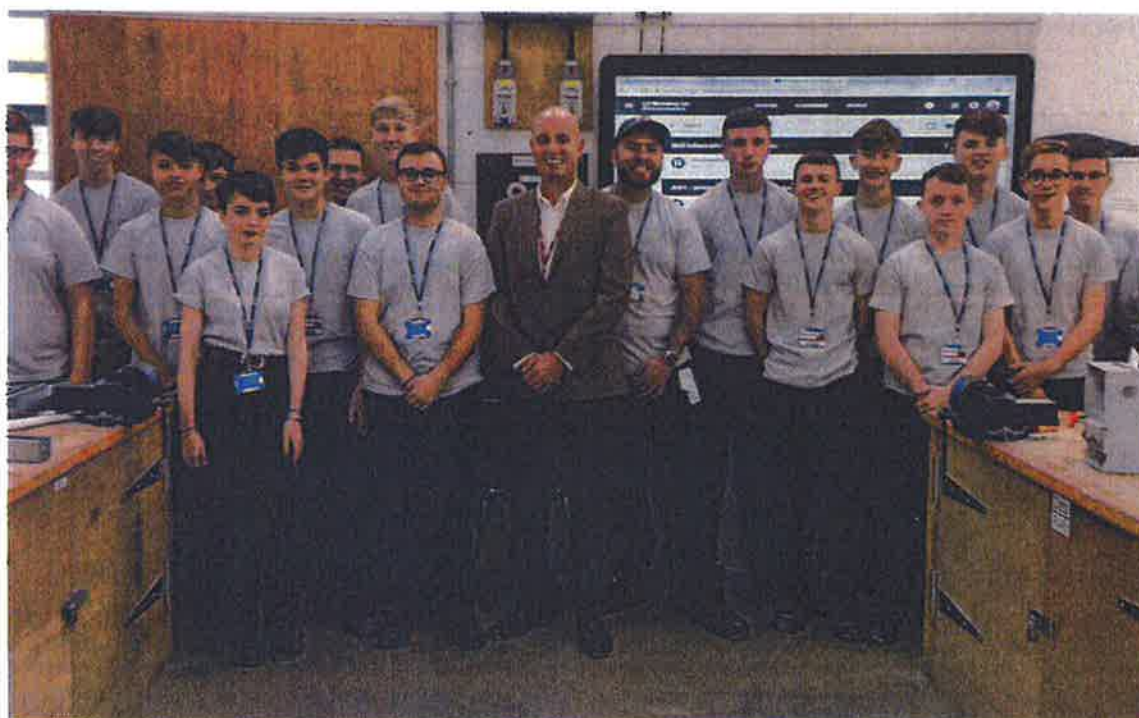


***Lakes College***  
***Report and Financial Statements***  
***for the year ended 31 July 2018***  
***[www.lcwc.ac.uk](http://www.lcwc.ac.uk)***

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## FINANCIAL HIGHLIGHTS

### Statement of Comprehensive Income

|                            | 2017-18        |            | 2016/17        |            |
|----------------------------|----------------|------------|----------------|------------|
|                            | £000           | %          | £000           | %          |
| <b>Income</b>              |                |            |                |            |
| Funding Body Grants        | 8,955          | 78         | 8,767          | 77         |
| Education Contracts        | 734            | 7          | 682            | 6          |
| Tuition Fees and Charges   | 1,118          | 10         | 1,312          | 12         |
| Other Operating Income     | 625            | 5          | 557            | 5          |
| Investment Income          | 8              | -          | 6              | -          |
|                            | <b>11,440</b>  | <b>100</b> | <b>11,324</b>  | <b>100</b> |
| <b>Expenditure</b>         |                |            |                |            |
| Staff Costs                | 8,058          | 64         | 8,170          | 66         |
| Other Operating Expenses   | 3,359          | 27         | 3,307          | 26         |
| Depreciation               | 1,071          | 8          | 918            | 7          |
| Interest Payable           | 110            | 1          | 125            | 1          |
| Loss on disposal of assets | -              | -          | 1              | -          |
|                            | <b>12,598</b>  | <b>100</b> | <b>12,521</b>  | <b>100</b> |
| <b>(Deficit)</b>           | <b>(1,158)</b> |            | <b>(1,197)</b> |            |

### Balance Sheet

|                                   | 2018<br>£000  | 2017<br>£000  |
|-----------------------------------|---------------|---------------|
| <b>Non-Current Assets</b>         | <b>24,132</b> | <b>22,570</b> |
| Investment in Joint Venture       | -             | -             |
| <b>Current Assets</b>             | <b>4,049</b>  | <b>4,647</b>  |
| Current Liabilities               | (2,343)       | (2,462)       |
| Net Current Assets                | 1,706         | 2,185         |
|                                   | <b>25,838</b> | <b>24,755</b> |
| <b>Creditors due after 1 year</b> | <b>18,725</b> | <b>16,956</b> |
| Pension Provisions                | 2,798         | 4,392         |
| <b>Total Net Assets</b>           | <b>4,315</b>  | <b>3,407</b>  |
| <b>Restricted reserves</b>        |               |               |
| Revaluation reserve               | 377           | 377           |
| Designated reserve                | 850           | 800           |
| <b>Non-restricted reserves</b>    |               |               |
| Income & Expenditure              | 3,088         | 2,230         |
|                                   | <b>4,315</b>  | <b>3,407</b>  |

## STRATEGIC REPORT

### NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2018.

#### 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 changes in July 2017 is regulated by the Secretary of State for Education. The members of the Governing body, who are trustees of the charity, are disclosed on page 41-42.

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:

***'To Unlock Potential'***

Our vision is to be :

***'A high quality technical college that enables people to secure employment, progress and develop career, and meets employers' skills needs.'***

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. The College is committed to finding suitable courses for as many students as possible regardless of their educational background.

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. The Northern Hub commenced operations in September 2017 with Level 3 full-time and part-time learners.

All four Cumbria FE Colleges continue to work collaboratively to support the County's skills needs, the Edge ESF contract being the primary vehicle for this. The College has supported the Energy Coast University Technical College (UTC) since its inception and continues to work closely with it. Projects such as these demonstrate close collaboration with other educational institutions operating in West Cumbria.

We have developed collaboration in a variety of areas with Lancaster and Morecambe College, supporting their quality improvement plan. Some of this work is funded by improvement monies and provides our staff with wider perspectives on quality improvement and sharing good practice.

The College has supported over 600 employers in meeting their skills needs.

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



## STRATEGIC REPORT (continued)

### Implementation of the Strategic Plan

The College adopted a strategic plan for the period 1 August 2017 to 31 July 2020 with the following high-level strategic objectives:

#### Objective: Secure Best Outcomes for Learners

In December 2017, a full Ofsted inspection of further education and apprenticeship provision graded the college 'Good' in every judgement area. This reflected two years of quality improvement work focused on improving Teaching, Learning and Assessment and thereby outcomes for learners.

Headline vocational achievement rates are now above national averages. Achievement rates for 16-18 learners increased by 0.4%, with a 0.9% decrease in pass rates offset by a 1.3% increase in retention. Adult learner achievement rates increased by 0.6%, with pass rates increasing by 0.2% and retention rates increased by 0.4%. Within this, English and maths high grade achievement rates for condition of funding learners were 31% (3.4% increase) for English and 22.4% (9% decrease) for maths.

Apprenticeship achievement rates increased to 75.9% in the year meaning achievement rates are now 8.2% above national benchmarks.

