

***Lakes College***  
***Report and Financial Statements***  
***for the year ended 31 July 2020***  
***[www.lcwc.ac.uk](http://www.lcwc.ac.uk)***

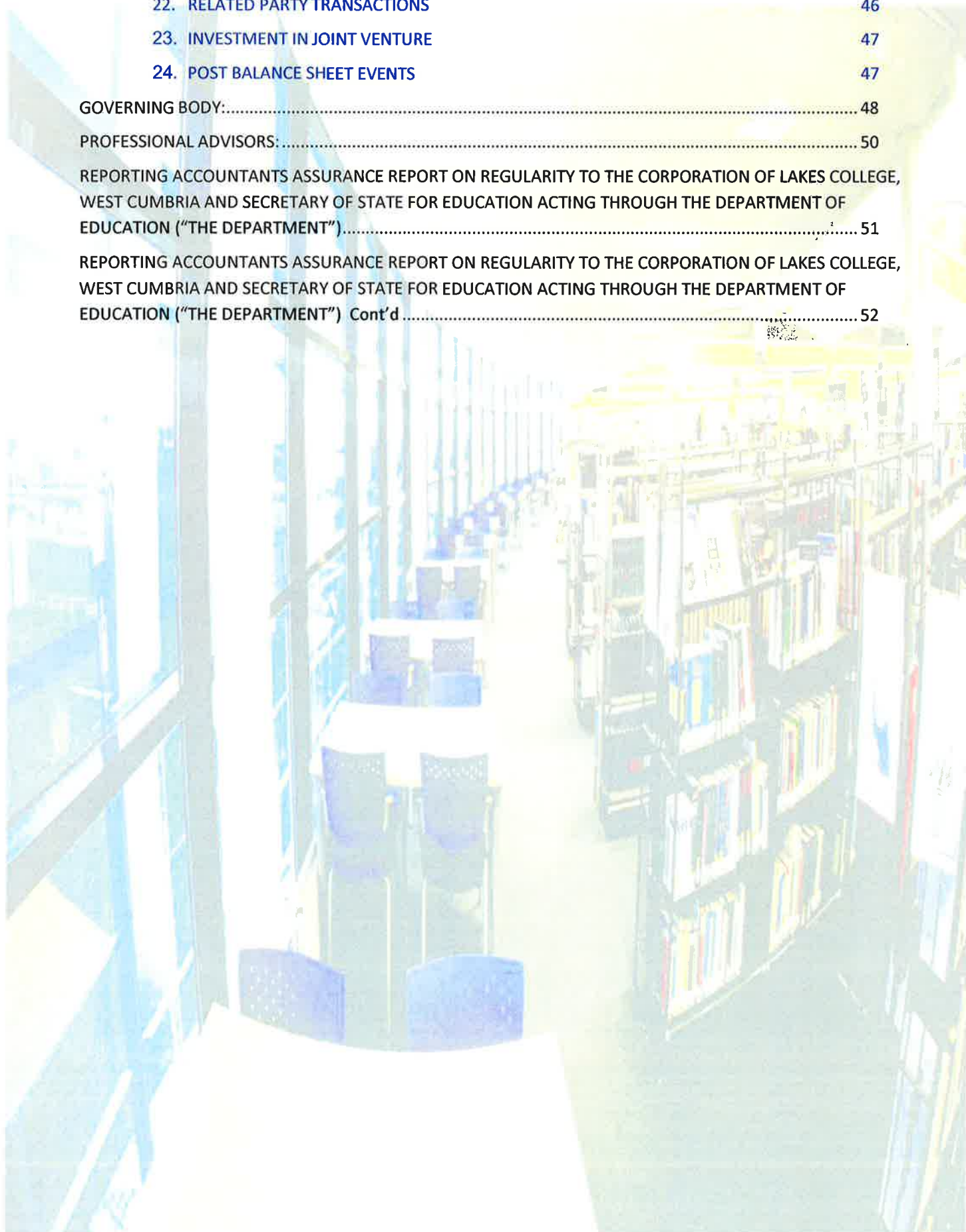
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## FINANCIAL HIGHLIGHTS

### Statement of Comprehensive Income

|                            | 2019-20        |            | 2018-19       |            |
|----------------------------|----------------|------------|---------------|------------|
|                            | £000's         | %          | £000's        | %          |
| <b>Income</b>              |                |            |               |            |
| Funding Body Grants        | 9,535          | 80         | 9,600         | 79         |
| Education Contracts        | 637            | 6          | 864           | 7          |
| Tuition Fees and Charges   | 1,097          | 9          | 1,090         | 9          |
| Other Contract and Grants  | 143            | 1          |               |            |
| Other Operating Income     | 483            | 4          | 610           | 5          |
| Investment Income          | 8              | -          | 13            | -          |
|                            | <b>11,903</b>  | <b>100</b> | <b>12,177</b> | <b>100</b> |
| <b>Expenditure</b>         |                |            |               |            |
| Staff Costs                | 8,362          | 64         | 8,037         | 63         |
| Other Operating Expenses   | 3,467          | 27         | 3,637         | 28         |
| Depreciation               | 1,018          | 8          | 2,033         | 8          |
| Interest Payable           | 129            | 1          | 72            | 1          |
| Loss on disposal of assets | -              |            | 3             |            |
|                            | <b>12,976</b>  | <b>100</b> | <b>12,782</b> | <b>100</b> |
| <b>(Deficit)</b>           | <b>(1,073)</b> |            | <b>(605)</b>  |            |

### Balance Sheet

|                                   | 2019-20        | 2018-19       |
|-----------------------------------|----------------|---------------|
|                                   | £000's         | £000's        |
| <b>Non-Current Assets</b>         |                |               |
| Investment in Joint Venture       | 23,456         | 24,038        |
|                                   | -              | -             |
| <b>Current Assets</b>             | 2,831          | 3,688         |
| <b>Current Liabilities</b>        | (2,058)        | (2,276)       |
| <b>Net Current Assets</b>         | 773            | 1,412         |
|                                   | <b>24,229</b>  | <b>25,450</b> |
| <b>Creditors due after 1 year</b> | 26,685         | 18,398        |
| <b>Provisions</b>                 | 333            | 6,138         |
| <b>Total Net Assets</b>           | <b>(2,789)</b> | <b>914</b>    |
| <b>Restricted reserves</b>        |                |               |
| Revaluation reserve               | 377            | 377           |
| Designated reserve                | 100            | 781           |
| <b>Non-restricted reserves</b>    |                |               |
| Income & Expenditure              | (3,266)        | (244)         |
|                                   | <b>(2,789)</b> | <b>914</b>    |

## STRATEGIC REPORT

### NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2020.

#### Legal Status

The Corporation was established under the Further and Higher Education Act 1992 and is an exempt charity for the purposes of Part 3 of the Charities Act 2011, regulated by the Secretary of State for Education. The members of the Governing body, who are trustees of the charity, are disclosed on page 47-48.

The Corporation was incorporated on 1<sup>st</sup> April 1993 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, to support them to succeed.

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 and extended to HE provision in January 2018. The NCfN now offers a wide range of higher apprenticeships up to full honours degrees.

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. As lead on a Maths Centre of Excellence project, we work collaboratively to support Maths skills development with the Cumbria FE Colleges and Lancaster and Morecambe College.

In 2014, Lakes College was confirmed as a UK Quality Assured establishment following a Quality Assurance Agency for Higher Education (QAA) review. In 2018/19, we secured Office for Students (OfS) registration as a HE Provider.

The College has supported over 800 employers in meeting their skills needs.

## 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. The last year of the plan was impacted by COVID 19 and lockdown for the summer term with an impact on on-site learning and growth opportunities.

#### 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.

In 2019/20, the College enrolled approximately 4,700 learners – 830 (target 871) 16-18 students, 966 (target 1,350) apprentices and 1,819 (target 1,015) adults on funded FE courses with a further 119 funded on Advanced Learner Loans. A further 484 (target 350) students studied at HE level and 484 on alternative funding provision.

Achievement rates for 16-18 learners decreased by 2.8% with a 7.2% increase in retention rates offset by a 9.8% decrease in pass rates, due primarily to functional skills pass rates. Adult learner achievement rates increased by 1.7%, with retention rates increasing by 1.8% and pass rates decreasing by 0.1%. Within this, English and maths high-grade achievement rates for condition of funding learners were 44% (8% increase) for English and 32% (12% increase) for maths.

Apprenticeship achievement rates fell by 11% to 63% as the COVID-19 lock-down impacted on apprenticeship employment and completion of End Point Assessments.

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

|                 | 2016-17 | 2017/18 | 2018/19 | 2019/20 | National Benchmark |
|-----------------|---------|---------|---------|---------|--------------------|
| 16 -18          | 82.5%   | 81.4%   | 80.8%   | 78.0%   | 82.6%              |
| Adults          | 91.5%   | 92.0%   | 88.6%   | 90.3%   | 89.1%              |
| Apprenticeships | 85.5%   | 76.6%   | 74.4%   | 63.1%   | 64.7%              |

Note, due to COVID-19 operating conditions in 2019/20 achievement statistics will not be published or used by Ofsted this for this academic year.

Engineering students in various skills competitions, including World Skills, have demonstrated expertise in vocational provision.

These outcomes are particularly pleasing given the COVID-19 lockdown and disruption to learning. ESFA did not run the FE Choices Survey in year, therefore no national comparative data is available for FE provision. Internal satisfaction rates were very positive:

Study Programme 95%

Professional studies 97%

Distance Learning 98%

For HE internal satisfaction rates were at 89% with the latest NSS student survey, which surveys a small sample of final year HE students returning 69% satisfaction rates, an increase of 3%.

