

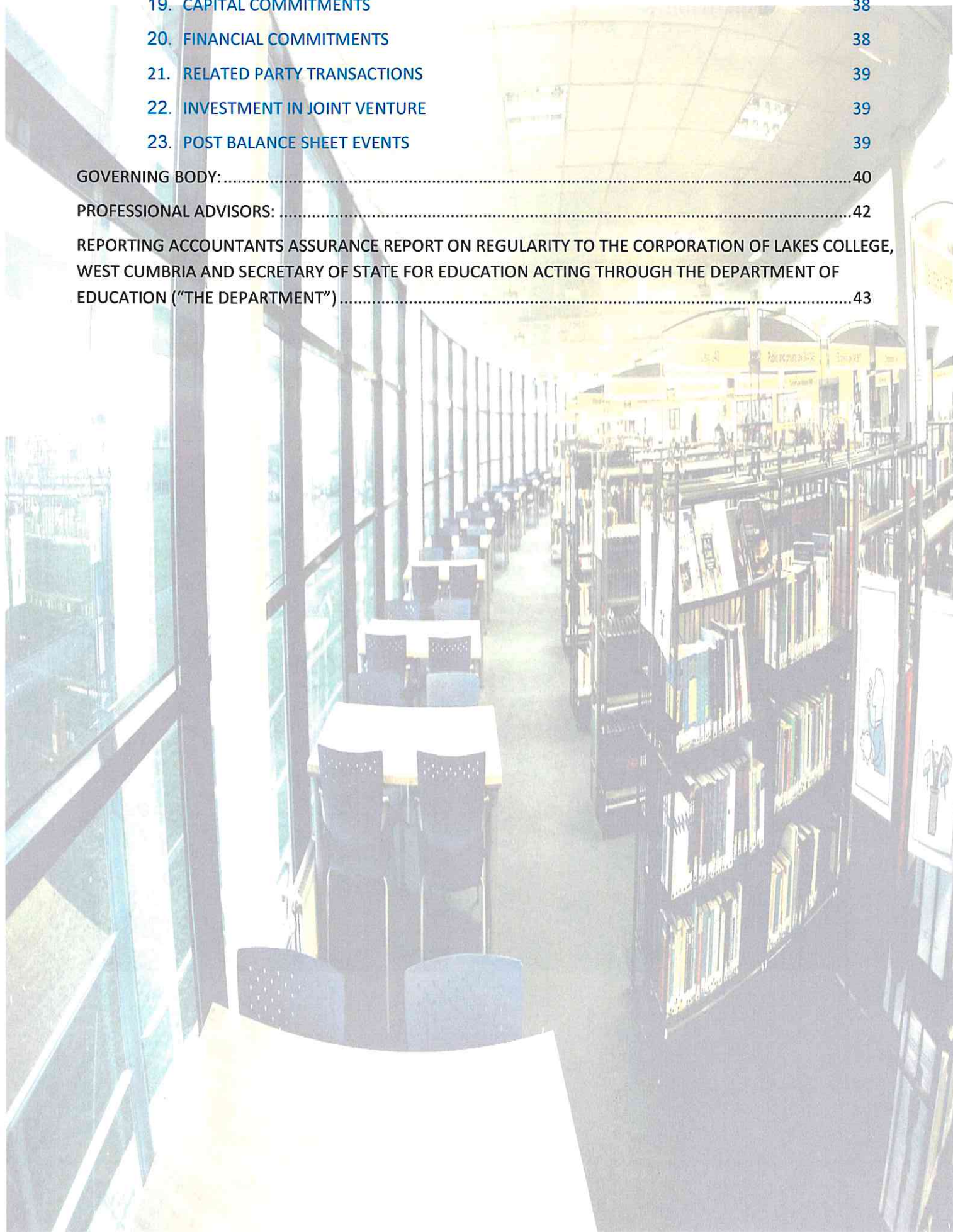
Lakes College
Report and Financial Statements
for the year ended 31 July 2017
www.lcwc.ac.uk



