

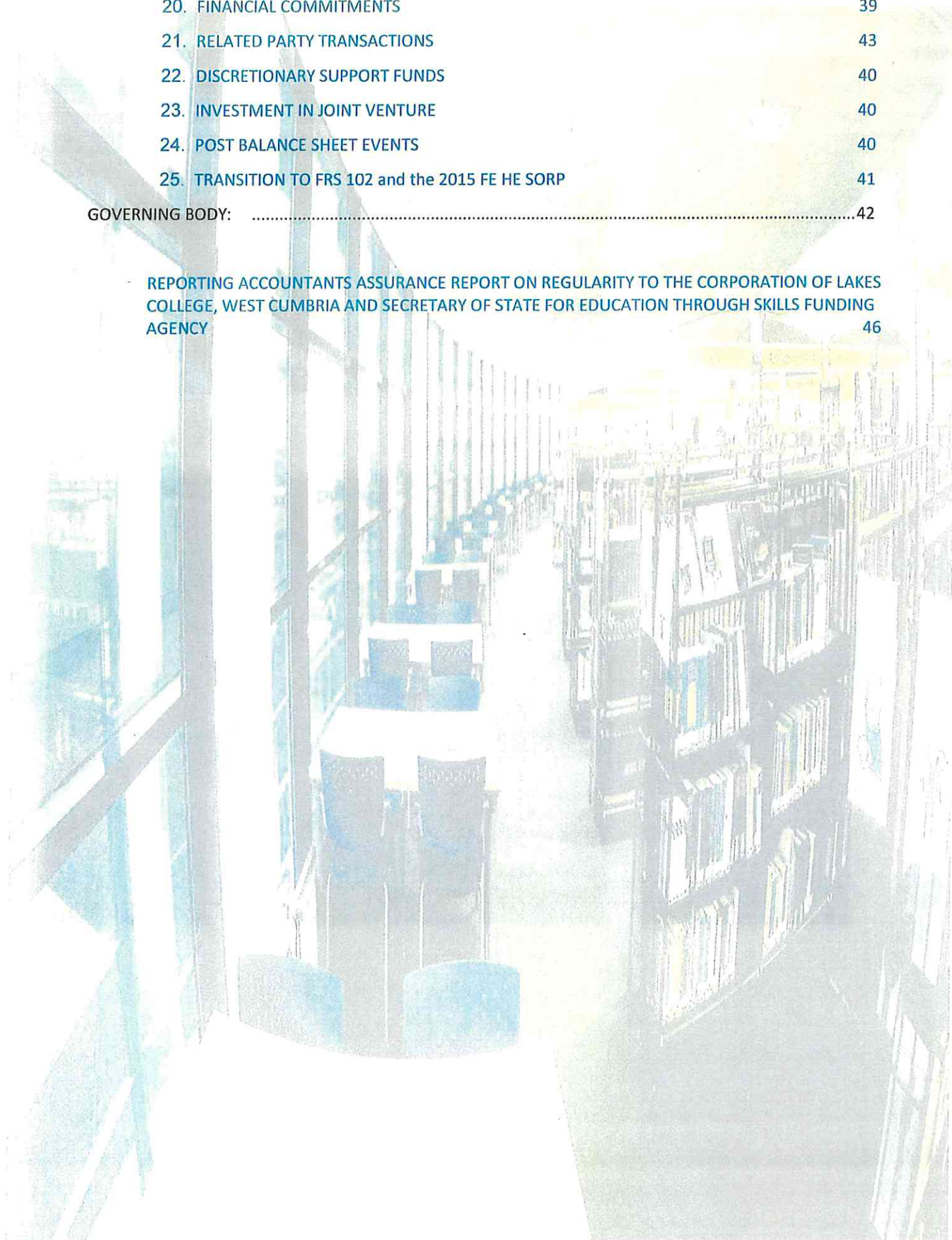
Lakes College
Report and Financial Statements
for the year ended 31 July 2016
www.lcwc.ac.uk



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FINANCIAL HIGHLIGHTS

Statement of Comprehensive Income

Re-stated 2014/15 £000's	%		2015/16 £000's	%
10,759	80	Income	9,404	77
793	6	Funding Body Grants	693	6
1,407	11	Education Contracts	1,489	12
429	3	Tuition Fees and Charges	624	5
11	-	Other Operating Income	11	-
13,399	100	Investment Income	12,221	100
		Expenditure		
7,897	60	Staff Costs	8,205	66
4,262	33	Other Operating Expenses	3,234	26
859	7	Depreciation	911	7
100	-	Interest Payable	98	1
-	-	Loss on disposal of assets	2	-
13,118	100		12,450	100
281		Surplus/(Deficit)	(229)	

