

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For The Year Ended 31 July 2017

Income	Notes	2017 £000	2016 £000
Funding body grants	1	8,767	9,404
Education contracts	2	682	693
Tuition fees and charges	3	1,312	1,489
Other operating income	4	557	624
Investment income	5	6	11
Total Income		11,324	12,221
Expenditure			
Staff costs	6	8,170	8,205
Other operating expenses	8	3,307	3,234
Depreciation	10	918	911
Interest and other finance costs	9	125	98
Total expenditure		12,520	12,448
(Deficit) before other gains and losses		(1,196)	(227)
(Loss) on disposal assets	10	(1)	(2)
(Deficit) before tax		(1,197)	(229)
Taxation		-	-
(Deficit) in the year		(1,197)	(229)
Actuarial gain/(loss) in respect of pension schemes	15/16	1,134	(2,057)
Total comprehensive income for the year		(63)	(2,286)
Represented by:-			
Unrestricted comprehensive income		(63)	(2,286)

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 2017

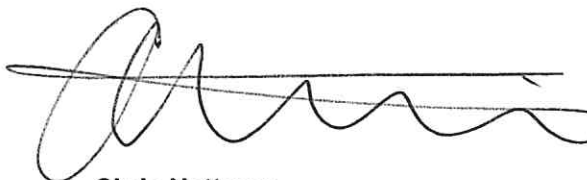
	Notes	Income and expenditure Account	Designated Reserves	Revaluation Reserve	Total
At 31 st July 2016		2,293	800	377	3,470
Actuarial gain on Enhanced Pension Provision		12			12
Actuarial gain on LGPS		1,122			1,122
Deficit from income and expenditure account		(1,197)			(1,197)
At 31 st July 2017	18	2,230	800	377	3,407

BALANCE SHEET
BALANCE SHEET AS AT 31 JULY 2017

	Notes	2017 £000	2016 £000
Non-current assets			
Tangible fixed assets	10	22,570	18,526
Investment in joint venture	11	-	-
Total non-current assets		22,570	18,526
Current assets			
Debtors	12	1,204	602
Investments		1,322	2,016
Cash at bank and in hand		2,121	1,651
Total current assets		4,647	4,269
Creditors: amounts falling due within one year	13	2,462	1,631
Net current assets		2,185	2,638
Total assets less current liabilities		24,755	21,164
Creditors amounts falling due after more than one year	14	16,956	12,562
Defined benefit obligations after provisions	15	4,071	4,785
Provisions	16	321	347
Total net assets		3,407	3,470
Restricted reserves			
Designated reserve	17	800	800
Unrestricted reserve			
Revaluation Reserve	17	377	377
Income and expenditure account	18	2,230	2,293
TOTAL FUNDS		3,407	3,470

The financial statements on pages 18 to 42 were approved by the Governing Body on 14th December 2017 and were signed on its behalf by:


Mark Stanger
Chairman


Chris Nattress
Principal

CASH FLOW STATEMENT
Year Ended 31 July 2017

	2017 £000	2016 £000
Cash flow from operating activities		
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation, exceptional items and before tax	(1,197)	(229)
Depreciation (note 10)	918	911
Deferred capital grants to income (note 1 and 4)	(358)	(324)
Increase/decrease in debtors (note 12)	(602)	153
(Increase/decrease) in creditors and provisions	795	(107)
Pension cost less contributions payable	420	245
Adjustment for investing or finance activities	-	-
Loss on disposal of fixed assets	1	2
Interest receivable (note 5)	(6)	(11)
Interest payable (note 9)	-	3
Net cash (outflows)/inflow from operating activities	(29)	643
Cash flows from investing activities		
Purchase of tangible fixed assets	(4,963)	(1,460)
Sales of tangible fixed assets	-	1
Deferred capital grants received	4,786	1,150
Net cash (outflow) for capital expenditure and financial investment	(177)	(309)
Cash flows from financing activities		
Returns on Investment and servicing of finance		
Investment Income	-	-
Interest received	6	11
Repayment of amount borrowed	(24)	-
Interest paid	-	(3)
Net cash inflow from returns on investments and servicing of finance	(18)	8
Increase in cash and cash equivalents in the year	(224)	342

NOTES TO THE ACCOUNTS

1. FUNDING BODY GRANTS

	2017 £000	2016 £000
ESFA Recurrent grant - adult	1,058	1,419
ESFA Recurrent Grant – 16-18	4,453	5,096
ESFA Recurrent Grant - Apprenticeships	2,146	2,055
HEFCE Recurrent Grant	607	479
Releases of government capital grants	139	125
Other Funds	364	230
	8,767	9,404

2. EDUCATION CONTRACTS

	2017 £000	2016 £000
Local Education Authority	257	237
Other Contracts	425	456
	682	693

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

3. TUITION FEES AND CHARGES

	2017 £000	2016 £000
Further Education	459	465
Higher Education	853	1,024
	1,312	1,489

Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £8,945 (2015/16 : £8,800).

