

### 13. INVESTMENTS

Investment relates to the College's share of assets in Cumbria Colleges Ltd, a joint venture company with the other Cumbria FE colleges.

2014 £000		2015 £000
3	Cumbria Colleges Ltd	-
3		-

### 14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

2014 £000		2015 £000
160	Trade debtors after provision for bad debts	153
556	Prepayments and accrued income	386
236	Amounts owed by the Skills Funding Agency	216
952		755

### 15. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

2014 £000		2015 £000
101	Bank Loans	103
330	Trade creditors	343
11	VAT	2
133	Other taxation and social security	127
403	Accruals and deferred income	197
181	Other creditors	235
-	Amounts owed to the Skills Funding Agency	64
1,159		1,071



16. PROVISIONS FOR LIABILITIES AND CHARGES

<i>Pension Enhancement Provision</i>		<i>Pension Enhancement Provision</i>
<i>2014 £000</i>		<i>2015 £000</i>
328	At 1 August 2014	342
(26)	Expenditure in the period	(26)
40	Transferred from income and expenditure account	26
342	At 31 July 2015	342

The enhanced pension provision relates to the cost of staff who have already left the College's employment and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

<i>2014</i>	
4.06%	Interest rate
2.25%	Net interest rate

<i>2015</i>
3.46%
1.75%

<i>Dilapidations on Construction Leased Units</i>		<i>Dilapidations on Construction Leased Units</i>
180	At 1 August 2014	-
(180)	Transferred from income and expenditure account	-
-	At 31 July 2015	-
342	Total	342

17. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

<i>2014 £000</i>		<i>2015 £000</i>
105	Bank loans and overdrafts repayable as follows:	28
27	Bank loans due between one and two years.	-
132	Bank loans due between two and five years.	28



## 18. PENSION AND SIMILAR OBLIGATIONS

The College's employees belong to two principal pension schemes, the Teachers' Pensions Scheme England & Wales (TPS) for academic and related staff, and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Cumbria County Council. Both are defined benefit schemes.

### Total pension cost for the year

2014 £000		2015 £000
443	Teachers' Pension Scheme: contributions paid	408
338	Local Government Pension Scheme: Contributions paid	362
96	FRS 17 charge.	70
10	Lump sum deficit	39
444		471
887		879

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuations of the schemes were at 31 March 2012 for the TPS and 31 March 2013 for the LGPS. Contributions amounting to £104,127 (2014 £106,277) were payable to the above schemes at 31 July and are included within creditors. An enhanced pension provision in respect of unfunded pensioners' benefits is included in provisions detailed in note 16.

### Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

### The Teachers' Pension Budgeting And Valuation Account

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 (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

### Valuation Of The Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation and the subsequent consultation are:

- employer contribution rates were set at 16.41% of pensionable pay
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay

The new employer contribution rate for the TPS was implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

### Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme will commence on 1 April 2015.



The pension costs paid to TPS in the year amounted to £408,335 (2014: £443,000)

## FRS 17

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out above the information available on the deficit in the scheme and the implications for the College in terms of the anticipated contribution rates.

## Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by Cumbria County Council.

The total contribution made for the year ended 31 July 2015 was £561,382 (2014: £479,696) of which employers contributions totalled £400,554 (2014: £337,799) and employees contributions totalled £160,828/(2014: £141,898). The agreed contribution rates for 2014/15 and for future years is 15% for employers; and employees rates are calculated using LGPS – Employee Contributions Procedures, which have now been banded.

## FRS 17

The following information is based upon a full valuation of the fund at 31 March 2010, updated to 31 July 2014 by a qualified independent actuary.

At 31 July 2014		At 31 July 2015
3.8%	Rate of increase in salaries	3.7%
2.3%	Rate of increase for pensions in payment/inflation	2.2%
4.35%	Discount rate for scheme liabilities	3.8%
2.3%	Inflation assumption (CPI)	2.2%
50%	Commutation of pensions to lump sums	50%

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

At 31 July 2014		At 31 July 2015
23 years	Retiring today	23 years
25.5 years	Males	25.6 years
	Females	
25.7 years	Retiring in 20 years	25.8 years
28.7 years	Males	28.8 years
	Females	

The College's share of assets in the scheme and the expected rates of return were:

