	24,464

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

14b Creditors: loans

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

Due within one year or on demand	333	333	405	405
Due between one and two years	332	332	333	333
Due between two and five years	4,194	4,194	995	995
Due in five years or more	261	261	3,792	3,792
Due after more than one year	4,787	4,787	5,120	5,120
	5,120	5,120	5,525	5,525

Notes to the Accounts for the year ended 31 July 2021

14b Creditors: loans

The details of the University's outstanding loans at 31 July 2021 are as follows:

Lender	Term	Amount £'000	Interest rate %	Security
Barclays	2026	4,800	1.78 - variable	Unsecured
Cumbria County Council	No fixed end date	320	4.52 - variable	Unsecured
		5,120		

15 Provisions for liabilities

Consolidated and University

	LGPS Pension £'000	Pension Enhancement £'000	Restructurin g £'000	Leasehold Dilapidation £'000	Total £'000
At 1 August 2020	67,248	667	264	232	68,411
Utilised in year	2,824	(60)	(166)	0	2,598
Additions in 2020/21	0	0	0	147	147
Unused amounts reversed in 2020/21	0	0	(98)	0	(98)
Net movements charged to Income and Expenditure	1,134	9	0	0	1,143
Actuarial (gain)/loss	(8,295)	20	0	0	(8,275)
At 31 July 2021	62,911	636	0	379	63,926

Pension enhancement

The enhanced pension provision relates to liabilities to former staff from which the University cannot reasonably withdraw at the balance sheet date. In calculating the provision for enhanced pension costs an interest rate of 1.6% (2019/20: 1.3%) and an inflation rate of 2.6% (2019/20: 2.2%) have been assumed.

Leasehold Dilapidation

A £0.4m provision is in place in respect of the liability for dilapidation works at two properties which were occupied by the University under a lease agreement until 31 July 2021 and at a further property whose lease term expires in May 2023.

Restructuring provision

In 2019/20, the University included a provision of £264k for the costs of organisational changes which were to be completed in 2020/21. The related costs incurred in 2020/21 were lower than estimated, therefore £98k is shown as a reversal of unused amounts.

Notes to the Accounts for the year ended 31 July 2021

16 Restricted Reserves

Reserves with restrictions are as follows:

	2021 Total £'000	2020 Total £'000
Opening balance	105	105
New donations	2	4
Investment income	-	
Expenditure	(2)	(4)
Total restricted comprehensive income for the year	-	-
Closing balance	105	105

	2021 Total £'000	2020 Total £'000
Analysis of other restricted funds / donations by type of purpose:		
Hardship Support	-	-
Study Support	104	105
Prize funds	1	-
	105	105

17 Cash and cash equivalents

	Notes	At 1st August 2020 £'000	Cash Flows £'000	At 31st July 2021 £'000
Cash and cash equivalents		11,771	5,578	17,349
		11,771	5,578	17,349

18 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2021:

	31 July 2021 Consolidated & University £'000	31 July 2020 Consolidated & University £'000
Commitments contracted for	160	180
	160	180

Notes to the Accounts for the year ended 31 July 2021

19 Lease obligations

Total rentals payable under operating leases:

	31 July 2021		31 July 2020	
	Land and Buildings	Other leases	Total	Total
	£'000	£'000	£'000	£'000
Payable during the year	325	47	372	445
Future minimum lease payments due:				
Not later than 1 year	287	20	307	345
Later than 1 year and not later than 5 years	346	45	391	610
Later than 5 years	0	0	0	6
Total lease payments due	633	65	698	961

20 Subsidiary undertakings

The University owns 100% of the share capital of its subsidiary, UoC Trading Limited, which is incorporated in the United Kingdom. This company did not trade in 2020/21 or 2019/20.

Notes to the Accounts for the year ended 31 July 2021

21 Related Party Transactions

The University's Board of Directors and Executive Group formally declare all interests outside of their role with the University on an annual basis. Specific declarations are also made and minuted if any such interests relate to decisions that the University is taking. In such cases, clear procedures are in place to avoid any conflict of interest and to ensure propriety.

The following balances in the 2020/21 financial statements relate to transactions with entities in which an interest was declared and are disclosed as per the requirements of FRS102.