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

|                 | 2014/15 | 2015-16 | 2016/17 | 2017/18 | National Benchmark |
|-----------------|---------|---------|---------|---------|--------------------|
| 16-18           | 67.2%   | 73.9%   | 81.2%   | 81.6%   | 81.5%              |
| Adults          | 87.3%   | 87.1%   | 91.3%   | 91.9%   | 86.9%              |
| Apprenticeships | 74.4%   | 71.8%   | 74.3%   | 75.9%   | 67.7%              |

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

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.

#### Objective: High Standards delivered within a culture of challenge, innovation and aspiration

A change in management programme to improve the culture of our college to one of consistently high expectations and aspirations was at the core of our quality improvement activity following the October 2015 Ofsted 'Requires Improvement' judgement. By December 2017, this cultural shift supported the achievement of an Ofsted 'Good' overall judgement, underpinned by good grades across the board.

*Governors and senior leaders promote a culture of high expectations. Leaders' and managers' strategy to improve teaching, learning and assessment has been successful, and the quality of teaching, learning and assessment is now good.*

Ofsted December 2017

Recognising the importance of quality processes to support our provision and provide assurance to employers we achieved the ISO 9001 standard for the development and delivery of our apprenticeship offer which continues to go from strength to strength.

Looking forward, our aspirations to be an upper quartile college are driving continued quality improvements with our strategy building on further developing our people.

## STRATEGIC REPORT (continued)

### Objective: Financial 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 dropped to a moderated financial grade of 'Satisfactory' in 2016-17 and this has remained the position in 2017/18. 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, T-Quals 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         | 71%    | 73%    | (2%)     | 63%       |
| Curriculum staff utilisation       | 96%    | 94%    | (2%)     | -         |
| Average Class Size, main programme | 16     | 12.6   | (3.4)    | 16        |
| Training Advisor productivity      | 97%    | 100%   | 3%       | -         |
| Admin. costs as a % of expenditure | 19%    | 22%    | (3%)     | 19%       |

### Financial Performance and Resources

The College experienced a 1% increase in turnover from £11.3m to £11.4m despite a 1.6% reduction in recurrent funding body grants. Dependency on ESFA grant income has marginally decreased to 70% (2016-17: 72%).

Operating cash flow was £428,000 net outflow compared to cash outflow of £29,000 in 2016-17.

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 and £50,000 for a 3G pitch sink fund. As at the balance sheet date, the income and expenditure reserve stands at £3.0m (2017: £2.2m). It is the Corporation's intention to increase reserves over the life of the new strategic plan through the generation of annual operating surpluses for the purposes of re-investing in College resources.

During the accounting period 1 August 2017 to 31 July 2018, the College paid 92 % of its invoices within 30 days, against the Treasury target of 95%. The College incurred no interest charges in respect of late payment this period.

Available cash reserves (cash plus investments, less bank loan) stand at £3m at the balance sheet date (2016-17: £3.4m). These cash balances are after £2.6m investment in fixed assets (net of £2.6m capital grants). Investment was made in ICT resources in class-rooms, curriculum resources and the NCfN Northern Hub.

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 10% in year on top of a 8% decrease in 2016-17. Of the 196 FTEs, 54% are delivery staff and a further 23% are directly student facing.

### Future Key Developments

The National College for Nuclear Northern Hub became 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. Further curriculum development has been undertaken and will be on offer in 2018/19. Plans for a regional Heavy Civil facility adjacent to the College campus continue to be pursued which 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 Government's focus on development of T-Quals.

## STRATEGIC REPORT (continued)

### PRINCIPAL RISKS AND UNCERTAINTIES

Over the period 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 developments. The development of Technical qualifications will drive curriculum development in the next three years.

The Corporation considers that the College has adequate resources to continue in operational excellence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

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, reputation and financial sustainability.

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 2017/18, 78% (2016-17 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 6 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 but places ESF funding at risk.

The College is aware of several issues which may impact on future funding including apprenticeship reforms, move to T-Quals and the devolution of the adult education budget.

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 classroom 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, the ESF Edge contract and 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 and 2017/18. On-going cuts to public sector spending have contributed to the deficit position. The College needs to rebalance income and staffing costs. This risk is mitigated in a number of ways:

- a review of various aspects of our business model to adapt to a more sustainable delivery model;
- in-year budget monitoring;
- increasing devolution of financial responsibility and commercial awareness;
- increasing curriculum innovation and efficiency;
- a growth strategy;
- development of National College for Nuclear;
- development of a Heavy Civils facility.



## **STRATEGIC REPORT (continued)**

### **PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

#### **3. Ofsted Inspection**

Whilst we have recently achieved a Good Ofsted grade, we must embed our improvement activity as part of our continuous improvement and to avoid the risk of a poor Ofsted inspection in the future. This risk is mitigated in a number of ways:

- engagement in sector and Ofsted quality forums;
- internal and external quality assurance activity;
- setting of targets at upper quartile level to drive further improvement;
- revision of our maths and English improvement strategy;
- an ongoing culture change programme.

#### **4. Increasing competition**

The development of alternative provision based locally (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 national policy on English and maths on future recruitment, student attainment levels and OFSTED judgement**

The 2014/15 condition of funding 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 and thereby Ofsted grading. 2016-17 high grades achievement of condition of funding learners improved for English by 2.4% to 31% and is line with outcomes for the sector. For maths GCSE high grades, achievement rates fell by 9% to 22.4%, also in line with the national picture. Actions to further improve achievement rates in English and maths include:

- a focus on changing mind-sets around maths and English;
- engaging early with students and parents in English and maths, building on lessons learned in a collaborative teaching and learning project;
- adapting the delivery model for the new GCSE model;
- 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.

## **STRATEGIC REPORT (continued)**

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';
- seeking ESFA support funds to attract industry specialists;
- increasing support for new teaching staff.

### **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 and to some extent mitigated by increased pension contributions from employees and employer in line with the maximum recommended from actuarial assumptions and by 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 reviewing 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 and representative bodies;
- the FE Commissioner;
- Local Enterprise Partnership (LEP) and Local Authorities;
- Centre of Nuclear Excellence (CoNE);
- partners in the National College for Nuclear – Sellafield Ltd, University of Cumbria, Bridgewater and Taunton College, EDF Energy Ltd and University of Bristol;
- local Employers, in particular Sellafield Ltd and the wider nuclear supply sector, NHS Trusts and Rosehill Theatre;
- Cumbria FE Institutions, University of Cumbria and Secondary Western Heads;
- 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 positive 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 by the college community.

## STRATEGIC REPORT (continued)

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

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. The College is seeking to achieve the TUC Health and Well-being standard, demonstrating our commitment to the health and well-being of our staff.

### 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 on the main building and the results of this 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 with review at corporation level.

### Trade Union Facility Time

The Trade Union (Facility Time Publication Requirement) Regulations 2017 require the College to publish information on facility time arrangements for trade union officials at the College.

| Number of Employees over relevant Period | FTE Employee Numbers |
|--|----------------------|
| 3  | 2.38                 |

| Percentage of Time | Number of Employees |
|--------------------|---------------------|
| 0%                 | -                   |
| 1-50%              | 3                   |
| 51-99%             | -                   |
| 100%               | -                   |

|  |            |
|--|------------|
| Total cost of facility time  | £5,653     |
| Total Pay Bill   | £7,577,183 |
| Percentage of total pay bill spent on facility time                          | 0.07%      |
| Time spent on paid trade union activities as a % of total paid facility time | 0%         |



## **STRATEGIC REPORT (continued)**

### **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 13th December 2018 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Mike Priestley'.

Mike Priestley  
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 1<sup>st</sup> August 2017 to 31<sup>st</sup> July 2018 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 2017/18 and up to the date of signature of this report is set out on pages 41-42. 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, safeguarding and prevent, and personnel-related matters such as health and safety, equality and diversity and environment issues.