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FINANCIAL HIGHLIGHTS

Statement of Comprehensive Income

	2016/17	%	2015/16	%
	£000		£000	
Income				
Funding Body Grants	8,767	77	9,404	77
Education Contracts	682	6	693	6
Tuition Fees and Charges	1,312	12	1,489	12
Other Operating Income	557	5	624	5
Investment Income	6	-	11	-
	11,324	100	12,221	100
Expenditure				
Staff Costs	8,170	66	8,205	66
Other Operating Expenses	3,307	26	3,234	26
Depreciation	918	7	911	7
Interest Payable	125	1	98	1
Loss on disposal of assets	1	-	2	-
	12,521	100	12,450	100
(Deficit)	(1,197)		(229)	

Balance Sheet

	2017	2016
	£000	£000
Non-Current Assets	22,570	18,526
Investment in Joint Venture	-	-
Current Assets	4,647	4,269
Current Liabilities	(2,462)	(1,631)
Net Current Assets	2,185	2,638
	24,755	21,164
Creditors due after 1 year	16,956	12,562
Pension Provisions	4,392	5,132
Total Net Assets	3,407	3,470
Restricted reserves		
Revaluation reserve	377	377
Designated reserve	800	800
Non-restricted reserves		
Income & Expenditure	2,230	2,293
	3,407	3,470

STRATEGIC REPORT

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2017.

Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting West Cumbria College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011 and following the machinery of Government charges in July 2016 is regulated by the Secretary of State for Education below. The members of the Governing body, who are trustees of the charity, are disclosed on page 40.

The Corporation was incorporated as West Cumbria College. On 8 August 2001 the Secretary of State granted consent to the Corporation to change the College's name to Lakes College West Cumbria.

Mission

Over the period of these financial statements, the College's mission statement is:

'Working in partnership to develop the skills and prosperity of our communities'

Our vision is:

'To be an excellent first-choice provider of education and training'

In delivering its mission, the College provides identifiable public benefits through the advancement of education by providing high quality teaching, widening participation and tackling social exclusion, prioritising student achievement and employment outcomes to meet the skills requirements of employers, primarily in West Cumbria.

Implementation of the Strategic Plan

The College adopted a strategic plan for the period 1 August 2014 to 31 July 2017 with the following high level strategic objectives:

- **Strategic alliances and partnerships: to work in alignment to meet community needs**
- **Teaching, Learning and Assessment are consistently Good or Outstanding**
- **Outcomes for students, parents, guardians and employers are excellent**
- **Efficiency and effectiveness: the College has financial strength and sustainability**

Objective: Strategic alliances and partnerships

The College strives to serve its local and national community by working in collaboration with key stakeholders, supporting the strategic priorities of the Local Enterprise Partnership (LEP), and working with employers to meet the skills needs of West Cumbria. This is exemplified in our position as a founding member of the National College for Nuclear (NCfN) in partnership with Sellafield Ltd, University of Cumbria, EDF Energy, Bridgwater and Taunton College and the University of Bristol. The NCfN places the College at the centre of national nuclear skills development. A new level 3 qualification and degree have been developed by College staff in the year for delivery in 2017/18.

In November 2016 the proposed merger with Carlisle College, recommended by the Cumbria Area Review was rejected by Carlisle College board. All four Cumbria FE Colleges continue to work collaboratively and are exploring the potential benefits of a joint venture company to support the County's skills needs. The College has supported the development of student accommodation facilities at Summergrove for West Cumbria and is a founding member and delivery partner of the Energy Coast University Technical College (ECUTC). These developments involve close collaboration with other educational institutions operating in West Cumbria.

The College has supported over 500 employers in understanding and preparing for the apprenticeship reform process.

The College strives to meet student and employers' needs by consistently delivering a high quality experience. National FE choices satisfaction rating for students was 77%, and for employers was 96%, the second highest score in the country for FE Colleges and in the top 20 for all providers. The 2017 national Student Survey of HE students returned 88% satisfaction rates.

STRATEGIC REPORT (continued)

Objective: Teaching, Learning and Assessment are consistently Good or Outstanding

In 2014 Lakes College was confirmed as a UK Quality Assured establishment following a Quality Assurance Agency for Higher Education (QAA) review.

In October 2015 a full Ofsted inspection of further education and apprenticeship provision found teaching and learning overall Requires Improvement. Within this judgement, teaching and learning on apprenticeship provision and in practical sessions was found to be Good. Improvement work continues with clear signs of improvement in teaching and learning practice and outcomes for learners. The College welcomes the opportunity to demonstrate these improvements to Ofsted in re-inspection due Autumn 2017.