Value at 31 July 2014 £000	Long term rate of return expected at 31 July 2014		Long term rate of return expected at 31 July 2015	Value at 31 July 2015 £000
6,149	7.00%	Equities	6.5%	6,442
1,818	3.2%	Government Bonds	2.5%	2,241
770	4.1%	Other Bonds	3.6%	882
770	6.2%	Property	6.1%	1,359
856	0.50%	Cash	0.5%	343
332	7.00%	Other	6.5%	980
10,695		Total market value of assets		12,247
12,742		Present value of scheme liabilities		14,761
(2,047)		Deficit in the scheme		(2,514)



Year Ended 31 July 2014 £000		Year Ended 31 July 2015 £000
	<b>Analysis of the amount charged to income and expenditure account</b>	
454	Employer service cost (net of employee contributions)	481
1	Past service cost	-
455	<b>Total operating charge</b>	481
	<b>Analysis of pension finance income / (costs)</b>	
562	Expected return on pension scheme assets	572
(572)	Interest on pension liabilities	(555)
(10)	<b>Pension finance income / (costs)</b>	17
	<b>Amount recognised in the statement of total recognised gains and losses (STRGL)</b>	
(88)	Actual return less expected return on pension scheme assets	735
692	Experience gains and losses arising on the scheme liabilities	(1,149)
604	<b>Actuarial gain/(loss) recognised in STRGL</b>	(414)
	<b>Movement in deficit in year</b>	
(2,535)	(Deficit) in scheme at 1 August	(2,047)
-	Movement in year:	-
(454)	Change in basis of valuation of scheme assets	(481)
349	Employer service cost (net of employee contributions)	411
(1)	Employer contributions	-
(10)	Past service cost	17
604	Net interest/return on assets	(414)
(2,047)	Actuarial gain or( loss)	(2,514)
	<b>(Deficit) in scheme at 31 July</b>	

Year Ended 31 July 2014 £000		Year Ended 31 July 2015 £000
	<b>Reconciliation of Liabilities</b>	
12,559	<b>Liabilities at start of period</b>	12,742
454	Service cost	481
572	Interest cost	555
152	Employee contributions	161
-	Experience gains and losses on scheme liabilities	-
(692)	Actuarial (gain)/loss	1,149
(304)	Benefits (paid)	(327)
1	Past service gain	-
12,742	<b>Liabilities at end of period</b>	14,761
	<b>Reconciliation of Assets</b>	
10,024	<b>Assets at start of period</b>	10,695
-	Change in basis of valuation of scheme assets	-
562	Expected return on assets	572
(88)	Actuarial (loss)/gain	735
349	Employer contributions	411
152	Employee contributions	161
(304)	Benefits paid	(327)
10,695	<b>Assets at end of period</b>	12,247

The estimated value of employer contributions for the year ended 31 July 2016 is £407,000



# History of experience gains and losses

	2015	2014	2013	2012	2011	2010
<b>Difference between the expected and actual return on assets:</b>						
Amount £000	(1,149)	692	(233)	(57)	575	427
Percentage of scheme liabilities	(7.8%)	5.4%	(1.9%)	(0.7%)	7.4%	6.6%
<b>Experience gains and losses on scheme assets:</b>						
Amount £000	735	(88)	945	0	16	(524)
Percentage of scheme liabilities	6%	0.8%	9.4%	0%	0.2%	(5.7%)
<b>Total amount recognised in STRGL:</b>						
Amount £000	(414)	604	712	(605)	591	(97)
Percentage of scheme liabilities	2.8%	4.7%	5.7%	5.3%	5.9%	(1.1%)

## 19. DEFERRED CAPITAL GRANTS

	Other* 2015 £000	Skills Funding Agency 2015 £000	Total 2015 £000
<b>At 1 August 2014</b>			
Land and buildings	8,524	3,611	12,135
Equipment	25	108	133
<b>Cash received</b>			
Land and buildings	79	-	79
Equipment	25	-	25
<b>Less released to income and expenditure account</b>			
Land and buildings	(185)	(89)	(274)
Equipment	(16)	(22)	(38)
<b>At 31 July 2015</b>			
Land and buildings	8,418	3,522	11,940
Equipment	34	86	120
<b>TOTAL</b>	<b>8,452</b>	<b>3,608</b>	<b>12,060</b>

\* Other Deferred Capital Grants received in year for land and buildings relate to the development of the 3G pitch.



## 20. RESERVES

### REVALUATION RESERVE

2014 £000		2015 £000
377	At 1 August 2014	377
377	At 31 July 2015	377

### RESTRICTED RESERVES

2014 £000	Funds held under specific restriction	2015 £000
63	At 1 August 2014	62
(1)	Movement in restricted reserves	-
62	At 31 July 2015	62

Restricted reserves represent student prize, learner support and bursary funds.