	Income £'000	Expenditure £'000	Debtors £'000	Creditors £'000
Cumbria Local Enterprise Partnership	20	0	0	701
University of Cumbria Students' Union	1	379	81	0
UNIAC	0	57	0	0
University Hospitals of Morecambe Bay				
NHS Foundation Trust	0	59	45	71
Council of Deans of Health	0	9	0	0
Health and Education Cooperative Ltd	49	0	55	0
Energy Coast University Technical College	0	2	0	0

Cumbria Local Enterprise Partnership

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

University of Cumbria Students' Union

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

UNIAC

UNIAC is a shared internal audit service owned by a consortium of higher education institutions, including the University of Cumbria. One member of the University's Vice Chancellor's Directorate is a Director of UNIAC.

University Hospitals of Morecambe Bay NHS Foundation Trust

During 2020/21, the University made payments and prepayments to the Trust for staff secondments and distributed funds to the Trust as part of a Health Education England funded medical imaging project. One Director of the University is a non-executive Director of the Trust.

Council of Deans of Health

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

Health and Education Cooperative Ltd

The University second a member of staff to the Cooperative, for which it received the income stated above. A member of the Vice Chancellor's Executive is a Director of the Cooperative on behalf of the University.

Energy Coast University Technical College

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

Notes to the Accounts for the year ended 31 July 2021

22 Pension Schemes

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

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

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

	Year ended 31 July 2021			Year ended 31 July 2020		
	Employer Contributions (Note 7)	Changes in Pension		Employer Contributions (Note 7)	Changes in Pension	
		Provisions (Note 15)	Total Pension Costs		Provisions (Note 15)	Total Pension Costs
	£'000	£'000	£'000	£'000	£'000	£'000
TPS	3,547	0	3,547	3,356	0	3,356
LGPS	2,509	3,958	6,467	2,521	3,608	6,129
SWPS	34	0	34	0	0	0
Total Pension Costs	6,090	3,958	10,048	5,877	3,608	9,485

TPS

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

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

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

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

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

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

The total University contribution into the scheme in 2020/21 was £3.5m (2019/20: £3.4m).

Notes to the Accounts for the year ended 31 July 2021

22 Pension Schemes (continued)

LGPS

The Lancashire County Pension Fund is a funded defined benefit scheme, with assets held in separate trustee administered funds.

The total contribution of the University payable into the scheme in 2020/21 was £2.5m (2019/20: £2.5m). This reflects employer contributions for current employees at 17.1% of pensionable pay and payments of £0.3m (2019/20: £0.5m) in order to recover the University's share of the scheme's past service deficit.

The scheme is valued every three years by professionally qualified independent actuaries with the rates of contribution payable being determined by the trustees on the advice of the actuaries. The results of the valuation as at 31 March 2019 are detailed in the table below. As well as setting out the key assumptions made by the actuary, the table shows that, at 31 March 2019, the fund was in surplus by £12m and assets were sufficient to cover just over 100% of the scheme's liabilities. This represented an improvement compared to the prior valuation which calculated a shortfall of £690m.

This valuation, after assessing the University's share of the overall assets and liabilities, identified a funding level for the University of 96% and a deficit of £4.4m. This outcome and other assumptions led to the University's past service deficit payments reducing and the employer contribution rate increasing from 14% to 17.1% from 1 April 2020.

Latest Actuarial Valuation of overall Lancashire Scheme

31 March 2019

	£m
Total Assets	8,410
Total liabilities	(8,398)
Past service surplus / (shortfall)	12
Funding level	100.0%
Discount rate	3.8%
Pension increase per annum	2.4%
Salary scale increases per annum (short-term)	N/A
Salary scale increases per annum (long-term)	3.9%
Pension increases in payment	2.4%

Alongside this triennial valuation, the University obtains an actuarial assessment of its share of overall assets and liabilities on an annual basis for accounting purposes. In doing so, the University applies the accounting standard FRS 102, which leads to some differences of approach to the triennial scheme valuation.