Expertise in vocational provision has been demonstrated via success in engineering students in various skills competitions including World Skills

Objective: Outcomes for students, parents, guardians and employers are excellent

The condition of funding, introduced in 2014-15, requires 16-18 students enrolling on a study programme to study GCSE maths and English if they had achieved a grade D on leaving compulsory education. English and maths GCSE achievement rates have shown further improvement in 2016/17, building on the achievements in 2015/16.

Headline vocational achievement rates are now above national averages. Achievement rates for 16-18 learners increased by 7.3%, with a 2.2% increase in pass rates and 6.2% increase in retention. Adult learner achievement rates increased by 4.3%, with pass rates remaining steady and retention rates increased by 4.7%. English and maths results are now strong against sector benchmarks with English GCSE A-C passes steady at 27.6% and maths GCSE A-C passes increasing by 13.9% to 31.4%

Apprenticeships, a key government priority, were extended with over 1,600 apprentices in learning in the year. At 74.3% achievement rates are now 7.3% above national benchmarks.

Headline trends in achievement rates are detailed in the table below:

	2014/15	2015/16	2016/17	National Benchmark
16 -18	67.2%	73.9%	81.2%	80.2%
Adults	87.3%	87.1%	91.3%	85.9%
Apprenticeships	74.4%	71.8%	74.3%	67.0%

Objective: Efficiency and effectiveness: the College has financial strength and sustainability

The College aims to ensure financial strength and resilience in its operations in order to secure a stable and well-resourced college to meet student and employer needs. The College historically has consistently maintained the category of Outstanding financial health as measured by the sector funder and regulator. The increasingly challenging financial climate has contributed to a deterioration in the college finances and this means that the College has dropped to a moderated financial grade of 'Satisfactory'. The balance sheet position remains strong with 100% score on the solvency and operating performance measures.

Continuing austerity and policy change in relation to apprenticeships and adult funding means the operating environment will remain challenging in the intermediate future. Performance against some key financial targets is detailed below:

Measure	Target	Actual	Variance	Benchmark
Pay costs as a % of income	67%	74%	(7%)	66%
Curriculum staff utilisation	97%	90%	(7%)	
Average Class Size, main programme	16	8.4	(8)	16
Training Advisor productivity	97%	88%	(9%)	
Admin. costs as a % of expenditure	20%	18%	2%	18%

STRATEGIC REPORT (continued)

Financial Performance and Resources

The College experienced a 7% reduction in turnover from £12.2m to £11.3m of which £0.6m related to reduction in main funding body grants. Despite this, dependency on ESFA grant income has increased to 72% (2015/16 70%).

Operating cash flow was £29,000 net outflow compared to cash inflow of £643,000 in 2015/16.

The College does not have a formal reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The College reserves include £800,000 held as designated reserves for maintenance and replacement of college assets. As at the balance sheet date the income and expenditure reserve stands at £2.2m (2016: £2.3m). It is the Corporation's intention to increase reserves over the life of the new strategic plan through the generation of annual operating surpluses.

During the accounting period 1 August 2016 to 31 July 2017, the College paid 94.9% of its invoices within 30 days, against the Treasury target of 95%.

Available cash reserves stand at £3.4m at the balance sheet data (2015/16: £3.6m). These cash balances are after £5m investment in fixed assets (net of £4.8m capital grants received). Investment was made in ICT resources in class-rooms, NCfN and planning development of a Heavy Civils training facility.

Investments, cash reserves and borrowing are managed in accordance with the Treasury Management Policy, designed to minimise financial risk in treasury management. The College remains free of long term loan liabilities.

The staffing establishment decreased by 8% in year, compared to a 4% increase in 2015/16. Of the 217 FTEs, 51% are delivery staff and a further 26% are directly student facing.

Future Key Developments

The National College for Nuclear Northern Hub becomes operational in 2017/18 with the first students commencing in September 2017. Development of National College provision extends the reach and influence of the College in delivering skills to the nuclear sector. Plans for a regional Heavy Civil facility adjacent to the College campus will further enhance the College offer to develop skills which meet the County's economic development plans in relation to nuclear new build, mining and the County infrastructure. The College is well placed to meet the Governments' increased focus on technical skills.

In-year, curriculum developments have focussed on National College for Nuclear provision: The apprenticeship reform process which includes a shift to new standards is informing wider curriculum development. The development of Technical qualifications will drive curriculum development over the period of the new strategic plan.