### DESIGNATED RESERVES

2014 £000		2015 £000
800	At 1 August 2014	800
-	Movement in designated reserves	-
800	At 31 July 2015	800

The designated reserve fund was established as a reserve for planned maintenance and replacement programmes.

## 21. MOVEMENT ON GENERAL RESERVES ACCOUNT

2014 £000		2015 £000
4,196	At 1 August 2014	4,802
578	Actuarial gain /(loss) on pension schemes	(426)
28	Surplus on continuing operations after depreciation of assets at valuation, exceptional items and tax	430
4,802	At 31 July 2015	4,806
	Balance represented by:	
(2,047)	Pension reserve	(2,514)
6,849	Income and expenditure account reserve excluding pension reserve	7,320
4,802	At 31 July 2015	4,806



**22. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

2014 £000		2015 £000
28	Surplus on continuing operations after depreciation of assets at valuation, exceptional items and before tax	430
782	Depreciation (note 12)	859
(315)	Deferred capital grants released to income ( note 19)	(312)
(497)	Decrease/(increase) in debtors (note 14)	197
(28)	Increase/(decrease) in creditors (note 15)	(90)
(166)	Increase/(decrease) in provisions (note 16)	-
90	Pension cost less contributions payable	60
3	(Profit)/ Loss on disposal of fixed assets	4
(28)	Interest receivable (note 5)	(28)
10	Interest payable (note 9)	7
(121)	Net cash inflow from operating activities	1,127

**23. ANALYSIS OF CHANGES IN NET FUNDS**

	At 31 July 2014 £000	Cashflows £000	At 31 July 2015 £000
Cash in hand, at bank	289	630	919
Total Cash	289	630	919
Current asset investments	2,895	(489)	2,406
Debt due within one year	(101)	(2)	(103)
Debt due after one year	(132)	104	(28)
Restricted reserves	(62)	-	(62)
TOTAL	2,889	243	3,132

**24. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

2014 £000		2015 £000
	Returns on Investment and servicing of finance	
4	Investment Income	-
24	Interest received	11
(10)	Interest paid	(7)
18	Net cash inflow from returns on investments and servicing of finance	4



2014 £000		2015 £000
	<b>Capital expenditure and financial investment</b>	
(1,535)	Purchase of tangible fixed assets	(992)
11	Sales of tangible fixed assets	-
502	Deferred capital grants received	104
(1,022)	<b>Net cash (outflow) for capital expenditure and financial investment</b>	(888)

## 25. CAPITAL COMMITMENTS

2014 £000		2015 £000
	<b>Capital commitments</b>	
-	Commitments contracted for at 31 July	-
175	Authorised but not contracted at 31 July	-
175		-

## 26. FINANCIAL COMMITMENTS

At 31 July 2015 the College had annual commitments under non-cancellable operating leases as follows:

Land and buildings 2014 £000	Other 2014 £000		Land and buildings 2015 £000	Other 2015 £000
-	37	Expiring within one year	-	-
-	-	Expiring between two and five years inclusive	-	15
-	-	Expiring after five years	-	-
-	37		-	15



## 27. RELATED PARTY TRANSACTIONS

Due to the nature of the College's operations and the composition of the board of governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving organisations in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified in respect of governors which should be disclosed under Financial Reporting Standard 8 Related Party Disclosures.

The Principal of Lakes College West Cumbria is also a director of Cumbria Colleges Limited in which the College has a significant interest. Cumbria Colleges Limited is now dormant, investment income of nil was received in year (2014: £4,000). There is no debtor balance due from Cumbria Colleges Limited as at 31 July 2015 (2014: £NIL).

The Principal of Lakes College West Cumbria is also a director of Britain's Energy Coast Campus Accommodation Limited (BECCAL). During the year the College did not use BECCAL for accommodation for students, resulting in income of £NIL (2014 £7,687) and expenditure (£NIL) (2014: £2,295). Creditor balance due to BECCAL as at 31 July 2015, £NIL (2014: £NIL)

The Principal of Lakes College West Cumbria is also a director of Energy Coast University Technical College (UTC). The College provides some shared services for the Energy Coast UTC resulting in transactions in year of £343,648 (2014: £105,436) Debtor balance due from Energy Coast UTC as at 31 July 2015, £NIL (2014: £33,545)

Transactions with the funding bodies and HEFCE are detailed in notes 1, 14, 15 and 19.