The Corporation meets at least twice a term and is supported by the Audit Committee, Quality Working Group, Finance and Corporate 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 Chair 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 four 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 (including an in-year Ofsted inspection) 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, 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 working groups as performance dictates and including a Finance and Corporate Working Group in the last year, responding to a change of 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. This improved in 2016/17.

In 2017/18, Governors have achieved an overall attendance rate of 80% in line with national benchmarking. Within that figure, a dip in Board attendance at 73% has been investigated and is felt to be circumstantial rather than indicative of wider issues. Concerns over the attendance of one governor were addressed in year.

The Board has improved the diversity of its membership this year and will continue to consider equality and diversity in new appointments. Equally, notwithstanding best practice advice, the Board continues to have strong views about prioritising the skills required to the job in a challenging environment above all over considerations.



## **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. This has an impact on the availability and diversity of potential candidates. Governors continue to feel that a Board of 18 members allows some flexibility and, provided it can be demonstrated that membership of the Board is regularly refreshed, they reserve the right to re-appoint for longer than best practice advice where there is demonstrable need and/or a need for continuity, in recognition of the limits of the area. In 2017/18, two new independent Governors and one new student Governor were welcomed to the Board and in 2018/19, four (planned) vacancies are anticipated, demonstrating that the turnover of Governors is regular. In filling these vacancies, the Search and Governance (and the Board) has due regard to the overall skills mix of the Board.

### **Committees**

#### **Quality Working Group**

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

The working group was set up to monitor in greater depth key challenges arising from the Inspection report of 2015. Following the Ofsted inspection of 2017, the working group will be lying largely dormant, giving advance consideration to the annual self-assessments and used to address any issues arising during the year at the request of the Board.

#### **Search and Governance Committee**

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

The Committee meets 2-3 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 2018, 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 2018 are set out in note 7 to the financial statements.

#### **Audit Committee**

The Audit Committee currently comprises five members of Corporation (excluding the Principal and the Chair of Corporation). In 2017/18, it comprised four members of the Corporation and a co-opted member (the latter until April 2018). The Committee operates in accordance with written terms of reference approved by the Corporation. As the overall membership again stands at 5, with four independent members, the Corporation has taken the decision to retain a staff Governor on the committee, valuing the insight they bring to discussions. Any change to the overall number of independent members on the committee would prompt a review of that decision.

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.

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

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 was introduced in 2017/18 and comprises 3 members of the Corporation and 1 co-opted member. The working group will operate in accordance with written terms of reference approved by the Corporation.

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 2018 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 2018 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 Skills 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

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

report provides the Corporation Board with a report on internal audit activity in the College. The report includes the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

### *Review of effectiveness*

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His 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**

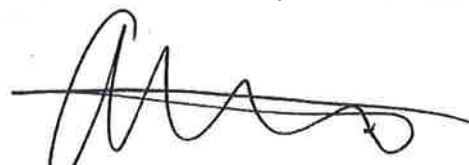
After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. The Area Based Review provided additional external review and evaluation of the College's financial robustness. For this reason, the Board 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 13<sup>th</sup> December 2018 and signed on its behalf by:



Mike Priestley  
Chair



Chris Nattress  
Principal/Accounting Officer




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

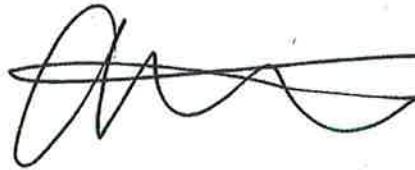
The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the Financial Memorandum in place between the College and the Skills Funding Agency. As part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



Mike Priestley  
Chair



Chris Nattress  
Principal/Accounting Officer

13th December 2018

## 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 2017/18 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 relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011 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 13th December 2018 and signed on its behalf by:



Mike Priestley  
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 2018 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 2017 to 2018 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 2018 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, Further Education SORP 2015 and the College Accounts Direction 2017 to 2018 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 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 Corporations 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](http://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: 18 December 2018

## **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 2017/18 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.

### **Basis of Accounting**

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

### **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 £3m as at 31 July 2018 and no outstanding loans. The financial statements presented a report on a deficit position for the third 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.

### **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 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 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.

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

## **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.

### **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 excluded from the Statement of Comprehensive Income where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction. In this case payments received and disbursed would be shown separately, except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant. Any funds held are within creditor balances.

### **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 and contracted out of the second state pension.

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 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 a 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 a charge is made to provisions in the balance sheet 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.



## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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.

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 2018. 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.

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, with the related 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.

## **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)**

### **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 sections 478-488 of the 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.

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.

### **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 2018. 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.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
For The Year Ended 31 July 2018

| Income  | Notes | 2018<br>£000   | 2017<br>£000   |
|---|-------|----------------|----------------|
| Funding body grants                                 | 1     | 8,955          | 8,767          |
| Education contracts                                 | 2     | 734            | 682            |
| Tuition fees and charges                            | 3     | 1,118          | 1,312          |
| Other operating income                              | 4     | 625            | 557            |
| Investment income                                   | 5     | 8              | 6              |
| <b>Total income</b>                                 |       | <b>11,440</b>  | <b>11,324</b>  |
| <b>Expenditure</b>                                  |       |                |                |
| Staff costs   | 6     | 8,058          | 8,170          |
| Other operating expenses                            | 8     | 3,359          | 3,307          |
| Depreciation  | 9     | 1,071          | 918            |
| Interest and other finance costs                    | 10    | 110            | 125            |
| <b>Total expenditure</b>                            |       | <b>12,598</b>  | <b>12,520</b>  |
| <b>(Deficit) before other gains and losses</b>      |       | <b>(1,158)</b> | <b>(1,196)</b> |
| (Loss) on disposal assets                           | 9     | -              | (1)            |
| <b>(Deficit) before tax</b>                         |       | <b>(1,158)</b> | <b>(1,197)</b> |
| Taxation  |       | -              | -              |
| <b>(Deficit) in the year</b>                        |       | <b>(1,158)</b> | <b>(1,197)</b> |
| Actuarial gain/(loss) in respect of pension schemes | 15/16 | 2,066          | 1,134          |
| <b>Total comprehensive income for the year</b>      |       | <b>908</b>     | <b>(63)</b>    |
| Represented by:-                                    |       |                |                |
| <b>Unrestricted comprehensive income</b>            |       | <b>908</b>     | <b>(63)</b>    |

The income and expenditure account is in respect of continuing activities. There were no operations that were acquired or discontinued during the year.



# COLLEGE STATEMENT OF CHANGES IN RESERVES

For The Year Ended 31 July 2018

|  | Notes | Income and<br>expenditure Account | Designated<br>Reserves | 3G Pitch Sink<br>Fund | Revaluation<br>Reserve | Total   |
|--|-------|-----------------------------------|------------------------|-----------------------|------------------------|---------|
| At 31 <sup>st</sup> July 2017                            |       | 2,230                             | 800                    | -                     | 377                    | 3,407   |
| Actuarial gain on pension schemes                        |       | 2,066                             | -                      | -                     | -                      | 2,066   |
| Deficit from income and<br>expenditure account           |       | (1,158)                           | -                      | -                     | -                      | (1,158) |
| Transfer from general resources to<br>3G pitch sink fund |       | (50)                              | -                      | 50                    | -                      | -       |
| Movement on enhanced pension<br>provision                |       | -                                 | -                      | -                     | -                      | -       |
| At 31 <sup>st</sup> July 2018                            | 17/18 | 3,088                             | 800                    | 50                    | 377                    | 4,315   |

A 3G pitch sink fund has been established, as required in the grant funded conditions, for replacement of the 3G pitch 'carpet'.