Balance Sheet

Re-stated 2015 £000's		2016 £000's
17,980	Non-Current Assets	18,526
-	Investment in Joint Venture	-
4,080	Current Assets	4,269
(1,674)	Current Liabilities	(1,631)
2,406	Net Current Assets	2,638
20,386		21,164
11,751	Creditors due after 1 year	12,562
28	Loans Due After 1 Year	-
2,856	Pension Provision	5,132
5,751		3,470
	Restricted reserves	
377	Revaluation Reserve	377
800	Designated Reserve	800
	Non-restricted reserves	
4,574	Income & Expenditure Reserve	2,293
5,751		3,470

STRATEGIC REPORT

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2016.

Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting West Cumbria College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

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

Mission

The College's mission statement is:

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

Our vision is:

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

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

Implementation of the Strategic Plan

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

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

Objective: Strategic alliances and partnerships

The College strives to serve its local and national community by working in collaboration with key stakeholders, supporting the strategic priorities of the Local Enterprise Partnership (LEP), and working with employers to meet the skills needs of West Cumbria. This is exemplified in our position as a founding member of the National College for Nuclear (NCfN) in partnership with Sellafield Ltd, University of Cumbria, EDF Energy, Bridgewater College and University of Bristol. The NCfN places the College at the centre of national nuclear skills development.

The College works collaboratively with other education and skills providers including the Cumbrian Further Education colleges and University of Cumbria in skills coverage across the county. The College has supported the development of student accommodation facilities at Summergrove for West Cumbria and is a founding member and delivery partner of the Energy Coast University Technical College (UTC). These developments involve close collaboration with other educational institutions operating in West Cumbria.

The Cumbria Area Based Review of Further Education (FE) and Sixth Form College provision commenced in April 2016 and completed its deliberations in September 2016 with a recommendation to merge Lakes and Carlisle Colleges with Carlisle Corporation being dissolved in a type B merger. This recommendation was accepted by the two Corporations, subject to due diligence. However, in November 2017, Carlisle Corporation indicated its intention to progress with a Newcastle College Group merger.

The successful Nurse Cadet scheme continues in partnership with the acute and community health trusts, aimed at supporting progression opportunities to address skills shortfall in the health sector. All university applicants from the first cohort have secured university places.

Outside of the skills and educational sectors, the College supports various community groups including local Big Lottery groups and the Rosehill Theatre development.

STRATEGIC REPORT (continued)

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

The College strives to meet student and employers needs by consistently delivering a high quality experience. National Framework for Excellence satisfaction rating for students was 73% and 99% for employers, the second highest score in the country for FE Colleges and in the top 20 for all providers. Feedback from students and employers in the October 2015 Ofsted inspection survey demonstrated 84% and 95% satisfaction respectively with the College for teaching and learning. The 2016 national Student Survey of HE students returned 97% satisfaction rates, placing Lakes College in the top 10% of HE providers for student satisfaction.

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

In October 2015 a full Ofsted inspection of further education and apprenticeship provision found teaching and learning overall Requires Improvement. Within this judgement, teaching and learning on apprenticeship provision and in practical sessions was found to be Good. Improvement work continues with clear signs of improvement in teaching and learning practice and outcomes for learners.

Expertise in vocational provision has been demonstrated via success in engineering students in World Skills competitions with seven students competing in the November 2015 competition, receiving 1 gold, 1 silver, 1 bronze and 1 highly commended. Another student was selected for the UK 2017 squad to Abu Dhabi. This is the highest showing of any provider in the North West.

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

In October 2015 Ofsted graded class-room based provision to be Requires Improvement and apprenticeship provision as Good.

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

Vocational achievement rates remain above national averages. Pass rates for 16-18 learners increased by 12.8%, although lower retention offset these gains. 19+ learner pass rates increased by 2.9%. English and maths results have improved by 14.3% in English GCSE A-C passes and 8% in maths GCSE A-C passes.

Apprenticeships, a key government priority, were maintained at over 1,400 apprentices in learning.

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

	2013/14	2014/15	2015/16	National Benchmark
16 -18	77.5%	67.2%	73.9%	78.4%
19+	85.3%	87.3%	87.1%	86.4%
Apprenticeships	73.0%	74.4%	71.8%	71.7%

The latest available progressions and destination data indicates, for those who were economically active, 41% of leavers progressed to further education and 46% into paid employment.

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

The College aims to ensure financial strength and resilience in its operations in order to secure a stable and well-resourced college to meet student and employer needs. The College consistently maintains the category of Outstanding financial health as measured by the sector funder and regulator. New measures are now in place and the College remains in the Outstanding financial health category.