The University recognises any gains or losses from this annual assessment in each period in the Consolidated Statement of Comprehensive Income and Expenditure. The material assumptions used by the actuary at 31 July 2021 were:

	2020/21 (%)	2019/20 (%)
Price increases (CPI)	2.6	2.3
Salary increases	2.85	2.8
Pension increases	2.7	2.4
Discount rate	1.6	1.6

LGPS (continued)

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

	2020/21 (Years)	2019/20 (Years)
<i>Retiring today</i>		
Males	22.4	22.3
Females	25.1	25.0
<i>Retiring in twenty years</i>		
Males	23.9	23.8
Females	26.9	26.8

Notes to the Accounts for the year ended 31 July 2021

22 Pension Schemes (continued)

Scheme assets

The assets in the scheme were:

	31 July 2021	Fair value as at 31 July 2020	31 July 2019
	£m	£m	£m
Equities	68,332	53,810	57,881
Government bonds	0	0	0
Other bonds	7,171	8,142	1,937
Property	13,531	16,048	10,656
Cash	2,841	2,124	2,180
Other	43,434	37,879	48,436
Total	<u>135,309</u>	<u>118,003</u>	<u>121,090</u>

The following amounts at 31 July 2021 were measured in accordance with the requirements of FRS102:

	Year Ended 31 July 2021 £'000	Year Ended 31 July 2020 £'000
Analysis of the amount shown in the balance sheet for Scheme		
Scheme assets	135,309	118,003
Scheme liabilities	(198,220)	(185,251)
Deficit in the scheme – net pension liability recorded within pension provisions (Note 15)	<u>(62,911)</u>	<u>(67,248)</u>
Analysis of the amount charged to staff costs (note 7):		
Current service cost	(5,343)	(4,741)
Employer contributions - including pension costs related to restructuring	2,519	2,583
Past service cost (see Note 23 for explanation or 2019/20 figure)	0	(281)
Curtailments	0	(113)
Profit and loss charge	<u>(2,824)</u>	<u>(2,552)</u>
Analysis of the amount charged to interest and other finance costs (note 8):		
Interest cost	(2,951)	(3,650)
Expected return on assets	1,895	2,673
Administrative expenses	(78)	(79)
Profit and loss charge	<u>(1,134)</u>	<u>(1,056)</u>
Total profit and loss charge	<u>(3,958)</u>	<u>(3,608)</u>
Analysis of actuarial gain/(loss) in respect of Scheme		
Remeasurement of assets	14,641	(6,499)
Remeasurement of liabilities	(6,346)	(11,430)
Total actuarial gain / (loss)	<u>8,295</u>	<u>(17,929)</u>
Movement in deficit in the year		
Deficit in scheme at beginning of year	(67,248)	(45,711)
Amount charged to staff costs	(2,824)	(2,552)
Amount charged to interest and other finance costs	(1,134)	(1,056)
Actuarial gain / (loss)	8,295	(17,929)
Deficit in scheme at end of year	<u>(62,911)</u>	<u>(67,248)</u>

Notes to the Accounts for the year ended 31 July 2021

22 Pension Schemes (continued)

History of experience gains and losses – LGPS

	Year to				
	31 July 2021	31 July 2020	31 July 2019	31 July 2018	31 July 2017
Difference between actual and expected return on scheme assets:					
Amount (£'000)	14,641	-6,499	12,557	5,327	5,184
% of assets at end of year	10.8%	-5.5%	10.4%	5.1%	5.4%

	Year Ended 31 July 2021 £'000	Year Ended 31 July 2020 £'000
Analysis of movement in the present value of LGPS liabilities		
Present value of LGPS liabilities at the start of the year	185,251	166,801
Current service cost	5,343	4,741
Interest cost	2,951	3,650
Past service cost	0	281
Actual member contributions	864	873
Actuarial loss	6,346	11,430
Curtailments	0	113
Actual benefit payments	(2,535)	(2,638)
Present value of LGPS liabilities at the end of the year	198,220	185,251

Scottish Widows Pension Scheme

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

23 Accounting estimates and judgements

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

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

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

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

The balance in the University's balance sheet at 31 July 2021 for which there is a significant risk of a material adjustment in the forthcoming financial year is the Local Government Pension Scheme net liability of £62.9m. Estimation of the net liability for pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Mercer, a firm of consulting actuaries, is engaged, via Lancashire County Council, to provide the University with expert advice about the assumptions to be applied. A small change in these assumptions can lead to significant movements in the net liability. Details of the assumptions applied, after review by the University, are stated in Note 22.