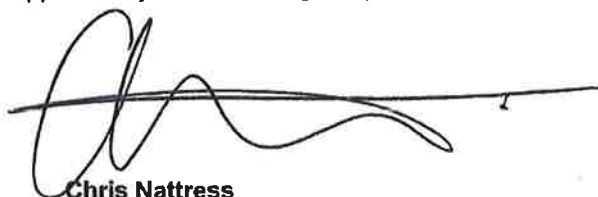
**BALANCE SHEET**  
BALANCE SHEET AS AT 31 JULY 2018

|  | Notes | 2018<br>£000  | 2017<br>£000  |
|--|-------|---------------|---------------|
| <b>Non-current assets</b>                              |       |               |               |
| Tangible fixed assets                                  | 9     | 24,132        | 22,570        |
| Investment in joint venture                            | 11    | -             | -             |
| <b>Total non-current assets</b>                        |       | <b>24,132</b> | <b>22,570</b> |
| <b>Current assets</b>                                  |       |               |               |
| Debtors  | 12    | 1,086         | 1,204         |
| Investments  |       | 2,002         | 1,322         |
| Cash at bank and in hand                               |       | 961           | 2,121         |
| <b>Total current assets</b>                            |       | <b>4,049</b>  | <b>4,647</b>  |
| Creditors: amounts falling due within one year         | 13    | 2,343         | 2,402         |
| <b>Net current assets</b>                              |       | <b>1,706</b>  | <b>2,185</b>  |
| <b>Total assets less current liabilities</b>           |       | <b>25,838</b> | <b>24,755</b> |
| Creditors amounts falling due after more than one year | 14    | 18,725        | 16,956        |
| Defined benefit obligations after provisions           | 15    | 2,492         | 4,071         |
| Provisions   | 16    | 306           | 321           |
| <b>Total net assets</b>                                |       | <b>4,315</b>  | <b>3,407</b>  |
| <b>Restricted reserves</b>                             |       |               |               |
| Designated reserve                                     | 17    | 850           | 800           |
| <b>Unrestricted reserve</b>                            |       |               |               |
| Revaluation Reserve                                    | 17    | 377           | 377           |
| Income and expenditure account                         | 18    | 3,088         | 2,230         |
| <b>TOTAL FUNDS</b>                                     |       | <b>4,315</b>  | <b>3,407</b>  |

The financial statements on pages 19 to 43 were approved by the Governing Body on 13<sup>th</sup> December 2018 and were signed on its behalf by:



**Mike Priestley**  
Chairman



**Chris Nattress**  
Principal

**CASH FLOW STATEMENT**  
Year Ended 31 July 2018

|  | 2018<br>£000 | 2017<br>£000 |
|--|--------------|--------------|
| <b>Cash flow from operating activities</b>   |              |              |
| Surplus/(Deficit) on continuing operations after depreciation of assets at valuation, exceptional items and before tax | (1,158)      | (1,197)      |
| Depreciation (note 10)   | 1,071        | 918          |
| Deferred capital grants to income (note 1 and 4)   | (581)        | (358)        |
| (Increase)/decrease in debtors (note 12)   | (275)        | (602)        |
| Increase/(decrease) in creditors and provisions  | 7            | 795          |
| Pension cost less contributions payable  | 498          | 420          |
| Adjustment for investing or finance activities   | -            | -            |
| Loss on disposal of fixed assets   | -            | 1            |
| Interest receivable (note 5)   | (8)          | (6)          |
| Interest payable (note 10)   | -            | -            |
| <b>Net cash (outflows)/inflow from operating activities</b>  | <b>(446)</b> | <b>(29)</b>  |
| <b>Cash flows from investing activities</b>  |              |              |
| Purchase of tangible fixed assets  | (3,008)      | (4,963)      |
| Sales of tangible fixed assets   | -            | -            |
| Deferred capital grants received   | 2,966        | 4,786        |
| <b>Net cash inflow/(outflow) for capital expenditure and financial investment</b>                                      | <b>(42)</b>  | <b>(177)</b> |
| <b>Cash flows from financing activities</b>  |              |              |
| <b>Returns on investment and servicing of finance</b>  |              |              |
| Investment Income  | -            | -            |
| Interest received  | 8            | 6            |
| Repayment of amount borrowed   | -            | (24)         |
| Interest paid  | -            | -            |
| <b>Net cash inflow from returns on investments and servicing of finance</b>  | <b>8</b>     | <b>(18)</b>  |
| <b>Increase/(Decrease) in cash and cash equivalents in the year</b>  | <b>(480)</b> | <b>(224)</b> |



## NOTES TO THE ACCOUNTS

### 1. FUNDING BODY GRANTS

|  | 2018<br>£000 | 2017<br>£000 |
|--|--------------|--------------|
| ESFA Recurrent grant - adult           | 902          | 1,058        |
| ESFA Recurrent Grant – 16-18           | 4,534        | 4,453        |
| ESFA Recurrent Grant - Apprenticeships | 2,252        | 2,146        |
| OFS/HEFCE Recurrent Grant              | 444          | 607          |
| Releases of government capital grants  | 341          | 139          |
| Other Funds                            | 482          | 364          |
|  | <b>8,955</b> | <b>8,767</b> |

### 2. EDUCATION CONTRACTS

|                           | 2018<br>£000 | 2017<br>£000 |
|---------------------------|--------------|--------------|
| Local Education Authority | 183          | 257          |
| Other Contracts           | 551          | 425          |
|                           | <b>734</b>   | <b>682</b>   |

Education contract income represents fee income received which is not directly from ESFA or HEFCE.

### 3. TUITION FEES AND CHARGES

|                                   | 2018<br>£000 | 2017<br>£000 |
|-----------------------------------|--------------|--------------|
| Adult Education Fees              | 428          | 459          |
| Apprenticeship fees and contracts | 61           | -            |
| Higher Education                  | 629          | 853          |
|                                   | <b>1,118</b> | <b>1,312</b> |

#### Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £3,600 (2016-17 : £8,945).

**4. OTHER OPERATING INCOME**

|  | <b>2018<br/>£000</b> | <b>2017<br/>£000</b> |
|--|----------------------|----------------------|
| Releases from non-government capital grants (non ESFA/HEFCE/OFS) | 240                  | 219                  |
| Other income generating activities                               | 190                  | 196                  |
| Other income   | 195                  | 142                  |
|  | <b>625</b>           | <b>557</b>           |

**5. INVESTMENT INCOME**

|                           | <b>2018<br/>£000</b> | <b>2017<br/>£000</b> |
|---------------------------|----------------------|----------------------|
| Other interest receivable | 8                    | 6                    |
|                           | <b>8</b>             | <b>6</b>             |

## 6. STAFF NUMBERS

The average number of persons (including senior post holders) employed by the College during the period, expressed as full-time equivalents, was:

|                                     | 2018<br>Numbers | 2017<br>Numbers |
|-------------------------------------|-----------------|-----------------|
| Teaching departments                | 105             | 110             |
| Teaching support services           | 46              | 57              |
| Administration and central services | 32              | 38              |
| Premises                            | 8               | 8               |
| Income Generation                   | 5               | 4               |
|                                     | <b>196</b>      | <b>217</b>      |