The 2015/16 financial results reflect the increasingly challenging operating climate for all FE Colleges with a 9% drop in turnover and a £229,000 deficit after pension finance and benefit charges of £237,000.

STRATEGIC REPORT (continued)

Area Review recommendations for college mergers are in part driven by the imperative to secure larger more financially resilient colleges able to succeed in an increasingly uncertain funding environment. Although the Cumbria Area Based Review's preferred option for Lakes and Carlisle Colleges was for a merger, the Area Based Review did consider that an option for Lakes College could be to stand-alone. The move to apprenticeship levy and increased loan funded provision introduces further funding risks and opportunities.

Financial Performance and Resources

The College experienced a 9% reduction in turnover from £13.399m to £12.221m with £1.35m in reduction in main funding body grants. This has resulted in reduced dependency on EFA and SFA grant income to 70% (2014/15 74%).

Operating cash flow was £0.643m net inflow compared to cash inflow of £1.127m in 2014/15. During the accounting period 1 August 2015 to 31 July 2016, the College paid 97% of its invoices within 30 days, against the Treasury target of 95%.

Available cash reserves (cash plus investments, less bank loan) stand at £3.643m at the balance sheet data (2014/15: £3.194m). These cash balances are after £0.309m investment in fixed assets (net of £1.150m capital grants received). Investment was made in ICT resources in class-rooms and the 3G pitch was completed.

The 5 year £0.5m fixed term loan to support the development of the BEC Construction Skills Centre was cleared in October 2016, leaving the College with no other long-term liabilities.

Investments, cash reserves and borrowing are managed in accordance with the Treasury Management Policy, designed to minimise financial risk in treasury management.

All activities are now consolidated on the main College campus at Lillyhall, as part of the efficiency plan in response to funding reductions.

The staffing establishment increased by 4% in year, with further reductions expected in support functions in future years. Of the 236 FTEs, 50% are delivery staff and a further 25% are directly student facing.

Post Balance Sheet Events

In September 2017, the College and Carlisle College agreed to accept the Area Based Review recommendation to explore a Type B merger with Carlisle College. In November 2017, Carlisle College indicated its intention to explore merger with Newcastle College Group. At the time of approving these financial statements the College does not expect to merge with Carlisle College.

Future Key Developments

At the time of approving these financial statements, the Area Based Review recommendation to merge Lakes and Carlisle Colleges is not being pursued as Carlisle College has indicated its intention to merge with Newcastle College Group. The Area Based Review findings did indicate that Lakes College had the financial strength to stand alone. The upcoming review of the strategic plan will consider options for future partnership work. Involvement in the National College for Nuclear further extends the reach of the College regionally, nationally and internationally. If successful the Local Enterprise Partnership (LEP) funding bid for a Heavy Civils Training Facility will provide significant growth extension of the College curriculum to meet Cumbria's skills requirements.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

1. Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and HEFCE. In 2015/16, 77% (2014/15:80%) of the College's revenue was ultimately public funded and a high level of government funding requirement is expected to continue. The November Comprehensive Spending Review brought further funding cuts with increased shifts to loan agreements, though cuts were not as severe as commentators had forecast. The impact of Brexit on future funding settlements is yet to be determined

The risk is mitigated in a number of ways:

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

2. Ofsted Inspection

A poor Ofsted grade threatens the reputation, growth and development activity for the College. In October 2015 an Ofsted inspection placed the College in the category of Requires Improvement. This places the College at risk of an unsatisfactory grading if the follow-up inspection in the next 12-18 months results in a second Requires Improvement. This risk is being mitigated by:

- Restructuring curriculum management
- Focusing on improving teaching and learning
- Reviewing self-assessment and quality processes to deliver improvements.
- Increasing focus and progress in English and maths provision.
- Externally validating teaching, learning and assessment practice.
- Reviewing tutorial practice.
- Improving inspection readiness planning.
- Improving student progress and progression into employment.
- More clearly linking individual performance management targets to college targets

3. Increasing competition

The development of alternative provision based locally (University of Cumbria, private providers, Energy Coast UTC and Academy schools), represent a risk to the growth strategy of the College, particularly with the continuing declining demographic trend for younger people. This risk is being mitigated by:

- Focussing on growing curriculum areas for which there is increasing demand.
- Increasing apprenticeship provision in line with government priorities.
- Jointly leading the NCfN.
- Efforts to quickly moving back to an Ofsted Good grading.
- Collaborating where opportunities allow.