Pension asset values are reported using estimated asset allocations prepared by the scheme actuary. Actual investment returns over a full year might deviate from those reported by the actuary in the valuation under FRS102. Asset values are calculated at each triennial valuation and, thereafter, it is rolled forward for accounting valuation purposes using investment returns, contributions received, and benefits paid out. The pension valuation as at 31 July 2021 used asset returns as at that date.

McCloud Court Ruling

As a result of successful legal challenges to certain elements of the Government's 2015 public sector pension scheme arrangements on the grounds of age discrimination, it is probable that there will be an increase in benefits for some members of the scheme. The Government has accepted that remedies relating to this judgement are needed in relation to the Local Government Pension Scheme and a consultation was published in July 2020 which included a proposed remedy for the Scheme. The scheme actuaries have included an allowance for McCloud in the figures provided which they believe are substantially in line with this remedy. Differences between actual pay growth relative to CPI inflation and this estimate would result in differences in the actual additional liabilities incurred, but the additional liabilities included in the defined benefit obligation at the balance sheet date represents a best estimate on the part of the actuaries.

Notes to the Accounts for the year ended 31 July 2021

23 Accounting estimates and judgements (continued)

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

Guaranteed Minimum Pension (GMP) Court Ruling

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

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

However, there is a separate issue regarding the requirement for public service schemes to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The scheme actuary estimated that the increase in past service liabilities arising from this would be £0.28m, and this was reflected in the 2019/20 financial statements. No further adjustment is believed to be required.

Consumer Price Inflation (CPI) methodology

Prior to the 2019/20 financial year, it had been the practice of the scheme actuary to estimate the CPI rate applied in the valuation by deducting a margin of 1.2% from the RPI (retail price inflation) measure. Given an ongoing consultation on the formula to be applied to calculate RPI in the future and the actuary's view that market pricing now largely reflects expected changes to some degree but not completely, the margin applied in 2019/20 and 2020/21 has been reduced to 0.8%. Having reviewed this change in estimate, the University is satisfied that it is appropriate and provides a robust basis for calculating the CPI rate for the valuation.

Accounting estimates and judgements - Valuation of land and buildings

The University's land and building values are measured using the revaluation method. The University has a policy of ensuring that all land and buildings are revalued at least every three years by a qualified external valuer, with annual reviews, such that the fair value is not materially different to the current value. The external valuer is provided with all relevant information about the University's land and buildings and provides a valuation that complies with accounting and surveying standards. When reviewing such valuations, the University considers the appropriateness of the judgements that have been applied, including the valuation basis for specific land and buildings. Alongside the value of land and buildings, the valuer also provides useful economic lives for each property which are then applied in calculating the depreciation charge. These estimates are reviewed for reasonableness and consistency with the University's understanding of its estate, including the condition of particular buildings.

24 Access and Participation Plan

	Year ended 31 July 2021	Year ended 31 July 2020
	£'000	£'000
Access Investment	528	496
Financial Support	541	422
Disability Support (excluding expenditure included in the two categories above)	497	479
Research and Evaluation	50	24
	1,616	1,421

The University's Access and Participation Plan (APP), which was approved by the Office for Students, is available at <https://www.cumbria.ac.uk/media/university-of-cumbria-website/content-assets/vco/documents/Access-and-Participation-Plan-202021-to-202425.pdf>

The APP sets out how the University is improving equality of opportunity for underrepresented groups to access, succeed in and progress from higher education. The figures above, which include £0.88m (2019/20 £0.82m) of staff costs which are recorded within the totals in Note 7, outline the expenditure which was incurred by the University in 2020/21 in meeting this objective under the Plan. Where the costs of staff or activities relate wholly to the APP, as per, for example, job descriptions and project plans, they are included in full as expenditure. Where staff time or projects are partially related to the APP, expenditure is assigned based on factors such as the numbers of eligible students being supported.