Staff costs for the above persons:

|  | 2018<br>£000 | 2017<br>£000 |
|--|--------------|--------------|
| Teaching departments (including Faculty Technicians and other support staff) | 4,580        | 4,705        |
| Teaching support services  | 959          | 1,113        |
| Administration and central services  | 1,559        | 1,678        |
| Premises   | 261          | 190          |
| Income Generation Staff  | 87           | 91           |
| Apprenticeship Levy  | 20           | -            |
| Pension Deficit Charge   | 58           | 63           |
| FRS 102 retirement benefit charge  | 388          | 295          |
| Restructuring costs - Contractual  | 133          | 31           |
| Non-contractual  | 10           | 11           |
| Movement in holiday pay accrual  | 3            | (7)          |
|  | <b>8,058</b> | <b>8,170</b> |
| Wages and salaries   | 6,200        | 6,196        |
| Social security costs  | 538          | 615          |
| Other pension costs  | 932          | 1,064        |
| FRS 102 retirement benefit charge  | 388          | 295          |
|  | <b>8,058</b> | <b>8,170</b> |
| Employment costs for staff on permanent contracts                            | 6,863        | 6,991        |
| Employment costs for staff on short-term and temporary contracts             | 807          | 884          |
| FRS 102 retirement benefit charge  | 388          | 295          |
|  | <b>8,058</b> | <b>8,170</b> |



## 7. EMOLUMENTS OF KEY MANAGEMENT PERSONNEL

### Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning directing and controlling the activities of the College and are represented by the College Executive Team which comprises the Principal, Deputy Principal and Assistant Principal. Staff costs include compensation paid to key management personnel for loss of office.

|                       | 2018<br>£000 | 2017<br>£000 |
|-----------------------|--------------|--------------|
| Salaries              | 250          | 246          |
| Benefits in kind      | 2            | 2            |
| Employers NI          | 34           | 31           |
| Sub Total             | 286          | 279          |
| Pension contributions | 40           | 39           |
|                       | 326          | 318          |

There were no amounts due to key management personnel that were waived in-year, nor any salary sacrifice schemes in place. The above emoluments include amounts payable to the Principal (Accounting Officer) (who is also the highest paid officer) of:

|                       | 2018<br>£000 | 2017<br>£000 |
|-----------------------|--------------|--------------|
| Salaries              | 108          | 107          |
| Benefits in kind      | 1            | 1            |
| Sub Total             | 109          | 108          |
| Pension contributions | 18           | 18           |
|                       | 127          | 126          |

The pension contributions in respect of the Principal and Senior Post holders are in respect of employer's contributions to the Teachers' Pension Scheme and the Local Government Pension Scheme and are paid at the same rate as for other employees.

The number of key management personnel and other staff who received emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

| Range                      | 2018<br>Key management<br>personnel<br>£000      No |          | 2017<br>Key management personnel<br>£000      No |          |
|----------------------------|---|----------|--|----------|
| <b>£60,001-£70,000</b>     |   |          |  |          |
| Salaries                   | 63  | 1        | 61   | 1        |
| Benefits in Kind           | -   | -        | -  | -        |
| Sub-total                  | 63  | 1        |  | 1        |
| <b>£70,001 - £80,000</b>   |   |          |  |          |
| Salaries                   | 79  | 1        | 78   | 1        |
| Benefits in Kind           | 1   | 1        | 1  | 1        |
| Sub Total                  | 80  | 1        | 79   | 1        |
| <b>£100,000 - £110,000</b> |   |          |  |          |
| Salaries                   | 108   | 1        | 107  | 1        |
| Benefits in Kind           | 1   | 1        | 1  | 1        |
| Sub Total                  | 109   | 1        | 108  | 1        |
| <b>Total</b>               | <b>252</b>  | <b>3</b> | <b>248</b>                                       | <b>3</b> |



The members of the corporation other than the Principal and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. No other staff received emoluments over £60,000

|  | 2018<br>£000 | 2017<br>£000 |
|--|--------------|--------------|
| Compensation paid to former key management personnel.                            |              |              |
| Compensation paid to the former post holder                                      | -            | -            |
| Estimated value of other contractual benefits, including provisions for pensions | -            | -            |
|  | -            | -            |

## 8. OTHER OPERATING EXPENSES

|   | 2018<br>£000 | 2017<br>£000 |
|---|--------------|--------------|
| Teaching departments                                      | 304          | 336          |
| Teaching support services                                 | 32           | 45           |
| Other support services                                    | 338          | 328          |
| Administration and central services                       | 952          | 726          |
| General education expenditure, including examination fees | 558          | 572          |
| Premises costs  | 784          | 783          |
| Sub-contracting   | 390          | 507          |
| Other expenses  | 1            | 10           |
|   | 3,359        | 3,307        |

|   | 2018<br>£000 | 2017<br>£000 |
|---|--------------|--------------|
| Other operating expenses include:   |              |              |
| Auditor's remuneration  |              |              |
| • Financial Statements Audit  | 22           | 21           |
| • Other services provided by the financial statements auditors in relation to NCFN capital return and sub-contractor assurance letter | 1            | 1            |
| • Internal Audit  | 26           | 16           |
| • Other services provided by the internal auditors  | -            | -            |
| • Hire of other assets – operating leases   | 27           | 15           |
| • Loss on disposal of tangible fixed assets   | -            | 1            |

**9. TANGIBLE FIXED ASSETS**

|  | <i>Freehold<br/>Land &amp;<br/>Buildings<br/>£000</i> | <i>Equipment<br/>£000</i> | <i>Total<br/>£000</i> |
|--|---|---------------------------|-----------------------|
| <b>Cost or Valuation</b>                 |   |                           |                       |
| At 1 August 2017                         | 25,499  | 5,113                     | 30,612                |
| Additions                                | 1,891   | 742                       | 2,633                 |
| Disposals                                | -   | (6)                       | (6)                   |
| <b>At 31 July 2018</b>                   | <b>27,390</b>   | <b>5,849</b>              | <b>33,239</b>         |
| <b>Depreciation</b>                      |   |                           |                       |
| At 1 August 2017                         | 3,994   | 4,048                     | 8,042                 |
| Charge for period                        | 546   | 525                       | 1,071                 |
| Eliminated on disposals                  | -   | (6)                       | (6)                   |
| <b>At 31 July 2018</b>                   | <b>4,540</b>  | <b>4567</b>               | <b>9,107</b>          |
| <b>Net Book Value As At 31 July 2018</b> | <b>22,850</b>   | <b>1,282</b>              | <b>24,132</b>         |
| <b>Net Book Value As At 31 July 2017</b> | <b>21,505</b>   | <b>1,065</b>              | <b>22,570</b>         |
| <b>Inherited</b>                         | <b>366</b>  | <b>-</b>                  | <b>366</b>            |
| <b>Financed by capital grant</b>         | <b>17,952</b>   | <b>645</b>                | <b>18,597</b>         |
| <b>Other</b>                             | <b>4,532</b>  | <b>637</b>                | <b>5,169</b>          |
| <b>Net Book Value As At 31 July 2018</b> | <b>22,850</b>   | <b>1,282</b>              | <b>24,132</b>         |

Land and buildings additions includes work on the development of the National College for Nuclear facility fully funded from deferred grants. In the year, £28,496 of development costs for a Heavy Civils training facility have been written off under an impairment review following failure to acquire an option on the land.

If inherited land and buildings had not been re-valued they would have been included at the following historical cost amounts:

Cost

Aggregate depreciation based on cost

Net book value based on cost

| 2018 | 2017 |
|------|------|
| £    | £    |
| -    | -    |
| -    | -    |
| £-   | £-   |

**10. INTEREST PAYABLE**

|                                   | <i>2018<br/>£000</i> | <i>2017<br/>£000</i> |
|-----------------------------------|----------------------|----------------------|
| <b>Pension finance cost</b>       | <b>99</b>            | <b>113</b>           |
| <b>Enhanced pension provision</b> | <b>11</b>            | <b>12</b>            |
|                                   | <b>110</b>           | <b>125</b>           |

## 11. INVESTMENTS

Investment relates to the College's involvement in the National College for Nuclear (NCfN), a company limited by guarantee. The National College was approved by the Secretary of State in March 2017 and commenced activity in the academic year 2017/18.