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

In December 2017, the achievement of an Ofsted 'Good' overall judgement was 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

## STRATEGIC REPORT (continued)

Securing a consistently high performing aspirational culture remains a key objective.

Looking forward, our Beyond Good agenda is driving continued quality improvements with our strategy building on further developing our people.

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.

The matrix accreditation was renewed in 2019/20, recognising good practice in the delivery of Careers Initial Advice and Guidance to our learners.

The TUC Health and Wellbeing and the Cyber Essentials Plus standards have been secured.

### 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, returning to Good financial health in 2018/19. 'Good' financial health was challenged in 2019/20 with COVID-19 lockdown resulting in increased costs and lost opportunity to generate income.

Since the March Coronavirus lock-down we have strived to minimise the impact of the pandemic on the business, managing to steady the ship and ensure continuity of operations. Non-core income has reduced and is likely to do so in the short-and medium term as businesses contract in the ensuing economic recession. During the year, the college took immediate advantage of the government's Coronavirus Job Retention Scheme (CJRS), furloughing staff with roles relating directly to generation of commercial income in ActivZone, those unable to work from home and others where the activity has slowed down or ceased due to the economic lock-down. Grant support is detailed at note 4. This has supported management of the cost base to offset lower income forecast. Additionally a re-structure of staffing over summer 2020 reduced the staffing establishment and re-deployed resource to support growth. Investment was made in college ICT infrastructure to support this blended approach to delivery, providing further resilience but also provides the opportunity to develop an operating model which meets the needs of the 21st century.

Government announcements on skills development to support economic recovery post COVID-19 together with its response to the findings of the independent review of college financial oversight indicate the intention to deliver a more sustainable strategic & funding strategy to inform the forthcoming white paper. The balance sheet is now a negative value, primarily due to the increased Local Government Pension Scheme provision. However, we have no debt and a positive net current assets position.

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

| Measure                            | Target    | Actual     | Variance   | Benchmark |
|------------------------------------|-----------|------------|------------|-----------|
| Pay costs as a % of income         | 68%       | 71 %       | 3%         | 68%       |
| Curriculum staff utilisation       | 98%       | 94%        | 4%         | -         |
| Average Class Size, main programme | 14        | 11         | (3)        | 14        |
| Training Advisor productivity      | 98%       | >100%      | 2%         | -         |
| Admin. costs as a % of expenditure | 20%       | 18 %       | 2%         | 20%       |
| Operating surplus/(deficit)        | (£93,000) | (£437,000) | (£344,000) | £305,000  |
| EBITDA %                           | 3.2%      | (0.8%)     | (4.0%)     | 5%        |

## STRATEGIC REPORT (continued)

### Financial Performance and Resources

The College experienced a 2% decrease in turnover from £12.2m to £11.9 m. Despite this, dependency on ESFA recurrent grant income has increased to 77% (2018-19: 77%). The College generated an operating deficit of £ .

Operating cash flow was £267,000 net outflow compared to cash inflow of £39,000 in 2018-19.

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 £100,000 for a 3G pitch sink fund. As at the balance sheet date, the income and expenditure reserve stands at a negative £3,266,000 in large part due to the increased Local Government Pension Scheme provision of £9m (2019: £5.8m). **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.**

On the basis of delivering growth, improving financial health, lack of loan financing and maintenance of cash reserves the Corporation considers that accounting basis of Going Concern is appropriate for the foreseeable future.

During the accounting period 1 August 2019 to 31 July 2020, the College paid 96% 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 £1.8m at the balance sheet date (2018-19: £2.4m). These cash balances are after £436,000 investment in fixed assets. Investment was made in the boiler replacement, ICT resources in classrooms, curriculum resources. The College estate, with good quality vocational workshops, provides an excellent environment to develop technical skills.

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 1% after a 3% increase in the previous year as the college responded to more challenging operating conditions. Of the 200 FTEs, 54% are delivery staff and a further 25% are directly student facing.

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### Future Key Developments

The National College for Nuclear Northern Hub became operational in 2017/18 and continues to expand its offer with new provision. Development of National College provision extends the reach and influence of the College in delivering skills to the nuclear sector. Plans for a regional Civil training 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 scheme has secured LEP funding support and will be enhanced with T-Levels study. Purchase of land, securing planning permission and work on site are expected to commence in October 2020 for a September 21/22 opening. The College is well placed to meet the Government's focus on development of T-Levels and has secured a place as a Phase 2 provider to deliver Construction, Child-care, Digital and educational pathways from 2020/21.

In-year, curriculum developments have focussed on National College for Nuclear provision. The apprenticeship reform process which includes a shift to new standards is informing wider curriculum developments. The development of Technical qualifications will drive curriculum development in the next three years. The College is broadening the adult offer to meet the re-skilling agenda, in particular around digital offer and delivery.

In response to COVID-19 and the end of the cleaning contract the college has decided to establish a fully owned subsidiary to host cleaning from an outsourced contractor. This is to enable greater flexibility in operations as a cost saving exercise for the college. The outsourced **staff will be TUPE'd over to the new company on 1 August 2020**. The new company, Lakes College Enterprises Ltd, also provides a vehicle for other services to be provided in the college in the future.



## STRATEGIC REPORT (continued)

Government policy for economic recovery post COVID-19 has a strong skills bias with further education recognised as a key part of the solution to economic recovery. Over the summer and autumn period, various government announcements have brought policy and financial support:

- A new White Paper for FE in the autumn setting out a long-term radical vision that recognises the role of colleges in driving the success of regional economies and communities.
- The Plan for Jobs, which includes almost £4billion immediate support, targeted at skills for employment and support for apprenticeships.
- Funding for a lifetime skills 'guarantee' will be made available from a new National Skills Fund, expected to be allocated £3billion of funding over the next five years.
- £1.5 billion of capital investment to support the condition improvement and upgrading of the FE estate, with £200m immediately realised in 2019/20.

The college is reviewing, assessing and strategising how these opportunities can be harnessed to secure financial growth and sustainability with:

- Establishment of a subsidiary company to host cleaning and potentially other out-sourced services to secure financial efficiencies and improved operational effectiveness;
- Monitoring of government Coronavirus support schemes to ensure these are utilised where available;
- Development of the new T-Level offer for 2021/22 and beyond;
- Supporting employers to maximise apprenticeship and traineeship incentives;
- Review of the adult re-skilling offer and delivery plan;
- Progression of investment in the Heavy Civils training Facility;
- A review of the condition of the college estate and refreshed property strategy informed by post-COVID operating context. The college estate is recognised on the balance sheet at cost and current operating conditions are not considered to result in an impairment to the value of assets.

These measures are supporting the financial resilience of the college to offset the downward pressure of economic recession. As at December 2020, these measures have supported 2.7% growth of the main 16-19 contract and apprenticeship starts up by 50% on the same point last year.

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.

## PRINCIPAL RISKS AND UNCERTAINTIES

The College continues to work to strengthen the internal control environment, (including financial and operational risk management) which is designed to protect the College's assets, reputation and financial sustainability. The College maintains a risk register, which is reviewed, termly to assess risks and the effectiveness of mitigating actions.

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. COVID-19

The COVID-19 pandemic has resulted in sector, economic and global disruption to daily life and economic outlook. The ongoing COVID-19 restrictions to manage transmission of the virus. Impact on daily operations, demand for skills development, including apprenticeships, from employers.

Adapting operations to allow for potential lockdown and new blended ways of learning & working remotely. Reducing expenditure by reducing staff numbers and redeploying staff to priority areas where possible. Investment in infrastructure and training to support remote learning and working. Seeking short and longer-term growth opportunities. Working with employers to utilise government initiative to support economic recovery.

## STRATEGIC REPORT (continued)

### PRINCIPAL RISKS AND UNCERTAINTIES (continued)

This risk is mitigated by:-

- Close monitoring of government guidance and local conditions;
- An agile and flexible approach to the balance between on-site and remote activities enabled by ICT investment;
- Reducing and re-deploying the staffing establishment;
- Adapting the college offer to meet changing business and learner needs including more opportunities for re-skilling;
- Regular communications with key stakeholders;
- Investment in digital infrastructure and development activity;
- Robust Health & Safety risk assessment & management and contingency planning for lock-down.

#### 2. Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and OfS. In 2019/20, 80% (2018-19 79%) 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 7 years whilst the cost base has continued to increase with increased national insurance and pension costs. Funding rate increases for 2020/21 of 4.7% are welcomed but do not redress the level of funding cuts in recent years. The impact of COVID-19, Brexit on future funding settlements and replacement on European Union funding streams is yet to be determined. However, government announcements and early release of capital funds for the sector do indicate a changed funding regime going forward as government announcements highlight the importance of the sector in skills development and a commitment to developing a strategic vision for the sector in the forthcoming FE white paper

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;
- plans for the development of a Heavy Civils Training facility;
- partnership and collaboration as evidenced by NCfN, the ESF Edge contract and Cumbria FE College collaboration;
- seeking increased efficiency in processes and delivery models.
- managing costs within funding constraints
- process improvement activity

#### 3. Apprenticeship Reform

Ongoing reform of apprenticeships creates growth and funding compliance risks due to additional requirements on employers, providers, significant and on-going rule changes with increasing complexity in managing and reconciling financial transactions.