PRINCIPAL RISKS AND UNCERTAINTIES

The College continues to work to strengthen the internal control environment, (including financial and operational risk management) which is designed to protect the College's assets and reputation.

Outlined below is a description of the principal risk factors that may affect the College, not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1. Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and HEFCE. In 2016/17, 77% (2015/16 77%) of the College's revenue was ultimately public funded and a high level of government funding requirement is expected to continue. The Funding rates have remained static for over 5 years whilst the cost base has continued to increase with increased national insurance and pension costs. The impact of Brexit on future funding settlements is yet to be determined.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

The College is aware of several issues which may impact on future funding including apprenticeship reforms and the devolution of the adult education budget. The College, in conjunction with its key stakeholders, has developed a strategy for growth in response to the apprenticeship reform. It is recognised that the introduction of the apprenticeship levy will significantly affect the marketplace though the full implications are not yet known as Government policy continues to develop.

The risk is mitigated in a number of ways:

- The College is seeking to increase full cost provision which is not dependent on government funding.
- Maximising fee income delivering quality education and training needed by employers and for students to progress into employment.
- Development of the STEM (Science, Technology, Engineering and Mathematics) provision to support growth in this area, both class-room based and apprenticeship. Ensuring that progression routes exist to higher technical skills and LEP priorities.
- Seeking continued growth in apprenticeship provision.
- National College for Nuclear development to meet sector skills requirements.
- Focus and investment in developing and maintaining relationships with key stakeholder bodies in West Cumbria, particularly in the nuclear sector.
- Partnership and collaboration as evidenced by NCfN, Energy Coast UTC, the ESF Edge contract, Cumbria FE College collaboration.
- Seeking growth and increased efficiency in planning.

2. Failure to maintain the financial viability of the College

The College's current financial health grade is classified as 'Satisfactory' as described above. This is as a consequence of the substantial deficit position in 2016/17. On-going cuts to public sector spending have contributed to a deficit position and this is likely to remain a feature of the funding landscape for some time. The College needs to rebalance income and expenditure to secure a sustainable operating model as funding levels continue to tighten and the market changes. This risk is mitigated in a number of ways:

- Review of the curriculum offer to meet learner and employer needs.
- Deliver the growth plan.
- Undertake further National College for Nuclear curriculum development and promote the new offer within and outside of our region.
- Development of a Heavy Civils training facility to meet demand for civils training in the region arising from nuclear new build, infra-structure developments and mining.
- Improving in-year and longer-term forecasting of income.
- Increasing devolution of financial responsibility and commercial awareness across the College.
- Improving efficiency and effectiveness of use of our resources- staff and physical.

3. Ofsted Inspection

A poor Ofsted grade threatens the reputation, growth and development activity for the College. In October 2015, an Ofsted inspection placed the College in the category of Requires Improvement. This places the College at risk of an Unsatisfactory grading if the follow-up inspection due in Autumn 2017 results in a second Requires Improvement. This risk is being mitigated by:

- An internal change programme to increase ambition and improve the quality of provision.
- Revised and improved quality management systems and processes.
- A cultural change programme to drive improved standards, behaviours and elevate aspirations supported by improved performance management processes to drive accountability for all.
- External support and challenge from Ofsted, a range of external experts and collaborative peer support to provide external assurance and benchmarking.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

4. Increasing competition

Increased competition from a range of providers (University of Cumbria, private providers, Energy Coast UTC and Academy schools), represent a risk to the growth strategy of the College, particularly with the continuing declining demographic trend for younger people. This risk is being mitigated by:

- Seeking growth in curriculum areas for which there is increasing demand.
- Increasing apprenticeship provision in line with government priorities.
- Jointly leading the National College for Nuclear.
- Quality improvement.
- Collaborating where opportunities allow.
- Reviewing the business model.