The College is a founding member of NCfN alongside Bridgwater and Taunton College, Sellafield Ltd, EDF Energy Ltd, University of Cumbria and University of Bristol. Directors all share equal voting rights. The NCfN is established to support the national development of skills to meet Nuclear Industry

|                              | 2018<br>£000 | 2017<br>£000 |
|------------------------------|--------------|--------------|
| National College for Nuclear | -            | -            |
|                              | -            | -            |

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

|   | 2018<br>£000 | 2017<br>£000 |
|---|--------------|--------------|
| Trade debtors after provision for bad debts             | 160          | 154          |
| Prepayments and accrued income                          | 535          | 930          |
| Amounts owed by the Education and Skills Funding Agency | 391          | 120          |
|   | 1,086        | 1,204        |

2017 prepayments and accrued income include accrued capital grant of £392,984 relating to the NCfN

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

|   | 2018<br>£000 | 2017<br>£000 |
|---|--------------|--------------|
| Trade creditors                             | 204          | 325          |
| VAT   | 7            | 8            |
| Other taxation and social security          | 130          | 136          |
| Accruals and deferred income                | 515          | 670          |
| Other creditors                             | 239          | 251          |
| Deferred income – government revenue grants | 667          | 714          |
| Deferred income – government capital grants | 581          | 358          |
|   | 2,343        | 2,462        |

2017 accruals include a capital investment creditor of £374,850 relating to the NCfN.



#### 14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

|   | 2018<br>£000  | 2017<br>£000  |
|---|---------------|---------------|
| Deferred income – government capital grants | 18,725        | 16,956        |
|   | <b>18,725</b> | <b>16,956</b> |

#### 15. DEFINED BENEFIT 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 multi-employer defined benefit schemes.

##### Total pension cost for the year

|   | 2018<br>£000 | 2017<br>£000 |
|---|--------------|--------------|
| Teachers' Pension Scheme: contributions paid                      | 496          | 505          |
| Local Government Pension Scheme: Contributions paid               | 378          | 364          |
| FRS 102 (28) charge   | 388          | 295          |
| Lump sum deficit  | 58           | 63           |
| LGPS enhanced pension charge to statement of comprehensive income | *824         | 722          |
| <b>Total Pension Costs</b>  | <b>1,320</b> | <b>1,227</b> |

\*Equal to current service costs plus administration expenses, less unfunded benefits

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 2017 for the LGPS. Contributions amounting to £106,959 (2017 £117,756) 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 Colleges, in England and Wales that are maintained by local authorities. 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. Retirement and other pension benefits are paid by public funds provided by Parliament.

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



### 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 16.48% of pensionable pay (including administration fees of 0.08%)
- 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 assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be readdressed and will be payable at some point in 2019.

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>

The pension costs paid to TPS in the year amounted to £495,866 (2017: £505,079)

### FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), 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 102 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 2018 was £590,583 (2017: £581,470) of which employers contributions totalled £436,070 (2017: £427,328) and employees contributions totalled £154,513 (2017: £154,142). The agreed contribution rates for future years is 15% for employers; and employees rates are calculated using LGPS – Employee Contributions Procedures.

### FRS 102

The following information is based upon a full valuation of the fund at 31 March 2016, updated to 31 July 2018 by a qualified independent actuary.

|  | At 31 July<br>2018 | At 31 July<br>2017 |
|--|--------------------|--------------------|
| Rate of increase in salaries                       | 3.6%               | 3.7%               |
| Rate of increase for pensions in payment/inflation | 2.1%               | 2.2%               |
| Discount rate for scheme liabilities               | 2.9%               | 2.6%               |
| Inflation assumption (CPI)                         | 2.2%               | 2.2%               |
| Commutation of pensions to lump sums               | 50%                | 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<br>2018 | At 31 July<br>2017 |
|----------------------|--------------------|--------------------|
| Retiring today       |                    |                    |
| Males                | 23.2 years         | 23.1 years         |
| Females              | 25.8 years         | 25.7 years         |
| Retiring in 20 years |                    |                    |
| Males                | 25.5 years         | 25.4 years         |
| Females              | 28.5 years         | 28.4 years         |

#### Sensitivity Analysis

|  | At 31 July<br>2018 | At 31 July<br>2017 |
|--|--------------------|--------------------|
| Discount rate +0.01%                   | 19,339             | 19,502             |
| Discount rate -0.1%                    | 20,111             | 20,282             |
| Mortality assumption – 1 year increase | 20,095             | 20,264             |
| Mortality assumption – 1 year decrease | 19,355             | 19,520             |
| CPI rate +0.1%                         | 20,119             | 20,288             |
| CPI rate -0.1%                         | 19,331             | 19,496             |

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

|  | Value at 31<br>July 2018<br>£000 | Value at 31<br>July 2017<br>£000 |
|--|----------------------------------|----------------------------------|
| Equities   | 8,392                            | 7,752                            |
| Government Bonds                                   | 3,016                            | 2,879                            |
| Other Bonds  | 1,086                            | 1,013                            |
| Property   | 1,568                            | 1,282                            |
| Cash   | 1,017                            | 854                              |
| Other  | 2,154                            | 2,041                            |
| <b>Total fair plan value of assets</b>             | <b>17,233</b>                    | <b>15,821</b>                    |
| Present value of un-funded liabilities             | 19,725                           | 19,892                           |
| <b>Net pension Liability</b>                       | <b>(2,492)</b>                   | <b>(4,071)</b>                   |
| Weighted average expected long term rate of return | 2.5%                             | 2.5%                             |
| Actual return on plan assets                       | 1,176                            | 1,303                            |

|   | Year<br>Ended 31<br>July 2018<br>£000 | Year<br>Ended 31<br>July 2017<br>£000 |
|---|---------------------------------------|---------------------------------------|
| Amounts recognised in the statements comprehensive income reflect of the plan |                                       |                                       |
| Amounts included in staff costs   |                                       |                                       |
| Current service costs   | 820                                   | 716                                   |
| <b>Total operating charge</b>   | <b>820</b>                            | <b>716</b>                            |
| Amount involved in investment costs   |                                       |                                       |
| Net interest cost   | (99)                                  | (113)                                 |
| Pension finance costs   | (99)                                  | (113)                                 |
| Amount recognised in comprehensive income                                     |                                       |                                       |
| Return on plan assets   | 760                                   | 1,258                                 |
| Experience gains/(losses) arising on the scheme liabilities                   | 1,306                                 | (136)                                 |
| <b>Amount recognised in other comprehensive income</b>                        | <b>2,066</b>                          | <b>1,122</b>                          |



|   |         |         |
|---|---------|---------|
| <b>Movement in deficit in year</b>            |         |         |
| (Deficit) in scheme at 1 August               | (4,071) | (4,785) |
| <b>Movement in year:</b>                      |         |         |
| Change in basis of valuation of scheme assets | (820)   | (716)   |
| Current service cost                          | 447     | 436     |
| Employer contributions                        | -       | -       |
| Past service cost                             | -       | -       |
| Curtailments                                  | (15)    | (15)    |
| Administration expenses                       | (99)    | (113)   |
| Net interest cost                             | 2,066   | 1,122   |
| Actuarial (loss)                              | (2,492) | (4,071) |
| <b>(Deficit) in scheme at 31 July</b>         |         |         |