This risk is mitigated by:-

- Vigilance in monitoring funding updates and employer incentives
- Staff training;
- Liaison with ESFA staff;
- Internal audit coverage,
- Monitoring of income against individual contracts;

## STRATEGIC REPORT (continued)

### PRINCIPAL RISKS AND UNCERTAINTIES (continued)

- Information awareness raising with employers;
- Development of start to end digital platforms to manage and monitor apprenticeship activity.

#### 4. Failure to maintain the financial viability of the College

The College's current financial health grade returned to Good in 2018/19. The college needs to ... the balance of income and staffing costs, adapting to operating conditions impacted on by COVID-19 restrictions and different ways of working. In some respects these operating conditions have supported a change programme and prompted new ways of working which will be retained. We will continue to adapt and manage our financial sustainability.

This risk is mitigated by:-

- a review of various aspects of our staffing and business model to adapt to a more sustainable and agile delivery model;
- in-year budget monitoring;
- increasing devolvement of financial responsibility and commercial awareness;
- increasing curriculum innovation and efficiency;
- re-alignment of delivery structures to meet apprenticeship growth opportunities;
- Responding to market need in a growth strategy;
- development of National College for Nuclear;
- development of a Heavy Civils training facility;
- review of our property strategy.

#### 5. 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. Our Beyond Good agenda frames this improvement activity .

This risk is mitigated in a number of ways:

- Adapting of our Teaching, Learning and Assessment methodology for blended delivery.
- engagement in sector and Ofsted quality forums;
- internal and external quality assurance activity; aligned to the new Education Inspection Framework
- setting of targets at upper quartile level to drive further improvement;
- revision of our maths and English improvement strategy;
- an ongoing culture change programme supported by a strength-based coaching model.

#### 6. Increasing competition

The development of alternative provision based locally (University of Cumbria, private providers, Energy Coast UTC and Academy schools); in a tough operating environment for all represent a risk to the growth strategy of the College.

This risk is being mitigated by:

- seeking growth in curriculum areas for which there is known increasing demand;
- improving recruitment and admissions processes;
- increasing apprenticeship provision as a key priority;
- jointly leading the National College for Nuclear;

## STRATEGIC REPORT (continued)

### PRINCIPAL RISKS AND UNCERTAINTIES (continued)

- quality improvement activity to support demand;
- collaborating where opportunities allow;
- reviewing the business delivery model, particularly in the light of a blended learning model.

#### 7.. Impact of national policy on English and maths on future recruitment, student attainment levels and OFSTED judgement

As a College supporting deprived students the condition of funding requirement to deliver English and maths GCSEs to all 16-18 students whose prior attainment level is a 3 is a risk in terms of student recruitment, engagement, achievement rates and thereby Ofsted grading. Relaxation of condition of funding rules for 2019/20 was welcomed. 2019-20 high grades achievement for condition of funding learners improved for English by 8% to 44% and is above national average. For maths GCSE high grades, achievement rates increased by 11% to 32%, also above the national average. This years grades were based on the teacher assessment and build in the improved grades achieved in 2018/19. 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;
- lead in Maths Centre of Excellence;
- increasing emphasis on achievement of all elements of the study programme including English and maths;
- recruiting specialist qualified maths and English tutors and a CPD programme for functional skills specialists;
- supporting tutors to be Awarding Body markers of GCSE papers;
- providing additional support services to support student achievement
- increasing focus on evidencing progress in learning;
- focussing on maths and English at six-week review, reviewing attendance and engagement;
- Deliver the most appropriate qualifications for non-condition of funding students based on their intended destinations.

#### 8. 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 Which may lessen in the short term with economic recession. The September 2020 National Audit Office report ~~a financial sustainability of colleges in England highlighted the difficulty of recruiting when teaching salaries~~ have fallen substantially behind those for schools and industry.

**The rural and isolated location of the College requires us to 'grow our own' teaching staff from industry** meaning support and development of our staffing establishment is critical to our success.

This risk is being mitigated by:

- reviewing staff recruitment, pay policy and structures to provide greater flexibility and opportunities for candidates with appropriate skills;
- development of the associate model to meet specialist skills requirements and increase flexibility in meeting employer needs;
- exploring alternative delivery methods and options;
- **increasing focused staff development and 'growing your own';**
- securing ESFA support funds to attract industry specialists;
- increasing support for new teaching staff.

#### 9. Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme (LGPS) 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



## **STRATEGIC REPORT (continued)**

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

Court of Appeal finding in favour of the McCloud case, claiming age discrimination in transitional arrangements for public sector pension schemes, is likely to result in additional liabilities that have been provided for in these financial statements in relation to the local Government Pension Scheme (note 16). 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. A government consultation on the requirement for colleges to offer the LGPS to non-teaching staff appears to have dropped off the agenda as COVID 19 and Brexit exercise government attention. On 1<sup>st</sup> August 2020 the college TUPE'd cleaning staff into a newly formed college subsidiary a key driver for this approach to these out-sourcing arrangements being management of pension costs.

#### **10. Safeguarding and Prevent**

The Board has a statutory duty to ensure the safeguarding of students. The Board has several statutory responsibilities in respect of keeping learners safe in co-operation with partner organisations and to give 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.
- Online monitoring activity

#### **11. Cyber Attack**

In 2017, the College suffered a major Cyber-attack. Cyber-attacks are significant and on-going and represent a significant risk to business continuity. We have mitigated this risk by:

- increasing resources focussed on digital capability and security;
- staff training and awareness raising;
- third party testing of security;
- Securing and maintaining the Cyber Essentials Plus award.

### **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, Lancaster and Morecambe College, and Secondary Western Heads;
- University of Cumbria and UCLAN;
- professional bodies.

## STRATEGIC REPORT (continued)

### 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.

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.

### DISABILITY STATEMENT

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 has secured the TUC Health and Well-being standard, at bronze, demonstrating our commitment to the health and well-being of our staff. We are now working on achievement of the Silver award

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

- a. As part of its accommodation strategy the College annually monitors and responds, as appropriate, to access requirements. Experts in this field conducted a full access audit in June 2007 and the results of this formed the basis of capital funding projects aimed at improving access. Access assessments and work continue as we improve our campus
- b. The College provides information, advice, and arranges support where necessary for students and staff with disabilities. Students are supported in their transition to College.
- 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. Review of achievement gaps feature in the self-assessment and continuous improvement process.
- 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.

## STRATEGIC REPORT (continued)

### Gender Pay Gap

|                                     | 2020             | 2019             |
|-------------------------------------|------------------|------------------|
|                                     | Women's earnings | Women's earnings |
| Median gender pay gap in hourly pay | 32% lower        | 32% lower        |
| Mean gender pay gap in hourly pay   | 17% lower        | 16% lower        |

The % proportion of men and women in each pay quartile (movement+/-%) is as follows:

| Quartile     | % Women    | % Men      |
|--------------|------------|------------|
| Lower        | 81% (+4%)  | 19% (-4%)  |
| Lower Middle | 77% (-15%) | 23% (+15%) |
| Upper Middle | 65% (+9%)  | 35% (-9%)  |
| Upper        | 40% (-7%)  | 60% (+7%)  |

2% of female staff continue to receive a bonus with 1.39% of male staff receiving a bonus. Our bonus systems are gender neutral by design.

### 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, comparative in brackets

| Number of Employees over relevant Period | FTE Employee Numbers |
|--|----------------------|
| 1 (2)                                    | 1 (1.36)             |

| Percentage of Time | Number of Employees |
|--------------------|---------------------|
| 0%                 | - (-)               |
| 1-50%              | 1 (2)               |
| 51-99%             | - (-)               |
| 100%               | - (-)               |

|  |                 |
|--|-----------------|
| Total cost of facility time  | £1,937 (£3,281) |
| Total Pay Bill   | £ (£7,192,629)  |
| Percentage of total pay bill spent on facility time                          | 0.02% (0.05%)   |
| Time spent on paid trade union activities as a % of total paid facility time | 0 % (0%)        |

### 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 10th December 2020 and signed on its behalf by:

*Michael 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 2019 to 31<sup>st</sup> July 2020 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 accordance with the guidance to Colleges, in the Association of Colleges "Code of Good Governance of English Colleges".

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 first adopted the Code of Good Governance of English Colleges on 16 July 2015. Code. Adoption of the Code is on a comply or explain basis and where there is deviation, this is explained under Corporation Performance. The Corporation subsequently adopted the Senior Postholder Remuneration Code.

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

**It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.**

#### Transparency

The composition of the Corporation during 2019/20, and up to the date of signature of this report, is set out on pages 48-49 and biographies of the members of the Corporation are published on the website ([www.lcwc.ac.uk](http://www.lcwc.ac.uk)).

**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.**

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.

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the address below. **Governors have signed up to the Eversheds' (professional advisors) Code of Conduct and have approved a conflict of interest policy.**

The standing orders of the Corporation, which sets out terms of reference, schemes of delegation and rules for the conduct of business, are published on the website.

Also published on the website, is a summary of Corporation performance for the previous year, in addition to the Annual Report and Financial Statements of the Corporation for the previous six years, and the complaints and whistle-blowing policies, which are kept under regular review.

Full minutes of all meetings, except those deemed to be confidential by the Corporation under standing order 47, **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



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

Freedom of Information requests may be addressed to the Deputy Principal at the same address, under the Access to Information Policy, which is also published on the website.

### Remuneration

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 the terms and conditions of the Senior Postholders and the Clerk and review compliance with the annual pay statement for Senior Postholders (in line with the Remuneration Code).