## 28. DISCRETIONARY SUPPORT FUNDS

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Income and Expenditure Account.

### Access Funds

2014 £000		2015 £000
307	Funding Body Grant	283
(308)	Disbursed to Students	(279)
(9)	Administration Costs	(7)
(10)	Balance (over)spent 31 July 2015	(3)

### Other Learner Support Funds

2014 £000		2015 £000
46	Funding Body Grants – Childcare	32
	Funding Body Grants – Free Meals	75
46		107
(26)	Disbursed to Students – Child care	(32)
	Disbursed to Students – Free Meals	(10)
20	Balance underspent 31 July 2015	65

## 29. INVESTMENT IN JOINT VENTURE

The investment in the joint venture related to an entity, Cumbria Colleges Limited, in which Lakes College - West Cumbria has an interest on a long-term basis. The entity is jointly controlled with three other venturers under a contractual agreement to promote and develop further education within Cumbria.

The investment in Cumbria Colleges Limited was valued at £NIL as at 31 July 2015. £NIL income was received in year. The company is dormant and the investment value was repaid in the year.



**30. POST BALANCE SHEET EVENTS**

There are no post balance sheet events to be disclosed.

**31. CONTINGENT ASSET**

The college has been in dispute with the main college building contractor in relation to the condition of windows and the roof. A settlement has been agreed in principle and is being finalised by the College legal advisers. The windows and some curtain-walling were replaced over the summer of 2014 and 2015 as part of this settlement.

No financial provision has been made in these accounts in relation to this matter.



# GOVERNING BODY:

The Governors who served on the Board during the year and up to the date of signature of this report, were as follows:

Category and Roles	Date of appointment and re-appointments	Term of office	Date of Resignation	<sup>1</sup> Attendance at Corporation & Committee Meetings 2014-15 <sup>2</sup>
Independent				
Mr Joe Holliday	05/07/01 05/12/02	4 yrs		Corporation 70%
Health and Safety Lead Governor	29/06/06 28/01/10 01/01/14			
Mrs Norma Boyes	09/07/98 06/12/01	4 yrs		Corporation 80% Audit 100%
Chair, Search and Governance Committee; Audit Committee Member; Remuneration Committee Member Equality and Diversity Lead Governor Safeguarding Lead Governor until 31/07/15 SEN Lead Governor from 01/09/15	15/12/05 28/01/10 01/01/14			Search & Gov 67% Remuneration 100%
Mr Andrew Oldham	11/12/08 01/12/12	4 yrs		Corporation 100% Audit 100%
Chair of Audit Committee				
Mr Mark Stanger	02/07/09 01/07/13	4 yrs		Corporation 100% Search & Gov 100% Remuneration 100%
Chair of Corporation Remuneration Committee Member Search and Governance Committee Member Finance Lead Governor				
Dr Robin Talbot	01/01/10 01/01/14	4 yrs		Corporation 80%* Search & Gov 100%
Vice Chair of Corporation from 01/05/14-31/08/15 Teaching and Learning Lead Governor Search and Governance from 03/11/14				
Dr Rick Wylie	01/01/10 01/01/14	4 yrs	05/09/14	Not applicable
Search and Governance Committee Teaching and Learning Lead Governor				
Mr Les Agnew	18/03/10 01/01/14	4 yrs		Corporation 50%* Search & Gov 67% Remuneration 100%
Vice Chair of Corporation from 01/09/15 Chair, Remuneration Committee Search and Governance Committee Member				
Mr Tom Ryan	01/10/10 01/01/14	4 yrs	10/12/14	Corporation 67% (over 3 meetings)
Teaching and Learning Lead Governor				
Mr Mark Telford	22/09/11 30/06/15	4 yrs		Corporation 50%
Business Development Lead Governor				
Mr Phil Jardine	01/10/12 27/06/13	3 yrs		Corporation 90% Audit 100% (over 1 meeting) Search & Gov 100%
Search and Governance Committee Member Audit Committee Member until 23/10/14				
Mrs Claire Madden	18/09/13 16/09/14	3yrs		Corporation 60% Audit 67% (3 meetings) Remuneration 0% (1 meeting)
Remuneration Committee Member Audit Committee Member from 03/11/14				
Mr Mike Muir	11/12/14	1 yr		57% (over 7 meetings)
Mr Mike Priestley	17/10/13 26/09/14	1 yr 3yrs		Corporation 90%
Mrs Carole Rael Leave of absence (from 13/11/14)	26/06/14	1 yr	04/02/15	Corporation 33% over 3 meetings
Mrs Lesley Carruthers	22/10/15	1 yr	08/12/15	n/a

\*A special, single item meeting in May affected attendance by -10% owing to a conflict of interest for those two governors.