4. OTHER OPERATING INCOME

	2017 £000	2016 £000
Releases from non-government capital grants (non ESFA/HEFCE)	219	199
Other income generating activities	196	147
Other income	142	278
	557	624

5. INVESTMENT INCOME

	2017 £000	2016 £000
Other interest receivable	6	11
	6	11

6. STAFF NUMBERS

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

	2017 Numbers	2016 Numbers
Teaching staff	110	118
Non-teaching staff	107	118
	217	236

Staff costs for the above persons:

	2017 £000	2016 £000
Teaching departments (including Faculty Technicians and other support staff)	4,705	4,784
Non-teaching staff	3,072	2,958
Pension deficit charge	63	58
FRS 102 retirement benefit charge	295	150
Restructuring costs - Contractual	31	203
Non-contractual	11	48
Other Costs	-	16
Movement in holiday pay accrual	(7)	(12)
	8,170	8,205
Wages and salaries	6,196	6,697
Social security costs	615	455
Other pension costs	1,064	903
FRS 102 retirement benefit charge	295	150
	8,170	8,205
Employment costs for staff on permanent contracts	6,991	7,206
Employment costs for staff on short-term and temporary contracts	884	849
FRS 102 retirement benefit charge	295	150
	8,170	8,205

7. EMOLUMENTS OF KEY MANAGEMENT PERSONNEL

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Executive Team which comprises the Principal, Deputy Principal and Assistant Principal.

Key management personnel who received annual emoluments, excluding pension contributions and employer's national insurance but including benefits in kind, in the following ranges was:

	2017 £000	2016 £000
£60,000-£70,000	1	1
£70,001-£80,000	1	2
£80,001-£90,000	-	-
£90,001-£100,000	-	-
£100,001-£110,000	1	1
	3	4

No other staff received annual emoluments in these ranges.

Key personnel compensation is made up as follows:

	2017 £000	2016 £000
Salaries	246	306
Benefits in kind	2	2
Employees NI	31	31
Sub Total	279	339
Pension contributions	39	42
	318	381

Staff costs for key personnel include compensation paid to key management personnel for loss of office in 2015/16.

There were no amounts due to key management personnel that were waived in-year, nor any salary sacrifice schemes in place.

The above emoluments include amounts payable to the Principal (Accounting Officer) (who is also the highest paid officer) of:

	2017 £000	2016 £000
Salaries	107	106
Benefits in kind	1	1
Sub Total	108	107
Pension contributions	18	17
	126	124

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 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

	2017 £000	2016 £000
Compensation paid to former key management personnel.		
Compensation paid to the former post holder	-	23
Estimated value of other contractual benefits, including provisions for pensions	-	7
	-	30

The severance payment in 2016 was approved by the College's remuneration committee.

8. OTHER OPERATING EXPENSES

	2017 £000	2016 £000
Teaching departments	336	356
Teaching support services	45	70
Other support services	328	177
Administration and central services	726	807
General education expenditure	572	655
Premises costs	783	809
Sub-contracting	507	359
Other expenses	10	1
	3,307	3,234

	2017 £000	2016 £000
Other operating expenses include:		
Auditor's remuneration		
• Financial Statements Audit	21	21
• Other services provided by the financial statements auditors in relation to NCfN capital return and sub-contractor assurance letter	1	1
• Internal Audit	16	17
• Other services provided by the internal auditors	-	-
• Hire of other assets – operating leases	15	15
• Loss on disposal of tangible fixed assets	1	2

9. INTEREST PAYABLE

	2017 £000	2016 £000
Pension finance cost	113	87
Enhanced pension provision	12	8
Interest Charges	-	3
	125	98

10. TANGIBLE FIXED ASSETS

	Freehold Land & Buildings £000	Equipment £000	Total £000
Cost or Valuation			
At 1 August 2016	20,743	4,940	25,683
Additions	4,756	207	4,963
Disposals	-	(34)	(34)
At 31 July 2017	25,499	5,113	30,612
Depreciation			
At 1 August 2016	3,582	3,575	7,157
Charge for period	412	506	918
Eliminated on disposals	-	(33)	(33)
At 31 July 2017	3,994	4,048	8,042
Net Book Value As At 31 July 2017	21,505	1,065	22,570
Net Book Value As At 31 July 2016	17,161	1,365	18,526
Inherited	366	-	366
Financed by capital grant	17,125	171	17,296
Other	4,014	894	4,908
Net Book Value As At 31 July 2017	21,505	1,065	22,570

Land and buildings additions includes work on the development of the National College for Nuclear facility fully funded from deferred grants and development costs for the Heavy Civils training facility.

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

2017 £	2016 £
-	-
-	-
£-	£-

11. INVESTMENTS

Investment 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 2016 and is not yet trading.