Salaries have been set using benchmark material from the Association of Colleges at a scale, which also takes account of performance and reviewed on an annual basis. It is noted for the record that effective from 1 August 2014, that all Senior Postholders, and the Clerk, have volunteered to receive the same pay rise as all staff and that this has not exceeded 1% in the intervening years. As outlined in note 8 to the financial Statements, the pay ratio of the Principal to the staff median stands at 1:4.4.

Expenses paid to Governors has related to expenditure on travel and conference call charges of £216.93 in 2019-20.

### Governance Overview

The Board is flexible and responsive to events, setting up working groups or additional meetings as performance or circumstances dictate. The Corporation usually meets on seven occasions in a year. In 2019-20, the Corporation met on 11 occasions owing to the Covid-19 pandemic, with additional meetings scheduled to meet its obligations and duties to its students and staff. The Corporation was keen to retain appropriate oversight during the pandemic, particularly in respect of health and safety, safeguarding and the ability to maintain successful outcomes for students as far as was practicable.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are regularly provided to Governors and a flexible approach to Governance, means that special meetings can be held if, in the opinion of the Chair, it is required to do so.

The Corporation continues to be supported by the Audit Committee, Quality Working Group (for self-assessment purposes), 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. The schemes of delegation in the Standing Orders also gives a clear division of responsibility, detailing the very separate roles of the Chair and Principal (the Accounting Officer).

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 monitors the risk register on at least a termly basis (see Principal Risk and Uncertainties) and the Audit Committee is responsible for an annual review of the register. A Further Education Self-Assessment report and a Higher Education Self-assessment report, which considers performance in-depth, is approved by the Corporation on an annual basis and improvement plans are monitored in-year. Additionally, regular in year reporting on compliance with external regulation.

The Corporation reviews financial regulations on an annual basis, which together with approved policies in respect of bribery, anti-corruption, gifts and hospitality and fraud, are audited on an annual basis through the regularity audit.

The Corporation approves an annual internal audit plan (on the recommendation of the Audit Committee), directed by the risk register, with the Audit Committee providing robust scrutiny of the ensuing reports.

The Audit Committee receives an Annual Report from the Auditors, which is taken into consideration when forming its own recommendations to the Corporation discussed in more detail under the 'internal control' heading of this statement below.

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

### 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. New appointments are made for 1 year in the first instance followed by a 3-year term of office by mutual agreement.

### Corporation Performance

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

External scrutiny and self-assessment has consistently shown over a number of years that governance is at least good. With respect to the most recent governance audit carried out in 2015/16, the internal auditor was able to give substantial assurance, which was echoed by the good grading for Governance at the Ofsted inspection of 2017. Governors continue to review their performance annually and the Chair and the Clerk are active in national networks, which allows an element of benchmarking of governance practice with the performance of other colleges.

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, of which it is one of two founding members, and more recently, to work with the Local Enterprise Partnership in the provision of enhanced civil engineering facilities for the region.

The Corporation keeps all key policies and procedures under regular review and receives the minutes of all of its supporting committees. The corporation also monitors, complaints and compliments, the surveys of key stakeholders, including students and their parents.

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 requisite areas and high expectations of senior staff. Governors participate in training, briefings, curriculum tours and parents' evenings, gaining contact with learners and staff outside of the Boardroom

In 2019/20, Governors have achieved an overall attendance rate of 82%, slightly below national benchmarking of 83.7%. Within that figure, Board attendance was 79.5%, above college targets, an increase of 4.5% over the previous year. The Board has improved the diversity of its membership in recent years with the appointment of new Governors. Female independent governors on the Board represented 54% of membership at the start of 2019/20 and 46% at the close of the year following one resignation.

A key challenge for the College is that it sits in a rural, sparsely populated area, with a dominance of one particular sector (nuclear engineering), which has an impact on the diversity of potential candidates. Governors continue to feel that a Board of 18 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 a demonstrable need and/or a need for continuity, in recognition of the limits of the area.

In 2019/20 two new independent Governors have been welcomed to the Board. This demonstrates that membership of the Board has been refreshed in-year. In filling these vacancies, the Search and Governance (and the Board) has due regard to the overall skills mix of the Board.

The Board will continue to consider matters of equality and diversity in their appointment process, but their appointment will be on the basis of the skills needs of the Board at the time, when filling any vacancies in challenging times.

## **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 look at any issues in greater depth. Following the Ofsted inspection of 2017, the working group is currently being used to give consideration and challenge of the annual self-assessment, in advance of Board consideration. .

### **Search and Governance Committee**

The Search and Governance Committee comprises four 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 annual review of Governance arrangements.

### **Remuneration Committee**

**The College's Remuneration Committee comprises 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 2020 are set out in note 7 to the financial statements, and to keep under review the annual Senior Post Holders pay statement.**

### **Audit Committee**

The Audit Committee comprises five members of the Corporation (excluding the Principal and the Chair of Corporation). The Committee operates in accordance with written terms of reference approved by the Corporation. As the overall membership stands at five, 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 (noting that any conflict of interest would be declared and, where appropriate, the staff governor would withdraw).

**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 and report their findings to management and the Audit Committee.**

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

The Audit Committee recommends the annual audit plan to the Corporation, authors an annual report to the Corporation on audit work, and scrutinises and recommends the financial statements to the Corporation Board. The 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 and keeps key policies and procedures under review, such as the whistle-blowing policy, fraud and bribery and anti-corruption.

### **Finance and Corporate Working Group**

The Finance and Corporate Working Group comprises 4-5 members and operates 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 is an advisory group to the Corporation.

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

### 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 2020 and up to the date of approval of the annual report and accounts.

#### *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 Funding Agreement 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.

As the risk framework supports the achievement of the College's policies, aims and objectives, business, operational and compliance risks are covered in addition to financial risks.

#### *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 2020 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;
- regular review of the risk register, with mitigating actions, according to a risk appetite approved by the Audit Committee;
- regular review of the Audit Committee minutes by the Corporation, and consideration of the Annual Report of the Audit Committee giving its opinion of the system of internal control following review;
- setting targets to measure financial, business and other performance, including success rates;
- 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.



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

The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum, annually, the Head of Internal Audit provides the governing body with a report on internal audit activity in the College. The report includes 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"**. As attested in the following statement of regularity, propriety and compliance, there have been no instances of significant weakness or failure in 2019/20 and up to the date of signature of this report.

Approved by order of the members of the Corporation on 10<sup>th</sup> December 2020 and signed on its behalf by:



Mike Priestley  
Chair



Chris Nattress  
Principal/Accounting Officer

10 December 2020

## STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE:

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA), and the Office for Students (OfS), of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the corporation's grant funding agreements and contracts with the ESFA and the OfS' terms and conditions of funding. As part of our consideration, we have had due regard to the requirements of grant funding agreements and contracts with the ESFA and the ongoing conditions of registration and terms and conditions of funding of the OfS.

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 corporation, or material non-compliance with the terms and conditions of funding, under the corporation's grant funding agreements and contracts with the ESFA, the ongoing conditions of registration and terms and conditions of funding of the OfS, or any other public funder.

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 and the Office for Students as appropriate.



Mike Priestley  
Chair



Chris Nattress  
Principal/Accounting Officer

10 December 2020

## STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

The members of the Corporation, as charity trustees, are required to present audited financial statements for each financial year.

Within the terms and conditions of the corporation's grant funding agreements and contracts with the ESFA, OfS and any other funding organisation, the Corporation – through its accounting officer - is required to prepare financial statements and an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's OfS's accounts direction 2019/20 and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the college and its surplus/deficit of income over expenditure for that period.

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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess whether the corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate (which must be consistent with other disclosures in the accounts and auditor's report); 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 **Members' 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 which 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 its assets, and to prevent and detect fraud and other irregularities.

The Corporation is responsible for the maintenance and integrity of the College website, which 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 funding agreements and contracts 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 10th December 2020 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 2020 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 2019 to 2020 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 2020 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 2019 to 2020 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.

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

Date: 14<sup>th</sup> December 2020

## 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 2019/20 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. There are inherent uncertainties affecting college future funding long term funding rates, economic recession, Brexit, COVID-19 and the FE white paper. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying notes.

Two key issues create uncertainty and risk in considering going concern:

#### Local Government Pension Scheme (LGPS) Liability

The increase in the LGPS liability to £9.004m moved the college to a negative balance sheet position. This liability is a long-term liability, arising as the college must offer the LGPS to staff who are not eligible **as members of the Teachers' Pension Scheme**, and would only crystallise if the college were to leave the pension scheme.

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At the last valuation, the actuaries recommended that the college did not pay additional contributions for McCloud uncertainty and the additional deficit contributions ceased. The next valuation is due 31<sup>st</sup> March 2022, and whilst uncertain the impact of Covid on the markets would be expected to have dissipated.

The governors have considered the contribution rates and the cashflow available to the college and can meet the contributions as they are expected to fall due. Therefore, the LGPS liability is therefore not considered a material risk to the going concern of the college over the medium term.

#### Future Operations

The college has made a deficit in the year of £1.1m (2019 £0.6m) before the actuarial movement on the pension scheme, and a total deficit of £3.7m (2019 £3.4m) including the pensions movement.

The college has net current assets of £0.8m (2019 £1.42m) and total deficit on reserves of £2.8m (2019 £0.9m surplus).

Notwithstanding the above the governors confirm the college continues to be a going concern, without the pension liability the college would have net assets of £6.2m (2019 £6.7m), the pension liability is payable by employer contributions over a long term duration and all contributions over the medium term can be met from cash flows.