Category	Date of appointment and re-appointments	Term of office	Date of Resignation	<sup>3</sup> Attendance Corporation & Committee Meetings 2014-15
Independent Cont'd...				
Mrs Helen Johnson	10/12/15	1 yr		n/a
Staff				
Mr Chris Nattress (Principal)	01/09/13			Corporation 100% Search & Gov 100%
Search and Governance Committee; Cumbria Colleges Ltd Board (dormant); Energy Coast University Technical College Board - Director; Britain's Energy Coast Campus Accommodation Ltd - Director				
Mrs Sarah Graham	01/01/10	4yrs		Corporation 70% Audit 50%
Audit Committee Member Equality and Diversity Lead Governor	01/01/14			
Mrs Angela O'Connell	15/05/14	4yrs	23/10/15	Corporation 90%
Mrs Elizabeth Walker	10/12/15	1 yr		n/a
Student				
Mr David MacDonald	01/09/14	1 yr	22/09/14	
Ms Pippa Wordsworth	01/11/14	1 yr	08/08/15	Corporation 26%
Mr James Burton	01/11/14	1 yr	31/07/15	Corporation 100%
Mr Justin Mahone	12/11/15	1 yr		n/a
Mr Bradley Telford	12/11/15	1 yr		n/a
Co-opted Member of the Audit Committee				
Ms Sarah Farquhar	15/05/13 26/06/14	1 yr 1+ yr		Audit 100%
Co-opted Member of the Audit Committee	24/09/15	2 yrs		

#### REPORTING COMMITTEES AT YEAR END:

##### Audit Committee: (5)

A Oldham (Chairman)  
N Boyes  
S Farquhar (co-opted)  
S Graham  
C Madden

##### Remuneration: (4)

L Agnew (Chairman)  
C Madden  
N Boyes  
M Stanger

##### Search & Governance: (6)

N Boyes (Chairman)  
M Stanger  
L Agnew  
R Talbot  
C Nattress  
P Jardine

##### SENIOR MANAGEMENT TEAM:

C Nattress (Principal)  
K Wilson (Deputy Principal - Finance and Corporate Services)  
J Busher (Deputy Principal - Curriculum and Quality)



PROFESSIONAL ADVISORS:

**External Auditors: Armstrong Watson Audit Limited**

Chartered Accountants & Statutory Auditors  
Fairview House  
Victoria Place  
Carlisle  
CA1 1HP

**Internal Auditors: ICCA Education Training and Skills Ltd**

11<sup>th</sup> Floor  
McLaren House  
46 Priory Queensway  
Birmingham  
B4 7LR

**Bankers:**

Barclays Bank plc  
2 Finkle Street  
Workington  
CA14 2AU

**Solicitors:**

Eversheds  
Evershed House  
20 Great Bridgewater Street  
Manchester  
M1 5ES



**REPORTING ACCOUNTANTS ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF LAKES COLLEGE, WEST CUMBRIA AND SECRETARY OF STATE FOR BUSINESS, INNOVATION AND SKILLS ACTING THROUGH SKILLS FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 8 September 2015 and further to the requirements of the Financial Memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Lakes College West Cumbria during the period 1 August 2014 to 31 July 2015 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of Lakes College West Cumbria and the Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Lakes College West Cumbria and Skills Funding Agency those matters we are required to state in a 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 corporation of Lakes College West Cumbria and Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

**Respective responsibilities of Lakes College and the reporting accountant**

The corporation of Lakes College West Cumbria is responsible, under the requirements of the Further and Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure discussed and income received during the period 1 August 2014 to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

**Approach**

We concluded our engagement in accordance with the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

The work undertaken to draw our conclusion includes:

- Accuracy of the corporation's self-assessment of compliance with regularity and propriety requirements and review of appropriate evidence and documentation.
- Review of expenditure systems for compliance with corporation policy and scheme of delegation.



- Consideration of staff expense claims in line with policy.
- Procedures in respect of government procurement cards.
- Review of corporation minutes.
- Consideration of advisory matters from internal auditors reports.

## **Conclusion**

In the course of our work nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

**Signed:**



**Jean Carroll**  
**For and on behalf of**  
**Armstrong Watson Audit Limited**  
**Chartered Accountants & Statutory Auditors**

15 December 2015