5. Impact of Condition of Funding policy for English and maths on recruitment, retention and achievement rates.

The 2014/15 funding condition requirement to deliver English and maths GCSEs to all 16-18 students whose prior attainment level is a D/3 is a risk in terms of student recruitment, engagement, achievement rates. This will impact on Ofsted's judgements regarding the quality of provision. Improvements in high grades have been secured on GCSE provision 2015/16 and 2016/17, with English 1.3% above the sector average (0.9% below national average) and Maths 5.5% above sector average (3.2% above national average). Functional skills achievement is improved with English 13% above sector average (14% above national average) and maths benchmarks at 77% and maths 4% above sector average (4% above national average). Actions to further improve achievement rates in English and maths include:

- Engaging early with students and parents in English and maths, building on lessons learnt in a collaborative teaching and learning project.
- Increasing emphasis on achievement of all elements of the study programme including English and maths.
- Recruiting qualified maths and English tutors with a CPD programme for functional skills specialists.
- Re-structuring co-ordination of maths and English provision.
- Providing additional support services to support student achievement, such as the success hub.
- Increasing focus on evidencing progress in learning.
- Focussing on maths and English at six-week review, reviewing attendance and engagement.
- Review of the qualifications delivered to non-condition of funding students.

6. Staff recruitment

The recruitment of teaching staff to some vocational areas, in particular STEM, represents a risk to the quality of provision and growth strategy of the College. The shortage of skilled Engineering staff is a national problem and one likely to increase as national infrastructure projects develop. This risk is being mitigated by:

- Reviewing staff recruitment, pay policy and structures to provide greater flexibility and opportunities for candidates with appropriate skills.
- Exploring alternative delivery methods and options.
- Increasing focused staff development and 'growing your own'.

STRATEGIC REPORT (continued)

7. Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102. In line with most public sector pension schemes a pension deficit exists for the College and this has significantly increased in this financial year. The risk is monitored by regular actuarial review. Increased pension contributions from employees and employer are set in line with the maximum recommended from actuarial assumptions and there is an agreed recovery plan with the Cumbria Pension Scheme.

8. Safeguarding and Prevent Duty

The board has a statutory duty to ensure the safeguarding of students.

In July 2015 a legal duty was placed on colleges, amongst others, to show 'due regard to the need to prevent people from being drawn into terrorism'. The College has put in place certain safeguards in recognition of this and included the matter on its risk register so that it can be monitored regularly by the Corporation. Risks associated with these duties are being mitigated by:

- Giving regular briefings to Governors and staff.
- Regular review and updating College policy and procedures to reflect latest good practice.
- Internal communication and promotion plan.
- Training for Governors and staff.
- Training for student representatives.
- Including Safeguarding and Prevent in the tutorial programme for students.

STAKEHOLDER RELATIONSHIPS

The college understands the importance of collaboration and partnership working and actively works with many stakeholders, including:-

- Students
- Parents and Guardians
- Staff
- FE Commissioner
- Local Enterprise Partnership (LEP)
- Centre of Nuclear Excellence (CoNE)
- Local Employers, in particular Sellafield Ltd and the wider nuclear supply sector, NHS Trusts and Rosehill Theatre
- Partners in the National College for Nuclear – Sellafield Ltd, University of Cumbria, Bridgwater and Taunton College, EDF Energy Ltd and University of Bristol
- Local Authorities
- Cumbria FE Institutions
- Secondary Western Heads
- Trade Unions
- Professional bodies

Equal opportunities and employment of disabled persons

Lakes College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, faith, gender, sexual orientation, gender reassignment, pregnancy and maternity, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we actively combat bigotry.

The College's Single Equality Policy is published on the College's internet site and the College publishes an Annual Equality report. Equality impact assessments are undertaken on policies and procedures.

STRATEGIC REPORT (continued)

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the standard. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees.

An equality and diversity plan is published each year and monitored by managers and governors.

DISABILITY STATEMENT

The College seeks to achieve the objectives set down in the Equality Act 2010.

- a. As part of its accommodation strategy the College annually monitors and responds, as appropriate, to access requirements. Experts in this field conducted a full access audit in June 2007 and subsequent review in July 2010. The results of both surveys formed the basis of capital funding projects aimed at **improving access**.
- b. The College provides information, advice, and arranges support where necessary for students and staff with disabilities.
- c. Specialist equipment is available for use by students and a range of assistive technology is available in the learning centre. This has been well received and is well utilised.
- d. The admissions policy for all students ensures no students are discriminated against. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- e. The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disability. There are a number of student support assistants including specialists who can provide a variety of learning. There is a continuing programme of staff development to ensure the provision of an appropriate specialist support for students who have learning difficulties and/or disabilities.
- f. The College actively works in partnership with organisations and groups in West Cumbria and beyond to help develop access to learning.
- g. Specialist programmes are described in College prospectuses, and achievement and destinations are recorded and published in the standard College format.
- h. Counselling and welfare services are available for all students.
- i. Equality, disability and impact measure targets are set and monitored across the curriculum. These are reviewed at corporation level.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 14th December 2017 and signed on its behalf by:



Mark Stanger
Chair

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2016 to 31st July 2017 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- I. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness; integrity; objectivity; accountability; openness; honesty and leadership);
- II. in full accordance with the guidance to Colleges, in the Association of Colleges "Code of Good Governance of English Colleges"; and
- III. having due regard to the UK Corporate Governance Code 2014 ("the Code") insofar as it is applicable to the further education sector.

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. The Board has adopted and has sought to comply with the Code of Good Governance of English Colleges. Where it has chosen to deviate from the Code, this is explained under Corporation Performance.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purpose of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit, and particularly upon its supplementary guidance on the advancement of education, and that the required statements appear elsewhere in these financial statements.

The Corporation

The composition of the Corporation during 2016/17 and up to the date of signature of this report is set out on pages 40-41. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environment issues.

The Corporation meets at least twice a term and is supported by the Audit Committee, Quality Working Group, Search and Governance Committee, and Remuneration Committee. Each committee has terms of reference which have been approved by the Corporation. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website or from the Clerk to the Corporation at:

Lakes College West Cumbria, Hallwood Road, Lillyhall Business Park, Workington, CA14 4JN

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad-hoc basis.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chairman and Principal (the Accounting Officer) are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee, consisting of up to six members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

Corporation Performance

Under the Code of Good Governance of English Colleges, adopted by the Corporation, there is a requirement to comply or explain performance and this section provides an overview of performance for the past year.

External scrutiny and self-assessment has consistently shown over a number of years that governance is at least good. Governors have a good understanding of the College, its place in the community and are responsive to national and local policy initiatives, as demonstrated by a willingness to engage in the National College for Nuclear.

Minutes of the Corporation demonstrate the breadth of monitoring and challenge undertaken by the Governing Body. Governors bring a very strong skills set to the work of the Corporation, with expertise in all key areas and high expectations of senior staff. Governors participate in training, briefings, curriculum tours and parents' evenings on a regular basis, gaining contact with learners and staff outside the Boardroom.

Performance reviews of the Principal and the Clerk are carried out at least annually and reported to the Board. The Remuneration Committee meets at least annually to take an overview of performance and terms and conditions of the Senior Postholders and the Clerk.

There are readily available complaints and whistle-blowing policies, in addition to which the Corporation monitors complaints by subject, type and resolution.

The Board is flexible and responsive to events, setting up a Quality Working Group in response to the Ofsted inspection and more recently a Finance and Corporate Working Group, in response to deteriorating financial health.

The Corporation approves the annual internal audit plan, directed by the risk register, with the Audit Committee providing robust scrutiny of the ensuing reports. With respect to the most recent governance audit carried out in 2015/16, the internal auditor was able to give substantial assurance and the only recommendation made was focused on governor attendance, which has improved in the past year.

Governors have consistently demonstrated attendance overall of around the national available benchmarking of 80%. In 2016/17, Lakes College governors showed overall attendance of 87%. This is a considerable improvement on previous years, following action taken in respect of attendance in 2015/16.

The Board has improved the diversity of its membership this year and will continue to consider equality and diversity in new appointments. Equally, the Board continues to have strong views about ensuring that there are adequate skills around the table to do the job in a challenging environment.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

A key challenge for the College is that it sits in a rural, sparsely populated area, with a dominance of one particular sector. As a result, a decision has been taken to adopt a general principle of appointments totalling up to 10 years. This is slightly longer than the recommended two terms of four years, in recognition of the limits of the local area. However, Governors continue to feel that a Board of 18 members allows some flexibility and, provided that membership of the Board is regularly refreshed, they reserve the right to re-appoint for longer where there is demonstrable need and/or a need for continuity.

Committees

Quality Working Group

The Quality Improvement Working Group comprises of five members and operates in accordance with written terms of reference approved by the Corporation.

The working group has been set up to monitor in greater depth key challenges arising from the Inspection report and will advise the Board of their findings.

Search and Governance Committee

The Search and Governance Committee comprises of between 4 to 6 members of the Corporation. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Committee meets three times a year and provides a forum for reporting governance developments, to discuss governor vacancies and appointments and to carry out an extensive annual review of governance arrangements.