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

In addition, within current liabilities there is £0.7m (2019 £0.6m) of deferred income capital grants which are not liabilities falling due for payment but instead income yet to be released. Removing the deferred income there would be net current assets of £1.5m (2019 £2m) clearly demonstrating the ability of the college to meet its liabilities as they fall due.

Accordingly, the governors have reviewed future financial projections, cash flow statements, available bank facilities and the ability of the College to meet its liabilities. The College had available cash reserves of £1.8m as at 31 July 2020, and no outstanding loans. The level of cash reserves and fiscal planning indicate the college 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 Office for Students (OfS) 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.

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

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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.

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

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

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

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 2020. 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.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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.

### 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.

Since April 2017 the Apprenticeship levy of 0.5% of payroll costs above £3m is payable. The College has the right to use the levy to pay for apprenticeship training for up to 24 months. Where it is considered the levy can be utilised for apprenticeship training it is classed as pre-paid and released as expenditure when utilised or written off after 24 months. Any 10% top up of the levy from Government funds will be recognised as income in line with the release of the apprenticeship levy expense.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 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 16, 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 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. 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 2020

| <b>Income</b>                                       | <b>Notes</b> | <b>2020<br/>£000</b> | <b>2019<br/>£000</b> |
|---|--------------|----------------------|----------------------|
| Funding body grants                                 | 1            | 9,535                | 9,600                |
| Education contracts                                 | 2            | 637                  | 864                  |
| Tuition fees and charges                            | 3            | 1,097                | 1,090                |
| Other Contracts and Grants                          | 4            | 143                  | -                    |
| Other operating income                              | 5            | 483                  | 610                  |
| Investment income                                   | 6            | 8                    | 13                   |
| <b>Total Income</b>                                 |              | <b>11,903</b>        | <b>12,177</b>        |
| <b>Expenditure</b>                                  |              |                      |                      |
| Staff costs   | 7            | 8,362                | 8,037                |
| Other operating expenses                            | 9            | 3,467                | 3,637                |
| Depreciation  | 10           | 1,018                | 1,033                |
| Interest and other finance costs                    | 11           | 129                  | 72                   |
| <b>Total expenditure</b>                            |              | <b>12,976</b>        | <b>12,779</b>        |
| <b>(Deficit) before other gains and losses</b>      |              | <b>(1,073)</b>       | <b>(602)</b>         |
| (Loss) on disposal assets                           | 9            | -                    | (3)                  |
| <b>(Deficit) before tax</b>                         |              | <b>(1,073)</b>       | <b>(605)</b>         |
| Taxation  |              | -                    | -                    |
| <b>(Deficit) in the year</b>                        |              | <b>(1,073)</b>       | <b>(605)</b>         |
| Actuarial loss/(gain) in respect of pension schemes | 16/17        | (2,630)              | (2,796)              |
| <b>Total comprehensive income for the year</b>      |              | <b>(3,703)</b>       | <b>(3,401)</b>       |
| Represented by:-                                    |              |                      |                      |
| <b>Unrestricted comprehensive income</b>            |              | <b>(3,703)</b>       | <b>(3,401)</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 2020

|  | Notes | Income and<br>expenditure Account | Designated<br>Reserves | 3G Pitch Sink<br>Fund | Revaluation<br>Reserve | Total   |
|--|-------|-----------------------------------|------------------------|-----------------------|------------------------|---------|
| At 31 <sup>st</sup> July 2019                  |       | (244)                             | 706                    | 75                    | 377                    | 914     |
| Actuarial loss on pension schemes              |       | (2,630)                           |                        |                       |                        | (2,630) |
| Deficit from income and<br>expenditure account |       | (1,073)                           |                        |                       |                        | (1,073) |
| Transfers to/from designated<br>reserves       |       | 681                               | (706)                  | 25                    |                        | -       |
| At 31 <sup>st</sup> July 2020                  | 19/20 | (3,266)                           | -                      | 100                   | 377                    | 2,789   |

The 3G pitch sink fund has been established, as required in the grant funding conditions, for replacement of the 3G pitch 'carpet'. The designated reserve for replacement and maintenance of equipment has been released to the general reserves.

# **BALANCE SHEET AS AT 31 JULY 2020**

|  | Notes | 2020<br>£000   | 2019<br>£000  |
|--|-------|----------------|---------------|
| <b>Non-current assets</b>                              |       |                |               |
| Tangible fixed assets                                  | 10    | 23,456         | 24,038        |
| Investment in joint venture                            | 12    | -              | -             |
| <b>Total non-current assets</b>                        |       | <b>23,456</b>  | <b>24,038</b> |
| <b>Current assets</b>                                  |       |                |               |
| Debtors  | 13    | 1,029          | 1,271         |
| Investments  |       | 968            | 2,011         |
| Cash at bank and in hand                               |       | 834            | 406           |
| <b>Total current assets</b>                            |       | <b>2,831</b>   | <b>3,688</b>  |
| Creditors: amounts falling due within one year         | 14    | (2,058)        | (2,276)       |
| <b>Net current assets</b>                              |       | <b>773</b>     | <b>1,412</b>  |
| <b>Total assets less current liabilities</b>           |       | <b>24,229</b>  | <b>25,450</b> |
| Creditors amounts falling due after more than one year | 15    | (17,681)       | (18,398)      |
| Defined benefit obligations after provisions           | 16    | (9,004)        | (5,779)       |
| Provisions   | 17    | (333)          | (359)         |
| <b>Total net assets</b>                                |       | <b>(2,789)</b> | <b>914</b>    |
| <b>Restricted reserves</b>                             |       |                |               |
| Designated reserve                                     | 18    | 100            | 781           |
| <b>Unrestricted reserve</b>                            |       |                |               |
| Revaluation Reserve                                    | 18    | 377            | 377           |
| Income and expenditure account                         | 19    | (3,266)        | (244)         |
| <b>TOTAL FUNDS</b>                                     |       | <b>(2,789)</b> | <b>914</b>    |

The financial statements on pages 23 to 50 were approved by the Governing Body on 10<sup>th</sup> December 2020 and were signed on its behalf by:

*Michael Priestley*

*Chris Nattress*

**Mike Priestley**  
Chair

**Chris Nattress**  
Principal/Accounting Officer

**CASH FLOW STATEMENT**  
Year Ended 31 July 2020

|   | <b>2020<br/>£000</b> | <b>2019<br/>£000</b> |
|---|----------------------|----------------------|
| <b>Cash flow from operating activities</b>  |                      |                      |
| <b>Surplus/(Deficit) on continuing operations after depreciation of assets at valuation, exceptional items and before tax</b> | (1,073)              | (602)                |
| Depreciation (note 10)  | 1,018                | 1,033                |
| Deferred capital grants to income (note 1 and 5)  | (695)                | (655)                |
| (Increase)/decrease in debtors (note 13)  | 242                  | (185)                |
| Increase/(decrease) in creditors and provisions   | (387)                | (67)                 |
| Pension cost less contributions payable   | 636                  | 530                  |
| Adjustment for investing or finance activities  | -                    | -                    |
| Loss on disposal of fixed assets  | -                    | (3)                  |
| Interest receivable (note 6)  | (8)                  | (13)                 |
| Interest payable (note 11)  | -                    | -                    |
| <b>Net cash inflow/(outflow) from operating activities</b>  | <b>(267)</b>         | <b>39</b>            |
| <b>Cash flows from investing activities</b>   |                      |                      |
| Purchase of tangible fixed assets   | (436)                | (942)                |
| Sales of tangible fixed assets  | -                    | -                    |
| Deferred capital grants received  | 80                   | 344                  |
| <b>Net cash (outflow) for capital expenditure and financial investment</b>  | <b>(356)</b>         | <b>(598)</b>         |
| <b>Cash flows from financing activities</b>   |                      |                      |
| <b>Returns on Investment and servicing of finance</b>   |                      |                      |
| Investment Income   | -                    | -                    |
| Interest received   | 8                    | 13                   |
| Repayment of amount borrowed  | -                    | -                    |
| Interest paid   | -                    | -                    |
| <b>Net cash inflow from returns on investments and servicing of finance</b>   | <b>8</b>             | <b>13</b>            |
|   | <b>2020<br/>£000</b> | <b>2019<br/>£000</b> |
| <b>(Decrease) in cash and cash equivalents in the year</b>  | <b>(615)</b>         | <b>(546)</b>         |

## NOTES TO THE ACCOUNTS

### 1. FUNDING BODY GRANTS

|  | 2020<br>£000 | 2019<br>£000 |
|--|--------------|--------------|
| ESFA Recurrent grant - adult           | 1,062        | 1,011        |
| ESFA Recurrent Grant – 16-18           | 4,552        | 4,472        |
| ESFA Recurrent Grant - Apprenticeships | 2,360        | 2,555        |
| OFS Recurrent Grant                    | 348          | 345          |
| Releases of government capital grants  | 384          | 401          |
| Other Funds                            | 829          | 816          |
|  | <b>9,535</b> | <b>9,600</b> |

### 2. EDUCATION CONTRACTS

|                           | 2020<br>£000 | 2019<br>£000 |
|---------------------------|--------------|--------------|
| Local Education Authority | 231          | 195          |
| Other Contracts           | 406          | 669          |
|                           | <b>637</b>   | <b>864</b>   |

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

### 3. TUITION FEES AND CHARGES

|                                   | 2020<br>£000 | 2019<br>£000 |
|-----------------------------------|--------------|--------------|
| Adult Education Fees              | 399          | 521          |
| Apprenticeship fees and contracts | 23           | 63           |
| Higher Education                  | 675          | 506          |
|                                   | <b>1,097</b> | <b>1,090</b> |

#### Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £0 (2018-19 £0)

**4. OTHER CONTRACTS AND GRANTS**

|                                  | <b>2020<br/>£000</b> | <b>2019<br/>£000</b> |
|----------------------------------|----------------------|----------------------|
| Coronavirus Job Retention Scheme | 143                  | -                    |
|                                  | <b>143</b>           | <b>-</b>             |

The corporation furloughed ActivZone, facilities, technician and business support staff under the Government's Coronavirus Job Retention Scheme. The funding received in respect of 45 staff relates to staff costs, which are included within the staff costs note 7.