STRATEGIC REPORT (continued)
PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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

The 2014/15 funding condition requirement to deliver English and maths GCSEs to all 16-18 students whose prior attainment level is a D is a risk in terms of student recruitment, engagement, achievement rates and thereby Ofsted grading. Poor achievement rates in English and maths GCSEs, with the knock on impact on functional skills achievement rates, resulted in poor overall achievement rates for 2014/15 which contributed to a poor OFSTED inspection in October 2015. Actions to improve achievement rates in English and maths include:

- Engaging early with students and parents in English and maths.
- Increasing emphasis on achievement of all elements of the study programme including English and maths.
- Recruiting qualified maths and English tutors.
- Re-structuring co-ordination of maths and English provision.
- Providing additional support services to support student achievement, such as the success hub.
- Increasing focus on evidencing progress in learning.
- Focussing on maths and English at six week review, reviewing attendance and engagement.
- Review of the qualifications delivered.
- Continuing Professional Development (CPD) for staff to improve practice.

5. Staff recruitment

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

- Reviewing staff recruitment, pay policy and structures to provide greater flexibility and opportunities for candidates with appropriate skills.
- Promoting the financial stability of the College in the current funding climate.
- Highlighting the significant investment in West Cumbria in the coming decade.
- Exploring alternative delivery methods and options.
- Increasing focused staff development.

6. Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 102. In line with most public sector pension schemes a pension deficit exists for the College and this has significantly increased in this financial year. The risk is monitored by regular actuarial review and to some extent mitigated by increased pension contributions from employees and employer in line with the maximum recommended from actuarial assumptions.

7. Safeguarding and Prevent Duty

The board has a statutory duty to ensure the safeguarding of students and a new Prevent duty to prevent students from being drawn into extremism. Risks associated with these duties are being mitigated by:

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

STRATEGIC REPORT (continued)

STAKEHOLDER RELATIONSHIPS

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

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

Equal opportunities and employment of disabled persons

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

The College's Single Equality Policy is published on the College's internet site.

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. An equality and diversity plan is published each year and monitored by managers and governors.

DISABILITY STATEMENT

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Act 2001 and 2005, and 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.
- b. The College provides information, advice, and arranges support where necessary for students and staff with disabilities.
- c. There is specialist equipment which the College makes 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.

STRATEGIC REPORT (continued)
DISABILITY STATEMENT (continued)

- e. The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disability. There are a number of student support assistants including specialists who can provide a variety of learning. There is a continuing programme of staff development to ensure the provision of an appropriate specialist support for students who have learning difficulties and/or disabilities.
- f. The College actively works in partnership with organisations and groups in West Cumbria and beyond to help develop access to learning.
- g. Specialist programmes are described in College prospectuses, and achievement and destinations are recorded and published in the standard College format.
- h. Counselling and welfare services are available for all students.
- i. Equality, disability and impact measures targets are set and monitored across the curriculum with review at corporation level.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she 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 15th December 2016 and signed on its behalf by:



Mark Stanger
Chair

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2015 to 31st July 2016 and up to the date of approval of the annual report and financial statements

The College endeavours to conduct its business:

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

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. The Board has adopted and has sought to comply with the Code of Good Governance of English Colleges, which it adopted in July 2015 for implementation in 2015-16. Where it has chosen to deviate from the Code, this is explained under Corporation Performance.

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

The Corporation

The composition of the Corporation during 2015/16 and up to the date of signature of this report is set out on pages 42-44. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation meets at least 8 times a year and is supported by the Audit Committee, Quality Working Group, Search and Governance Committee, and Remuneration Committee. Each committee has terms of reference which have been approved by the Corporation. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website or from the Clerk to the Corporation at:

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

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

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

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

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

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

Appointments to the Corporation

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

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

Corporation Performance

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

External scrutiny has consistently shown over a number of years that governance is at least good and this was upheld again in 2015-16, both through Ofsted inspection and internal audit. 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 and the Energy Coast UTC.

There is regular and timely reporting of financial performance, strategy, curriculum performance, stakeholder engagement, risks and opportunities, in addition to regular reporting of all of its statutory duties, including equality and diversity, safeguarding and Prevent, and health and safety.

The Area Based Review of colleges in Cumbria in 2015-16 has dominated the strategic agenda and the Corporation has met on several occasions to discuss options and take decisions, taking into account the views of external bodies including the Local Enterprise Partnership. The strategic plan, will be revised in 2016-17 for a three year period, informed by the decisions taken as a result of the Area Based Review.

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

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

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

In 2015-16, Governors received regular reports to consider actions arising from the Ofsted inspection of 2015 and have strengthened curriculum membership of the board in response to comments made. They have recently agreed to set up a Quality Working Group to drive further improvement, which will continue to be a key priority for the Governing Body in 2016-17.