Remuneration Committee

Throughout the year ended 31 July 2017, the College's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to determine the remuneration and benefits of the Principal, other senior post-holders and the Clerk; with the exception of any early termination agreements, where the Committee must make recommendations to the Board. Details of remuneration for the year ended 31 July 2017 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises of four members of the Corporation (excluding the Principal and the Chair of Corporation) and a co-opted member. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with the agreed audit plan of input and report their findings to management and the Audit Committee.

Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work.

Finance and Corporate Working Group

The Finance and Corporate Working Group is being introduced for 2017-18 and comprises 3 members with provision for a further two co-opted members. The working group will operate in accordance with written terms of reference approved by the Corporation.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

The working group has been set up to monitor growth plans and business development and will advise the Board of their views.

Internal Control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated to the Principal, as Accounting Officer, the day-to-day responsibility for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which they are personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between Lakes College West Cumbria and the funding bodies. The Principal is also responsible for reporting to the Corporation any material weaknesses or breakdown in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Lakes College West Cumbria for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate

Lakes College West Cumbria has an internal audit service, which operates in accordance with the requirements of the Education and Funding Agency's and *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum, the annual internal audit report provides the Corporation Board with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. Their review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors and the regularity auditors in their management letters and other reports.

The Principal has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team receive reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The Corporation carries out an annual assessment in December by considering documentation from the senior management team and the internal audit annual report, and taking account of events since the year end.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution, and the safeguarding of their assets".

Going Concern

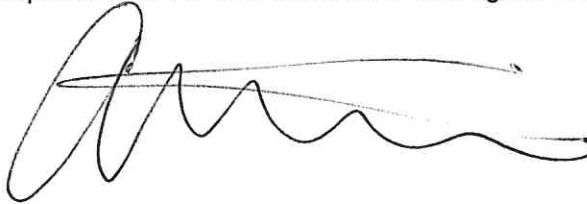
After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. The Area Based Review has provided additional external review and evaluation of the College's financial robustness. For this reason, the Board continues to adopt the going concern basis in preparing the financial statements.

The College continues to have cash balances to support the financial improvement plan. National College for Nuclear activity will contribute to the College growth plan. The mix and delivery of provision is being reviewed against Government priorities and technical qualification reform to ensure the offer is fit for purpose to meet local skills needs.

Approved by order of the members of the Corporation on 14th December 2017 and signed on its behalf by:



Mark Stanger
Chair



Chris Nattress
Principal

GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING:

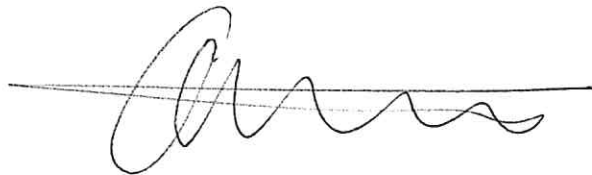
The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the Financial Memorandum in place between the College and the Skills Funding Agency. As part of our consideration, we have had due regard to the requirements of the Financial Memorandum.

We confirm, on behalf of the Corporation, that after due enquiry and to the best of our knowledge, we are able to identify any material, irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's Financial Memorandum.

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Education and Skills Funding Agency.



Mark Stanger
Chair



Chris Nattress
Principal/Accounting Officer

14th December 2017

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

The members of the Corporation of the College are required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum between the Education and Skills Funding Agency and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the Accounts Direction 2016/17 issued by the Education and Skills Funding Agency and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements the Corporation is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare a Strategic Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the College, and to enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Education and Skills Funding Agency are used only in accordance with the Financial Memorandum with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Education and Skills Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 14th December 2017 and signed on its behalf by:



Mark Stanger
Chair

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF LAKES COLLEGE WEST CUMBRIA

We have audited the financial statements of Lakes College West Cumbria for the year ended 31 July 2017 which comprise the Statement of financial activities incorporating income and expenditure account, the Balance sheet, the Statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Further Education SORP 2015 and the College Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

This report is made solely to the Corporation, as a body. Our audit work has been undertaken so that we might state to the Corporation, as a body, 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 Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2017 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the, the Further Education SORP 2015 and the College Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporations use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The Governors are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial

**INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF LAKES COLLEGE WEST
CUMBRIA (Cont'd)**

statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of our knowledge and understanding of the college and its environment obtained in the course of the audit, we have not identified material misstatements in the Corporation's report including the Strategic report.