**5. OTHER OPERATING INCOME**

|  | <b>2020<br/>£000</b> | <b>2019<br/>£000</b> |
|--|----------------------|----------------------|
| Releases from non-government capital grants (non ESFA/OFS) | 311                  | 254                  |
| Other income generating activities                         | 145                  | 207                  |
| Other income   | 27                   | 149                  |
|  | <b>483</b>           | <b>610</b>           |

**6. INVESTMENT INCOME**

|                           | <b>2020<br/>£000</b> | <b>2019<br/>£000</b> |
|---------------------------|----------------------|----------------------|
| Other interest receivable | 8                    | 13                   |
|                           | <b>8</b>             | <b>13</b>            |



## 7. STAFF NUMBERS

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

|                                     | 2020<br>Numbers | 2019<br>Numbers |
|-------------------------------------|-----------------|-----------------|
| Teaching departments                | 107             | 109             |
| Teaching support services           | 50              | 49              |
| Administration and central services | 30              | 31              |
| Premises                            | 8               | 8               |
| Income Generation                   | 5               | 5               |
|                                     | <b>200</b>      | <b>202</b>      |

Staff costs for the above persons:

|  | 2020<br>£000 | 2019<br>£000 |
|--|--------------|--------------|
| Teaching departments (including Faculty Technicians and other support staff) | 4,729        | 4,540        |
| Teaching support services  | 1,297        | 1,059        |
| Administration and central services  | 1,321        | 1,539        |
| Premises   | 246          | 244          |
| Income Generation Staff  | 100          | 92           |
| Apprenticeship Levy  | 15           | 15           |
| Pension Deficit Charge   | 40           | 59           |
| FRS 102 retirement benefit charge  | 507          | 458          |
| Restructuring costs - Contractual  | 88           | 25           |
| Non-contractual  | 17           | 26           |
| Movement in holiday pay accrual  | 2            | (20)         |
|  | <b>8,362</b> | <b>8,037</b> |
| Wages and salaries   | 6,032        | 5,888        |
| Agency Costs   | 177          | 217          |
| Social security costs  | 552          | 576          |
| Other pension costs  | 1,094        | 898          |
| FRS 102 retirement benefit charge  | 507          | 458          |
|  | <b>8,362</b> | <b>8,037</b> |
| Employment costs for staff on permanent contracts                            | 6,895        | 6,621        |
| Employment costs for staff on short-term and temporary contracts             | 960          | 958          |
| FRS 102 retirement benefit charge  | 507          | 458          |
|  | <b>8,362</b> | <b>8,037</b> |

## 8. 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. .

|                       | 2020<br>£000 | 2019<br>£000 |
|-----------------------|--------------|--------------|
| Salaries              | 259          | 254          |
| Benefits in kind      | 3            | 3            |
| Pension contributions | 54           | 41           |
|                       | <b>316</b>   | <b>290</b>   |

There were no amounts due to key management personnel paid for compensation for loss of office, 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:

|                       | 2020<br>£000 | 2019<br>£000 |
|-----------------------|--------------|--------------|
| Salaries              | 110          | 109          |
| Benefits in kind      | 2            | 2            |
| Sub Total             | <b>112</b>   | <b>111</b>   |
| Pension contributions | 25           | 18           |
|                       | <b>137</b>   | <b>129</b>   |

The accounting officer's enrolments represent multiples of median employee pay as follows:

|   | 2020<br>£000 | 2019<br>£000 |
|---|--------------|--------------|
| Principal and CEO's basic salary as a multiple of the median of all staff       | 4.4          | 4.4          |
| Principal and CEO's total remuneration as a multiple of the median of all staff | 4.4          | 4.5          |

Salary costs for all key management personnel are in line with salary benchmarks for Senior pay as published by the AOC. Pay awards are paid at the same rate as those awarded to other employees.

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                           | 2020                             |    | 2019                             |    |
|---------------------------------|----------------------------------|----|----------------------------------|----|
|                                 | Key management personnel<br>£000 | No | Key management personnel<br>£000 | No |
| £60,001-£65,000<br>Salaries     |                                  |    |                                  |    |
| £65,001-£70,000<br>Salaries     | 68                               | 1  | 65                               | 1  |
| £75,001 - £80,000<br>Salaries   |                                  |    |                                  |    |
| £80,001 - £85,000<br>Salaries   | 82                               | 1  | 81                               | 1  |
| £105,001 - £110,000<br>Salaries |                                  |    |                                  |    |
| £110,001 - £115,000<br>Salaries | 112                              | 1  | 111                              | 1  |
| Total                           | 262                              | 3  | 257                              | 3  |

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

|  | 2020<br>£000 | 2019<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 | -            | -            |
|  | -            | -            |

## 9. OTHER OPERATING EXPENSES

|   | 2020<br>£000 | 2019<br>£000 |
|---|--------------|--------------|
| Teaching departments                                      | 411          | 375          |
| Teaching support services                                 | 108          | 55           |
| Other support services                                    | 319          | 511          |
| Administration and central services                       | 803          | 904          |
| General education expenditure, including examination fees | 651          | 532          |
| Premises costs  | 752          | 906          |
| Sub-contracting   | 423          | 296          |
| Other expenses  | -            | 8            |
|   | <b>3,467</b> | <b>3,637</b> |

|   | 2020<br>£000 | 2019<br>£000 |
|---|--------------|--------------|
| Other operating expenses include:   |              |              |
| <b>Auditor's remuneration</b>   |              |              |
| • Financial Statements Audit  | 22           | 22           |
| • Other services provided by the financial statements auditors in relation to NCfN capital return and sub-contractor assurance letter | 1            | 1            |
| • Internal Audit  | 16           | 20           |
| • Other services provided by the internal auditors  | -            | -            |
| • Hire of other assets – operating leases   | 6            | 27           |
| • Loss on disposal of tangible fixed assets   | -            | 3            |

**10. 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 2019                         | 27,548  | 6,604                     | 34,152                |
| Additions                                | 175   | 261                       | 436                   |
| Disposals                                | -   | (26)                      | (26)                  |
| <b>At 31 July 2020</b>                   | <b>27,723</b>   | <b>6,839</b>              | <b>34,562</b>         |
| <b>Depreciation</b>                      |   |                           |                       |
| At 1 August 2019                         | 5,093   | 5,021                     | 10,114                |
| Charge for period                        | 544   | 474                       | 1,018                 |
| Eliminated on disposals                  | --  | (26)                      | (26)                  |
| <b>At 31 July 2020</b>                   | <b>5,637</b>  | <b>5,469</b>              | <b>11,106</b>         |
| <b>Net Book Value As At 31 July 2020</b> | <b>22,086</b>   | <b>1,370</b>              | <b>23,456</b>         |
| <b>Net Book Value As At 31 July 2019</b> | <b>22,455</b>   | <b>1,583</b>              | <b>24,038</b>         |
| Inherited                                | 366   | -                         | 366                   |
| Financed by capital grant                | 17,245  | 643                       | 17,888                |
| Other                                    | 4,475   | 727                       | 5,202                 |
| <b>Net Book Value As At 31 July 2020</b> | <b>22,086</b>   | <b>1,370</b>              | <b>23,456</b>         |

Land & building additions include capitalised fees and development work over the Heavy Civils Training Facility, including the write-back of some development costs previously written off on Option 1 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

| 2020 | 2019 |
|------|------|
| £    | £    |
| -    | -    |
| -    | -    |
| £-   | £-   |

**11. INTEREST PAYABLE**

|                                   | <i>2020<br/>£000</i> | <i>2019<br/>£000</i> |
|-----------------------------------|----------------------|----------------------|
| <b>Pension finance cost</b>       | 123                  | 65                   |
| <b>Enhanced pension provision</b> | 6                    | 7                    |
| <b>Interest Charges</b>           |                      | -                    |
|                                   | <b>129</b>           | <b>72</b>            |

## 12. INVESTMENT IN JOINT VENTURE

Investment in Joint Venture relates to the College's involvement in the National College for Nuclear (NCfN). The National College was approved by the Secretary of State in March 2017 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. The founding members all share equal voting rights. The NCfN is established to support the national development of skills to meet Nuclear Industry needs

|                              | 2020<br>£000 | 2019<br>£000 |
|------------------------------|--------------|--------------|
| National College for Nuclear | -            | -            |
|                              | -            | -            |

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

|   | 2020<br>£000 | 2019<br>£000 |
|---|--------------|--------------|
| Trade debtors after provision for bad debts             | 240          | 238          |
| Prepayments and accrued income                          | 530          | 515          |
| Amounts owed by the Education and Skills Funding Agency | 259          | 518          |
|   | 1,029        | 1,271        |

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

|   | 2020<br>£000 | 2019<br>£000 |
|---|--------------|--------------|
| Trade creditors                             | 367          | 499          |
| VAT   | 2            | 18           |
| Other taxation and social security          | 120          | 134          |
| Accruals and deferred income                | 538          | 533          |
| Other creditors                             | 336          | 299          |
| Deferred income – government revenue grants | -            | 138          |
| Deferred income – government capital grants | 695          | 635          |
|   | 2,058        | 2,276        |

15. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

|   | 2020<br>£000  | 2019<br>£000  |
|---|---------------|---------------|
| Deferred income – government capital grants | 17,681        | 18,398        |
|   | <b>17,681</b> | <b>18,398</b> |

16. **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**

|   | 2020<br>£000 | 2019<br>£000 |
|---|--------------|--------------|
| <b>Teachers' Pension Scheme: contributions paid</b>               | 591          | 435          |
| Local Government Pension Scheme: Contributions paid               | 463          | 404          |
| FRS 102 (28) charge   | 507          | 458          |
| Lump sum deficit  | 40           | 59           |
| LGPS enhanced pension charge to statement of comprehensive income | 1,011        | 921          |
| <b>Total Pension Costs within staff costs</b>                     | <b>1,601</b> | <b>1,356</b> |

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 2016 for the TPS and 31 March 2019 for the LGPS. Contributions amounting to £123,318. (2019:£109,124) 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' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including Colleges. Membership is automatic for teachers and lecturers. 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.