|  | Year<br>Ended 31<br>July 2018<br>£000 | Year<br>Ended 31<br>July 2017<br>£000 |
|--|---------------------------------------|---------------------------------------|
| <b>Changes in the present value of defined benefit obligations</b> |                                       |                                       |
| <b>Defined benefit</b>   |                                       |                                       |
| <b>Liabilities at start of period</b>                              | 19,892                                | 18,770                                |
| Current service cost   | 820                                   | 716                                   |
| Interest cost  | 514                                   | 466                                   |
| Employee contributions   | 155                                   | 152                                   |
| Actuarial (gain)/loss  | (1,306)                               | 136                                   |
| Benefits (paid)  | (350)                                 | (348)                                 |
| Curtailments   | -                                     | -                                     |
| <b>Defined benefit</b>   |                                       |                                       |
| <b>Liabilities at end of period</b>                                | 19,725                                | 19,892                                |
| <b>Changes in fair value of plan assets</b>                        |                                       |                                       |
| <b>Fair value of plan</b>  |                                       |                                       |
| <b>Assets at start of period</b>                                   | 15,821                                | 13,985                                |
| Change in basis of valuation of scheme assets                      | -                                     | -                                     |
| Interest on plan assets  | 415                                   | 353                                   |
| Return on plan assets  | 760                                   | 1,258                                 |
| Administration Expenses  | (15)                                  | (15)                                  |
| Employer contributions   | 447                                   | 436                                   |
| Employee contributions   | 155                                   | 152                                   |
| Benefits paid  | (350)                                 | (348)                                 |
| <b>Fair value of plan</b>  |                                       |                                       |
| <b>Assets at end of period</b>                                     | 17,233                                | 15,821                                |

The estimated value of employer contributions for the year ended 31 July 2018 is £436,070.

#### History of experience gains and losses

|   | 2018    | 2017    | 2016    | 2015    | 2014 |
|---|---------|---------|---------|---------|------|
| <b>Difference between the expected and actual return on assets:</b> |         |         |         |         |      |
| Amount £000   | 155     | (136)   | (3,041) | (1,149) | 692  |
| Percentage of scheme liabilities                                    | (0.8%)  | (0.7%)  | (16.2%) | (7.8%)  | 5.4% |
| <b>Experience gains and losses on scheme assets:</b>                |         |         |         |         |      |
| Amount £000   | 760     | 1,258   | 1,007   | 735     | (88) |
| Percentage of scheme liabilities                                    | 4%      | 8%      | 7.2%    | 6%      | 0.8% |
| <b>Total amount recognised in SOCI:</b>                             |         |         |         |         |      |
| Amount £000   | (2,066) | (1,122) | 2,034   | (414)   | 604  |
| Percentage of scheme liabilities                                    | 10.5%   | 5.6%    | 10.8%   | 2.8%    | 4.7% |

# **16. PROVISIONS FOR LIABILITIES AND CHARGES**

|                           | <b>Pension<br/>Enhancement<br/>Provision<br/>2018<br/>£000</b> | <b>Pension<br/>Enhancement<br/>Provision<br/>2017<br/>£000</b> |
|---------------------------|--|--|
| At 1 August 2017          | 321  | 347  |
| Expenditure in the period | (26)   | (26)   |
| Interest                  | 11   | 12   |
| Actuarial (gain)          | -  | (12)   |
| At 31 July 2018           | 306  | 321  |

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:

|                   |              |              |
|-------------------|--------------|--------------|
| Interest rate     | 2018<br>2.3% | 2017<br>2.3% |
| Net interest rate | 1.0%         | 1.00%        |
| Discount rate     | 1.3%         | 1.3%         |

# **17. RESERVES**

## **REVALUATION RESERVE**

|                  | <b>2018<br/>£000</b> | <b>2017<br/>£000</b> |
|------------------|----------------------|----------------------|
| At 1 August 2017 | 377                  | 377                  |
| At 31 July 2018  | 377                  | 377                  |

## **DESIGNATED RESERVES**

| <b>Planned Maintenance and Replacement Programme</b> | <b>2018<br/>£000</b> | <b>2017<br/>£000</b> |
|--|----------------------|----------------------|
| At 1 August 2017                                     | 800                  | 800                  |
| Movement in designated reserves                      | -                    | -                    |
| At 31 July 2018                                      | 800                  | 800                  |
| <b>3G Pitch Sink Fund</b>                            |                      |                      |
| As at 1 August 2017                                  | -                    | -                    |
| Movement in designated reserve                       | 50                   | -                    |
| As at 31 July 2018                                   | 50                   | -                    |



**18. MOVEMENT ON GENERAL RESERVES ACCOUNT**

|   | 2018<br>£000 | 2017<br>£000 |
|---|--------------|--------------|
| At 1 August 2017  | 2,230        | 2,293        |
| Actuarial gain/(loss) on pension schemes  | 2,066        | 1,134        |
| Transfer of designated reserve  | (50)         | -            |
| Surplus/(Deficit) on continuing operations after depreciation of assets at valuation, exceptional items and tax | (1,158)      | (1,197)      |
| At 31 July 2018   | 3,088        | 2,230        |
| Balance represented by:   |              |              |
| Pension reserve   | (2,492)      | (4,071)      |
| Income and expenditure account reserve excluding pension reserve  | 5,580        | 6,301        |
| At 31 July 2018   | 3,088        | 2,230        |

**19. CAPITAL COMMITMENTS**

|  | 2018<br>£000 | 2017<br>£000 |
|--|--------------|--------------|
| Capital commitments relate to the program approved by Governors consisting primarily of the upgrade of the IT Network and Classroom refreshment. |              |              |
| Capital commitments  |              |              |
| Commitments contracted for at 31 July  | 233          | 1,954        |
| Authorised but not contracted at 31 July   | 185          | 560          |
|  | 418          | 2,514        |

**20. FINANCIAL COMMITMENTS**

At 31 July 2018 the College had minimum lease payments under non-cancellable operating leases as follows:

|   | Land and buildings<br>2018<br>£000 | Land and buildings<br>2017<br>£000 | Other<br>2018<br>£000 | Other<br>2017<br>£000 |
|---|------------------------------------|------------------------------------|-----------------------|-----------------------|
| Expiring within one year                      | -                                  | -                                  | 27                    | 27                    |
| Expiring between two and five years inclusive | -                                  | -                                  | 27                    | 54                    |
| Expiring after five years                     | -                                  | -                                  | -                     | -                     |
|   | -                                  | -                                  | 54                    | 81                    |

**21. 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.

The Principal of Lakes College West Cumbria was also a director of Energy Coast University Technical College (ECUTC) in 2017-18 (resigned as Director 10 July 2018 when the College resigned as a member of ECUTC). The College provides some shared services for the ECUTC resulting in transactions in year of £49,453 (2017: £83,645) Debtor balance due from ECUTC as at 31 July 2018 was £16,024 (2017: £32,832).

The National College for Nuclear joint venture vehicle was established in 2017. Related party transactions amount to £3,950 (2017: £3,880), being payment of insurance cover for the National College for Nuclear. Debtor balance due from NCfN as at 31<sup>st</sup> July 2018 was £11,692 (2017: £7,742).

Transactions with the funding bodies and HEFCE are detailed in notes 1, 12, 13, 14 and 19.

**22. INVESTMENT IN JOINT VENTURE**

In March 2017 the College entered into a joint venture with Sellafield Ltd, EDF Energy, Bridgwater and Taunton College, University of Bristol and University of Cumbria to form the National College for Nuclear, one of the government's flag-ship national colleges.

**23. POST BALANCE SHEET EVENTS**

There are no events after the reporting period.