We have nothing to report in respect of the following matters in relation to which the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- all the information and explanations required for the audit were not received; or
- the going concern basis of accounting and disclosure of material uncertainties is appropriate.

RESPONSIBILITIES OF MEMBERS OF THE CORPORATION

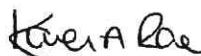
As explained more fully in the statement of responsibilities of the Members of the Corporation, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Corporation members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the college'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 the Corporation either intend to liquidate the college or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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 an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditor's report.



Karen A Rae FCCA (Senior Statutory Auditor)
for and on behalf of
Armstrong Watson Audit Limited
Chartered Accountants & Statutory Auditors
Carlisle

Date: 15 December 2017

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Statement of Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of Preparation

These financial statements were prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the FE HE SORP) and in accordance with applicable Accounting Standards. They conform to guidance published by the Education and Skills Funding Agency in the 2016/17 College Accounts Direction.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Strategic Report. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying notes.

The College had available cash reserves of £3.3m as at 31 July 2017 and no outstanding loans. The Financial Statements presented a report on deficit position for the second year. However, the level of cash reserves and fiscal planning over the period of the new strategic plan indicate the College can return to a surplus trading position and remains a going concern. The College forecasts that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Basis of Accounting

The financial statements are prepared under the historical cost convention as modified by the use of previous valuations as derived cost for certain non-current assets.

Recognition of Income

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end and with any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments. Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the statement of comprehensive income.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred income and recognised in income over the expected useful life of the asset under the accrual method permitted by FRS 102.

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

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned. 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 conditions are met.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Post Retirement Benefits

Retirement benefits for most employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded from the state pension scheme.

Contributions to the TPS are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing fair 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 as part of staff costs incurred. 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 and recognised in the statement of comprehensive income. Actuarial gains and losses are recognised in other recognised gains and losses.

Short Term Employment Benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to former members of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of former members of staff is charged in full to the College's income and expenditure account in the year that the member of staff retires. In subsequent years the balance sheet provision is reviewed using the enhanced pension spreadsheet provided by the funding bodies.

Non-Current Assets - Tangible Fixed Assets

a. Land and Buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement costs at acquisition which is treated as deemed cost under the transitional provisions of FRS 102. Land and buildings acquired since incorporation are included in the balance sheet at cost.

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the institution of 50 years.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred income grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

Finance costs that are directly attributable to the construction of significant buildings are not capitalised as part of the cost of those assets.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings as deemed cost and not to adopt a policy of revaluations of these properties in the future

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use. Any associated grants related to these assets are not released until the asset is brought into use.

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

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- market value of the fixed asset has subsequently improved
- asset capacity increases
- substantial improvement in the quality of output or reduction in operating costs
- significant extension of the asset's life beyond that conferred by repairs and maintenance

b. Equipment

Equipment costing less than £1,000 per individual item, unless this forms part of a larger project, is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation less depreciation.

Inherited equipment was depreciated on a straight-line basis over its remaining useful economic life to the College. All equipment is depreciated on a straight line basis, over its useful economic life as follows:

General Equipment:	5 years
Computer Equipment:	3 and 5 years
3G Pitch Surface:	10 years
3G infrastructure:	30 years

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy. The grant being credited to a deferred grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Leased Assets

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

The College does not have any assets acquired under finance leases.

Investments

Fixed asset investments are carried at historical cost less any provision for a permanent diminution in their value.

Current asset investments are included in the Balance Sheet at the lower of their original cost and net realisable value.

Taxation

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Taxation (continued)

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

Liquid Resources

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

Provisions

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

Agency Arrangements

The College acts as an agent in the collection and payment of discretionary support related funds and bursaries received from funding and other bodies. Subsequent disbursements to students are included within the Statement of Comprehensive Income where the College is exposed to risk. All such support funds and disbursements in the year are included within the Statement of Comprehensive Income. This is a change from 2015/16 where the support funds were shown separately. Any funds held are within creditor balances.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

- Determined whether leases entered into by the College either as a lessor or lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determined whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other Key sources of estimation uncertainty

- *Tangible Fixed assets*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and the projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 15, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.