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.



The pension costs paid to TPS in the year amounted to £591,199 (2019: £434,837)

#### 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 2020 was £592,871 (2019: £603,341) of which employers contributions totalled £441,502 (2019: £463,000) and employees contributions totalled £151,369 (2019: £154,199). 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 2019, updated to 31 July 2020 by a qualified independent actuary. The update has costed in the, as yet uncertain, impact of the McCloud case, estimating additional past service liabilities of £151,000 as at 31<sup>st</sup> July 2019 and additional projected service costs of £29,000 per annum.

|  | At 31 July<br>2020 | At 31 July<br>2018 |
|--|--------------------|--------------------|
| Rate of increase in salaries                       | 3.8%               | 3.7%               |
| Rate of increase for pensions in payment/inflation | 2.4%               | 2.3%               |
| Discount rate for scheme liabilities               | 1.6%               | 2.2%               |
| Inflation assumption (CPI)                         | 2.3%               | 2.3%               |
| 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>2020 | At 31 July<br>2018 |
|----------------------|--------------------|--------------------|
| Retiring today       |                    |                    |
| Males                | 22.6 years         | 23.2 years         |
| Females              | 25.2 years         | 25.8 years         |
| Retiring in 20 years |                    |                    |
| Males                | 24.2 years         | 25.5 years         |
| Females              | 27.1 years         | 28.5 years         |

#### Sensitivity Analysis

|  | At 31 July<br>2020 | At 31 July<br>2018 |
|--|--------------------|--------------------|
| Discount rate +0.1%                    | 27,280             | 19,339             |
| Discount rate -0.1%                    | 28,346             | 20,111             |
| Mortality assumption – 1 year increase | 28,658             | 20,095             |
| Mortality assumption – 1 year decrease | 26,968             | 19,355             |
| CPI rate +0.1%                         | 28,357             | 20,119             |
| CPI rate -0.1%                         | 27,269             | 19,331             |

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

|  | Value at 31<br>July 2020<br>£000 | Value at 31<br>July 2019<br>£000 |
|--|----------------------------------|----------------------------------|
| Equities   | 6,625                            | 8,995                            |
| Government Bonds                                   | 3,687                            | 3,352                            |
| Other Bonds  | 33                               | 1,136                            |
| Property   | 1,016                            | 1,062                            |
| Cash   | 1,787                            | 657                              |
| Other  | 5,766                            | 3,222                            |
| <b>Total fair plan value of assets</b>             | <b>18,809</b>                    | <b>18,024</b>                    |
| Present value of unfunded liabilities              | 27,813                           | 24,403                           |
| <b>Net pension Liability</b>                       | <b>(9,004)</b>                   | <b>(5,779)</b>                   |
| Weighted average expected long term rate of return | 1.6%                             | 2.2%                             |
| Actual return on plan assets                       | (28)                             | 1,276                            |

|  | Year<br>Ended 31<br>July 2020<br>£000 | Year<br>Ended 31<br>July 2019<br>£000 |
|--|---------------------------------------|---------------------------------------|
| <b>Amounts recognised in the statements comprehensive income reflect of the plan</b> |                                       |                                       |
| <b>Amounts included in staff costs</b>   |                                       |                                       |
| Current service costs  | 909                                   | 729                                   |
| <b>Total operating charge</b>  | <b>909</b>                            | <b>729</b>                            |
| <b>Amount involved in investment costs</b>   |                                       |                                       |
| Net interest cost  | 123                                   | 65                                    |
| <b>Pension finance costs</b>   | <b>123</b>                            | <b>65</b>                             |
| <b>Amount recognised in comprehensive income</b>                                     |                                       |                                       |
| Return on plan assets  | (323)                                 | 775                                   |
| Experience gains/(losses) arising on the scheme liabilities                          | (2,235)                               | (3,539)                               |
| <b>Amount recognised in other comprehensive income</b>                               | <b>(2,608)</b>                        | <b>(2,764)</b>                        |

|   |                |                |
|---|----------------|----------------|
| <b>Movement in deficit in year</b>            |                |                |
| (Deficit) in scheme at 1 August               | (5,779)        | (2,492)        |
| <b>Movement in year:</b>                      |                |                |
| Change in basis of valuation of scheme assets |                |                |
| Current service cost                          | (909)          | (729)          |
| Employer contributions                        | 453            | 460            |
| Past service cost                             | (31)           | (151)          |
| Curtailments                                  | -              | (23)           |
| Administration expenses                       | (20)           | (18)           |
| Net interest cost                             | (123)          | (65)           |
| Actuarial ( loss)/gain                        | (2,595)        | (2,764)        |
| <b>(Deficit) in scheme at 31 July</b>         | <b>(9,004)</b> | <b>(5,779)</b> |



|  | Year<br>Ended 31<br>July 2020<br>£000 | Year<br>Ended 31<br>July 2019<br>£000 |
|--|---------------------------------------|---------------------------------------|
| <b>Changes in the present value of defined benefit obligations</b> |                                       |                                       |
| <b>Defined benefit</b>   |                                       |                                       |
| Liabilities at start of period                                     | 24,403                                | 19,725                                |
| Current service cost   | 909                                   | 729                                   |
| Past Service Costs   | 31                                    | 151                                   |
| Interest cost  | 634                                   | 567                                   |
| Employee contributions   | 151                                   | 154                                   |
| Actuarial (gain)/loss  | 2,272                                 | 3,539                                 |
| Benefits (paid)  | (487)                                 | (485)                                 |
| Curtailments   | -                                     | 23                                    |
| <b>Defined benefit Liabilities at end of period</b>                | <b>27,813</b>                         | <b>24,403</b>                         |
| <b>Changes in fair value of plan assets</b>                        |                                       |                                       |
| Fair value of plan Assets at start of period                       | 18,624                                | 17,233                                |
| Change in basis of valuation of scheme assets                      | -                                     | -                                     |
| Interest on plan assets  | 411                                   | 502                                   |
| Return on plan assets  | (323)                                 | 775                                   |
| Administration Expenses  | (20)                                  | (15)                                  |
| Employer contributions   | 453                                   | 460                                   |
| Employee contributions   | 151                                   | 154                                   |
| Benefits paid  | (487)                                 | (485)                                 |
| <b>Fair value of plan Assets at end of period</b>                  | <b>19,809</b>                         | <b>18,624</b>                         |

The estimated value of employer contributions for the year ended 31 July 2021 is £476,000.

#### History of experience gains and losses

|   | 2020   | 2019   | 2018    | 2017    | 2016    |
|---|--------|--------|---------|---------|---------|
| <b>Difference between the expected and actual return on assets:</b> |        |        |         |         |         |
| Amount £000   | 151    | 154    | 155     | (136)   | (3,041) |
| Percentage of scheme liabilities                                    | (0.5%) | (0.6%) | (0.8%)  | (0.7%)  | (16.2%) |
| <b>Experience gains and losses on scheme assets:</b>                |        |        |         |         |         |
| Amount £000   | (323)  | 775    | 760     | 1,285   | 1,007   |
| Percentage of scheme liabilities                                    | 1%     | 4%     | 4%      | 8%      | 7.2%    |
| <b>Total amount recognised in OCI:</b>                              |        |        |         |         |         |
| Amount £000   | 2,595  | 2,764  | (2,066) | (1,122) | 2,034   |
| Percentage of scheme liabilities                                    | 9.3%   | 11.3%  | 10.5%   | 5.6%    | 10.8%   |

**17. PROVISIONS FOR LIABILITIES AND CHARGES**

|  | <b>Pension<br/>Enhancement<br/>Provision<br/>2020<br/>£000</b> | <b>Pension<br/>Enhancement<br/>Provision<br/>2019<br/>£000</b> |
|--|--|--|
| At 1 August 2019                                   | 319  | 306  |
| Expenditure in the period                          | (27)   | (27)   |
| Transferred from statement of comprehensive income | 41   | 40   |
| At 31 July 2020                                    | 333  | 319  |

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:

|                   | <b>2020</b> | <b>2019</b> |
|-------------------|-------------|-------------|
| Interest rate     | 1.3%        | 2.0%        |
| Net interest rate | 2.0%        | 2.2%        |
| Discount rate     | 1.25%       | (0.2%)      |

|                           | <b>Apprenticeship<br/>income<br/>Provision<br/>2020<br/>£000</b> | <b>Apprenticeship<br/>income<br/>Provision<br/>2019<br/>£000</b> |
|---------------------------|--|--|
| At 1 August 2019          | 40   | -  |
| Expenditure in the period | (40)   | 40   |
| At 31 July 2020           | -  | 40   |

The provision relates to 'at risk' apprenticeship income arising from digital payment system and dependence of government funding on employer payment of fees.