**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 | Attendance at Corporation & Committee Meetings 2017-18                            |
|---|--|----------------|---------------------|---|
| <b>Independent</b>  |  |                |                     |   |
| Mr Joe Holliday<br>Health and Safety Governor   | 05/07/01<br>05/12/02<br>29/06/06<br>28/01/10<br>01/01/14             | 4 yrs          | 31/12/17            | Corporation 75%   |
| Mrs Norma Boyes MBE<br>Chair, Search and Governance Committee;<br>Audit Committee Member; Remuneration<br>Committee Member<br>SEN Lead Governor                       | 09/07/98<br>06/12/01<br>15/12/05<br>28/01/10<br>01/01/14<br>01/01/18 | 4 yrs          |                     | Corporation 89%<br>Audit 100%<br>Search & Gov 50%<br>Remuneration 100%            |
| Mr Andrew Oldham<br>Chair of Audit Committee  | 11/12/08<br>01/12/12<br>30/11/16<br>01/07/17                         | 1.5 yrs        |                     | Corporation 78%<br>Audit 100%   |
| Mr Mark Stanger<br>Chair of Corporation to 31/01/18<br>Remuneration Committee Member<br>Search and Governance Committee Member<br>Finance and Corporate Working Group | 02/07/09<br>01/07/13<br>01/07/17                                     | 4 yrs          |                     | Corporation 78%<br>Search & Gov 100 %<br>Remuneration 100%<br>Finance & Corp 100% |
| Dr Robin Talbot<br>Quality Working Group  | 01/01/10<br>01/01/14<br>01/01/18                                     | 4 yrs          |                     | Corporation 100%<br>Quality W Group 0%  |
| Mr Les Agnew<br>Chair, Remuneration Committee<br>Search and Governance Committee Member<br>Finance and Corporate Working group from<br>14/09/17                       | 18/03/10<br>01/01/14<br>01/01/18                                     | 1.5 yrs        |                     | Corporation 67%<br>Search & Gov 100%<br>Remuneration 100%                         |
| Mr Robert Milburn<br>Audit Committee from 01/09/18  | 10/05/18   | 1 yr           |                     | Corporation 100%<br>Audit Committee n/a   |
| Mr Phil Jardine<br>Vice Chair from 08/02/18<br>Quality Working Group Member until 15/09/18<br>Chair, Finance and Corporate Working Group<br>from 14/09/17             | 01/10/12<br>27/06/13<br>30/12/16<br>01/07/17                         | 3.5 years      |                     | Corporation 100%<br>Quality W Group 100%<br>Finance & Corp 100%                   |
| Mrs Claire Madden<br>Remuneration Committee Member<br>Audit Committee Member  | 18/09/13<br>16/09/14<br>01/07/17                                     | 4yrs           |                     | Corporation 67%<br>Audit 33%<br>Rem Cttee 0%                                      |
| Mr Mike Muir  | 11/12/14<br>10/12/15   | 3.5 yrs        | 19/10/2017          | Corporation 0%  |
| Mr Mike Priestley<br>Vice Chair until 31/01/18<br>Chair from 01/02/18<br>Chair, Quality Working Group<br>Safeguarding and Prevent Lead Governor                       | 17/10/13<br>26/09/14<br>01/07/17                                     | 4yrs           |                     | Corporation 100%<br>Quality W Group 100%  |
| Mrs Helen Johnson<br>Quality Working Group Member   | 10/12/15<br>09/12/16<br>01/07/17                                     | 3.5 yrs        |                     | Corporation 67%<br>Quality W group 33%  |
| Ms Tanya Weston (was Crofts)<br>Quality Working Group Member  | 07/07/16<br>01/07/17   | 4 yrs          |                     | Corporation 67%<br>Quality W Group 67%  |
| Mr John Dunn<br>Quality Working Group Member from   | 02/02/17<br>01/01/18   | 3 yrs          |                     | Corporation 67%<br>Quality W Group 100%   |
| Mrs Denise Rollo  | 10/05/18   | 1 yr           |                     | Corporation 100%  |

<sup>1</sup> The prospect of merger in 2015-16 and 2016-17 led to some short appointments, followed by re-appointments. The College operates a 1-year appointment for all new governors followed by a 3year appointment.



| Category   | Date of appointment and re-appointments      | Term of office | Date of Resignation | Attendance Corporation & Committee Meetings: 2017-17     |
|--|--|----------------|---------------------|--|
| <b>Staff</b>   |  |                |                     |  |
| Mr Chris Nattress (Principal)<br>Search and Governance Committee;<br>Cumbria Colleges Ltd Board (dormant);<br>Energy Coast University Technical College Board - Director;<br>Britain's Energy Coast Campus Accommodation Ltd – Director<br>National College for Nuclear – Director & Member Representative | 01/09/13                                     |                |                     | Corporation 78%<br>Search & Gov 100%                     |
| Mrs Sarah Graham<br>Audit Committee Member<br>Equality and Diversity Lead Governor   | 01/01/10<br>01/01/14                         | 4yrs           | 31/12/17            | Corporation 75%<br>Audit 100%                            |
| Mrs Elizabeth Walker   | 10/12/15<br>09/12/16<br>06/07/17             | 2.5 years      |                     | Corporation 60%<br>Leave of Absence<br>08/02/18-31/08/18 |
| Mr Stuart Williams   | 01/01/18                                     | 1 yr           |                     | 80%  |
| <b>Student</b>   |  |                |                     |  |
| John Thinnesen   | 22/03/18                                     | 1 yr           |                     | 67%  |
| Andrew Pearce  | 28/09/17                                     | 1 yr           | 31/07/18            | 44%  |
| <b>Co-opted Member of the Audit Committee</b>  |  |                |                     |  |
| Ms Sarah Farquhar<br>Co-opted Member of the Audit Committee  | 15/05/13<br>26/06/14<br>24/09/15<br>28/09/17 | 10 mths        | 13/4/18             | Audit 50%  |
| <b>Co-opted Member of the Finance and Corporate Working Group</b>  |  |                |                     |  |
| Andrew Fennell<br>Co-opted Member of Finance And Corporate Working Group   | 13/11/17<br>12/11/18                         | 1 yr           |                     | Finance & Corp 100%                                      |

#### REPORTING COMMITTEES AT YEAR END:

##### Audit Committee: (5)

A Oldham (Chair)  
N Boyes  
S Williams  
C Madden  
Vacancy

##### Remuneration: (4)

L Agnew (Chair)  
C Madden  
N Boyes  
M Stanger

##### Search & Governance: (4)

N Boyes (Chair)  
M Stanger  
L Agnew  
C Nattress

##### Quality Working Group: (5)

M Priestley (Chair)  
T Weston  
H Johnson  
R Talbot  
J Dunn

##### Finance and Corporate Working Group: (4)

P Jardine (Chair)  
M Stanger  
L Agnew  
A Fennell

#### KEY MANAGEMENT PERSONNEL

C Nattress (Principal)  
K Wilson (Deputy Principal)  
D Braithwaite (Assistant Principal)



**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 EDUCATION ACTING THROUGH THE DEPARTMENT OF EDUCATION ("THE DEPARTMENT")**

In accordance with the terms of our engagement letter dated 3 October 2017 and further to the requirements of the Financial Memorandum with Education and 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 2017 to 31 July 2018 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 Post-16 Audit Code of Practice issued by the Department. 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 the Department has other assurance arrangements in place.

This report is made solely to the corporation of Lakes College West Cumbria and the Department 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 the Department 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 the Department 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 Code. 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 2017 to 31 July 2018 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 conducted our engagement in accordance with the Joint Audit Code of Practice issued by the Department. 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:

- A review of the 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

**REPORTING ACCOUNTANTS ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF LAKES COLLEGE, WEST CUMBRIA AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT OF EDUCATION ("THE DEPARTMENT") Cont'd**

- Review of 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 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed: *Karen A Rae*

**Karen A Rae, FCCA  
For and on behalf of  
Armstrong Watson Audit Limited  
Chartered Accountants & Statutory Auditors**

**18<sup>th</sup> December 2018**