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

Governors have consistently demonstrated attendance overall of around the national available benchmarking of 80%. In 2015-16, Lakes College governors showed overall attendance of 79%. There were seven additional Board meetings in 2015-16 (Area Review, Ofsted and National College for Nuclear), bringing a total of 15 Board meetings, instead of the usual 8 Board meetings.

By the nature of the topics under consideration, some of those additional meetings were called at short notice, which had an impact on attendance. Nevertheless, the Search and Governance Committee has considered outturn attendance for 2015-16 and will be making recommendations with respect to attendance issues.

The Board has improved the diversity of its membership this year and, in a merger situation, will be keeping diversity to mind in considering membership of the Board of a merged college. However, the Board continues to have strong views about ensuring that there are adequate skills around the table to do the job in a challenging environment.

One of those challenges is that the College sits in a rural, sparsely populated area, with a dominance of one particular sector. The availability of suitable candidates for Board membership constrains the ability of the Board to comply in full with governance expectations in respect of diversity, in spite of the improvement made in 2015-16.

For similar reasons, a decision has been taken to adopt a general principle of appointment of up to 10 years, comprising a one year initial period followed by up to 3 further periods of 3 years duration each. This is slightly longer than the recommended two terms of four years, in recognition of the limits of the local area. In addition, the Board has reserved the right to appoint for longer, particularly where there is a need for continuity, providing that membership continues to be subject to regular refresh.

Committees

Quality Working Group

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

The working group has been set up to monitor in greater depth the Post Inspection Action Plan and will advise the Board of their findings. It is intended that the remit of this group will be reviewed in line with progress of the Post Inspection Action Plan.

Search and Governance Committee

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

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

Remuneration Committee

Throughout the year ending 31 July 2016, the College's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to determine the remuneration and benefits of the Principal, other senior post-holders and the Clerk; with the exception of any early termination agreements, where the Committee must make recommendations to the Board. Details of remuneration for the year ended 31 July 2016 are set out in note 7 to the financial statements.

Audit Committee

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion,

without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

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

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

Internal Control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Lakes College West Cumbria for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

Lakes College West Cumbria has an internal audit service, which operates in accordance with the requirements of the EFA and SFA's *Joint Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the

recommendation of the Audit Committee. At minimum annually, the annual internal audit report provides the Corporation Board with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

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 receives 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 in their annual report to Corporation and the Principal, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution, and the safeguarding of their assets".

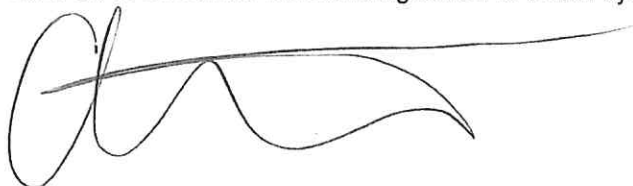
Going Concern

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

Approved by order of the members of the Corporation on 15 December 2016 and signed on its behalf by:



Mark Stanger
Chair



Chris Nattress
Principal

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

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

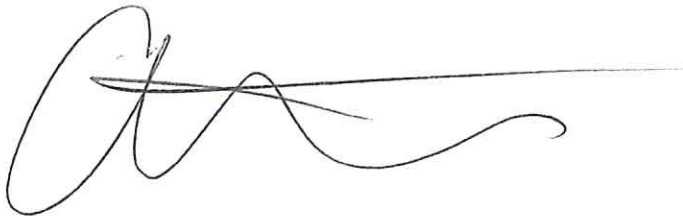
As part of its consideration the Corporation has had due regard to the requirements of the Financial Memorandum.

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

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



Mark Stanger
Chair



Chris Nattress
Principal/Accounting Officer

15 December 2016

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

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

In preparing the financial statements the Corporation is required to:

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

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

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

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

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

Approved by order of the members of the Corporation on 15 December 2016 and signed on its behalf by:



Mark Stanger
Chair

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

We have audited the financial statements ("the financial statements") of Lakes College West Cumbria for the year ended 31 July 2016 set out on pages 18 to 44. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

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.

Respective Responsibilities of the Corporation of Lakes College West Cumbria and Auditor

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 17, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Operational and Financial Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

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 2016 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education

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

Opinion on other matters prescribed by the revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the EFA and the Audit Code of Practice issued by the Learning and Skills Council

In our opinion:

- proper accounting records have been kept; and
- the financial statements are in agreement with the accounting records.



Jean Carroll (Senior Statutory Auditor)
For and on behalf of
Armstrong Watson Audit Limited
Chartered Accountants & Statutory Auditors

16 December 2016