## 18. RESERVES

### REVALUATION RESERVE

|                  | 2020<br>£000 | 2019<br>£000 |
|------------------|--------------|--------------|
| At 1 August 2019 | 377          | 377          |
| At 31 July 2020  | 377          | 377          |

### DESIGNATED RESERVES

|   | 2020<br>£000 | 2019<br>£000 |
|---|--------------|--------------|
| Planned Maintenance and Replacement Programme |              |              |
| At 1 August 2019                              | 706          | 800          |
| Movement in designated reserves               | (706)        | (94)         |
| At 31 July 2020                               | -            | 706          |
| 3G Pitch Sink Fund                            |              |              |
| As at 1 August 2019                           | 75           | 50           |
| Movement to designated reserve                | 25           | 25           |
| As at 31 July 2020                            | 100          | 75           |

## 19. MOVEMENT ON GENERAL RESERVES ACCOUNT

|   | 2020<br>£000 | 2019<br>£000 |
|---|--------------|--------------|
| At 1 August 2019  | (244)        | 3,068        |
| Actuarial gain/(loss) on pension schemes  | (2,630)      | (2,796)      |
| Transfers to/from designated reserves   | 681          | 69           |
| Surplus/(Deficit) on continuing operations after depreciation of assets at valuation, exceptional items and tax | (1,073)      | (608)        |
| At 31 July 2020   | (3,266)      | (244)        |
| Balance represented by:   |              |              |
| Pension reserve   | (9,004)      | (5,779)      |
| Income and expenditure account reserve excluding pension reserve  | 5,738        | 5,535        |
| At 31 July 2020   | (3,266)      | (244)        |

## 20. CAPITAL COMMITMENTS

|   | 2020<br>£000 | 2019<br>£000 |
|---|--------------|--------------|
| Capital commitments relate ICT infrastructure in 2019/20 and replacement of the main site boilers in 2018/19. |              |              |
| <b>Capital commitments</b>  |              |              |
| Commitments contracted for at 31 July   | 169          | 208          |
| Authorised but not contracted at 31 July  | -            | -            |
|   | <b>169</b>   | <b>208</b>   |

## 21. FINANCIAL COMMITMENTS

At 31 July 2020 the College had minimum lease payments under non-cancellable operating leases as follows:

|   | Land and<br>buildings<br>2020<br>£000 | Land and<br>buildings<br>2019<br>£000 | Other<br>2020<br>£000 | Other<br>2019<br>£000 |
|---|---------------------------------------|---------------------------------------|-----------------------|-----------------------|
| Expiring within one year                      | -                                     | -                                     | 19                    | 27                    |
| Expiring between two and five years inclusive | -                                     | -                                     | 35                    | -                     |
| Expiring after five years                     | -                                     | -                                     | -                     | -                     |
|   | -                                     | -                                     | 54                    | 27                    |

## 22. 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 National College for Nuclear joint venture vehicle was established in 2017. Related party transactions amount to £2,960 (2019: £2,924), being payment of insurance cover and audit fees for the National College for Nuclear.

In July 2020, the College established a fully owned subsidiary company, Lakes College Enterprises Ltd, as a vehicle to provide services to the College. On 1 August 2020 out-sourced cleaning staff were transferred to this subsidiary company which will provide cleaning services to the college. 3 staff were part seconded to the subsidiary company to manage the company and services. 2 Governors have been appointed to the Board. No transactions were made in 2019/2020.

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

**23. 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.

**24. POST BALANCE SHEET EVENTS**

In November 2020, T-Levels capital funding of £1.4m secured, enabling significant enhancement of the Heavy Civils Training Centre under development for the 2021/22 academic year.



**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   | <sup>1</sup> Date of appointments and reappointments                 | Term of office | Date of Resignation | <sup>2</sup> Attendance at Corporation & Committee Meetings 2018-19 |
|--|--|----------------|---------------------|---|
| <b>Independent</b>   |  |                |                     |   |
| Mr Mike Priestley<br>Chair from 30/01/20<br>Chair, Quality Working Group<br>Safeguarding and Prevent Link Governor<br>Finance and Corporate Working Group Member | 17/10/13<br>26/09/14<br>01/07/17                                     | 4yrs           |                     | Corporation 100%<br>Committees 100%                                 |
| Mr Phil Jardine<br>Vice Chair from 06/02/20<br>Quality Working Group Member<br>Chair, Finance and Corporate Working Group<br>Lakes College Enterprises           | 01/10/12<br>27/06/13<br>30/12/16<br>01/07/17<br>18/08/20             | 4 years        |                     | Corporation 91%<br>Committees 75%                                   |
| Mrs Norma Boyes<br>Chair, Search and Governance Committee<br>Audit Committee Member<br>Remuneration Committee Member<br>SEN Link 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 100%<br>Committees 100%                                 |
| Mrs Elaine Clinton<br>Audit Committee Member<br>Quality Working Group  | 01/03/19<br>01/03/20   | 2.75 yrs       |                     | Corporation 64%<br>Committees 50%                                   |
| Mr Peter Ellwood   | 30/01/20   | 1 yr           |                     | Corporation 100%<br>Committees 100%                                 |
| Ms Beth Gaskell  | 03/10/19<br>02/10/20   | 1 yr<br>3 yrs  |                     | Corporation 73%   |
| Mrs Alison Hampson<br>Quality Working Group Member<br>Remuneration Committee Member  | 01/03/19   | 1 yr           |                     | Corporation 73%<br>Committees 50%                                   |
| Mr Nigel Holliday<br>Remuneration Committee member<br>Finance and Corporate Working Group<br>Lakes College Enterprises   | 01/03/19<br>01/03/20<br>30/09/20                                     | 2.75 yrs       |                     | Corporation 82%<br>Committees 100%                                  |
| Mrs Loren Redmond<br>Finance and Corporate Working Group   | 01/03/19   | 1 yr           | 18/02/20            | Corporation 67%<br>Committees 100%                                  |
| Mrs Denise Rollo<br>Audit Committee Member   | 10/05/18<br>09/05/19   | 2.75 yrs       |                     | Corporation 82%<br>Committees 100%                                  |
| Mr Robert Milburn<br>Chair, Audit Committee from 28/11/18  | 10/05/18<br>09/05/19   | 2.75 years     |                     | Corporation 82%<br>Committees 67%                                   |
| Mr Mark Stanger<br>Finance and Corporate Working Group Member  | 02/07/09<br>01/07/13<br>01/07/17                                     | 4 yrs          | 31/12/19            | Corporation 67%<br>Committees 100%                                  |
| Dr Robin Talbot<br>Quality Working Group Member  | 01/01/10<br>01/01/14<br>01/01/18                                     | 4 yrs          |                     | Corporation 91%<br>Committees 100%                                  |
| Ms Tanya Weston<br>Quality Working Group Member<br>Equality and Diversity Link Governor  | 07/07/16<br>01/07/17<br>01/07/20                                     | 4 yrs          |                     | Corporation 73%<br>Committees 100%                                  |

<sup>1</sup> Appointments are made for one year in the first instance and then three years (equivalent to a four-year term of office).

<sup>2</sup> Remuneration Committee and Quality Working Group met once in 2019-20.

| Category  | Date of appointment and re-appointments  | Term of office | Date of Resignation | Attendance Corporation & Committee Meetings 2018-19 |
|---|--|----------------|---------------------|---|
| <b>Staff</b>  |  |                |                     |   |
| Mr Chris Nattress (Principal)<br>Search and Governance Committee;<br>Cumbria Colleges Ltd Board (dormant);<br>National College for Nuclear – Director & Member Representative<br>Lakes College Enterprises - Director | 01/09/13<br><br>15/03/16<br><br>10/07/20 |                |                     | Corporation 100%<br>Committees 100%                 |
| Mr Stuart Williams<br>Audit Committee Member  | 01/01/18<br>01/01/19                     | 3 yrs          |                     | Corporation 82%<br>Audit 100%                       |
| Amie Calvin<br>Health and Safety Link Governor  | 28/03/19<br>27/03/20                     | 2.75 yrs       |                     | 73%   |
| <b>Student</b>  |  |                |                     |   |
| Leanne Singleton  | 14/11/19                                 | 1 yr           |                     | Corporation 10%                                     |
| Rebecca Dockray   | 12/12/19                                 | 1 yr           |                     | Corporation 86%                                     |
| Brooke Robson   | 10/12/20                                 | 1 yr           |                     | n/a   |
| Aaron McCarthy  | 10/12/20                                 | 1 yr           |                     | n/a   |

#### REPORTING COMMITTEES AT YEAR END:

##### Audit Committee: (5)

R Milburn (Chair)  
N Boyes  
S Williams  
D Rollo  
E Clinton

##### Remuneration: (4)

A Hampson  
N Boyes  
M Priestley  
N Holliday (Chair)

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

N Boyes (Chair)  
M Priestley  
T Weston  
C Nattress

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

M Priestley (Chair)  
T Weston  
R Talbot  
E Clinton  
A Hampson

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

P Jardine (Chair)  
P Ellwood  
M Priestley  
N Holliday

#### 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 13th November 2020 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 2019 to 31 July 2020 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 ESFA 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 ESFA 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 ESFA 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 2019 to 31 July 2020 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 ESFA. 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 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

**Signed:**



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

**14th December 2020**