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

	2017 £000	2016 £000
National College for Nuclear	-	-

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £000	2016 £000
Trade debtors after provision for bad debts	154	138
Prepayments and accrued income	930	360
Amounts owed by the Education and Skills Funding Agency	120	104
	1,204	602

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £000	2016 £000
Bank loans		24
Trade creditors	325	218
VAT	8	9
Other taxation and social security	136	135
Accruals and deferred income	670	383
Other creditors	251	326
Deferred income – government revenue grants	714	212
Deferred income – government capital grants	358	324
	2,462	1,631

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

	2017 £000	2016 £000
Deferred income – government capital grants	16,956	12,562
	16,956	12,562

15. DEFINED BENEFIT OBLIGATIONS

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

Total pension cost for the year

	2017 £000	2016 £000
Teachers' Pension Scheme: contributions paid	505	491
Local Government Pension Scheme: Contributions paid	364	381
FRS 102 (28) charge	295	150
Lump sum deficit	63	58
LGPS enhanced pension charge to statement of comprehensive income	722	589
Total Pension Costs	1,227	1,080

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuations of the schemes were at 31 March 2012 for the TPS and 31 March 2016 for the LGPS. Contributions amounting to £117,756 (2016 £112,252) were payable to the above schemes at 31 July and are included within creditors. An enhanced pension provision in respect of unfunded pensioners' benefits is included in provisions detailed in note 16.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting And Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

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

Valuation Of The Teachers' Pension Scheme

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

- employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%)
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion
- an employer cost cap of 10.9% of pensionable pay
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be readdressed and will be payable from 1 April 2019.

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £505,079 (2016: £490,877)

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 2017 was £581,470 (2016: £591,692) of which employers contributions totalled £427,328 (2016: £438,037) and employees contributions totalled £154,142 (2016: £153,655). The agreed contribution rates for 2015/16 and for future years is 15% for employers; and employees rates are calculated using LGPS – Employee Contributions Procedures.

FRS 102

The following information is based upon a full valuation of the fund at 31 March 2016, updated to 31 July 2017 by a qualified independent actuary.

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	3.7%	3.2%
Rate of increase for pensions in payment/inflation	2.2%	1.8%
Discount rate for scheme liabilities	2.6%	2.5%
Inflation assumption (CPI)	2.2%	1.7%
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 2017	At 31 July 2016
Retiring today		
Males	23.1 years	23.1 years
Females	25.7 years	25.7 years
Retiring in 20 years		
Males	25.4 years	25.9 years
Females	28.4 years	28.9 years

Sensitivity Analysis

	At 31 July 2017	At 31 July 2016
Discount rate +0.01%	19,502	18,395
Discount rate -0.1%	20,282	19,145
Mortality assumption – 1 year increase	20,264	19,115
Mortality assumption – 1 year decrease	19,520	18,425
CPI rate +0.1%	20,288	19,153
CPI rate -0.1%	19,496	18,387

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

	Value at 31 July 2017 £000	Value at 31 July 2016 £000
Equities	7,752	7,048
Government Bonds	2,879	2,741
Other Bonds	1,013	1,021
Property	1,282	1,468
Cash	854	420
Other	2,041	1,287
Total fair plan value of assets	15,821	13,985
Present value of un-funded liabilities	19,892	18,770
Net pension Liability	(4,071)	(4,785)
Weighted average expected long term rate of return	2.5%	3.8%
Actual return on plan assets	1,303	1,478

	Year Ended 31 July 2017 £000	Year Ended 31 July 2016 £000
Amounts recognised in the statements comprehensive income reflect of the plan		
Amounts included in staff costs		
Current service costs	716	555
Total operating charge	716	555
Amount involved in investment costs		
Net interest cost	(113)	(87)
Pension finance costs	(113)	(87)
Amount recognised in comprehensive income		
Return on plan assets	1,258	1,007
Experience losses arising on the scheme liabilities	(136)	(3,041)
Amount recognised in other comprehensive income	1,122	(2,034)

Movement in deficit in year		
(Deficit) in scheme at 1 August	(4,785)	(2,514)
Movement in year:		
Change in basis of valuation of scheme assets		
Current service cost	(716)	(555)
Employer contributions	436	439
Past service cost	-	-
Curtailments	-	(22)
Administration expenses	(15)	(12)
Net interest cost	(113)	(87)
Actuarial (loss)	1,122	(2,034)
(Deficit) in scheme at 31 July	(4,071)	(4,785)

	Year Ended 31 July 2017 £000	Year Ended 31 July 2016 £000
Changes in the present value of defined benefit obligations		
Defined benefit		
Liabilities at start of period	18,770	14,761
Current service cost	716	555
Interest cost	466	558
Employee contributions	152	154
Actuarial (gain)/loss	136	3,041
Benefits (paid)	(348)	(321)
Curtailments	-	22
Defined benefit Liabilities at end of period	19,892	18,770
Changes in fair value of plan assets		
Fair value of plan Assets at start of period	13,985	12,247
Change in basis of valuation of scheme assets	-	-
Interest on plan assets	353	471
Return on plan assets	1,258	1,007
Administration Expenses	(15)	(12)
Employer contributions	436	439
Employee contributions	152	154
Benefits paid	(348)	(321)
Fair value of plan Assets at end of period	15,821	13,985

The estimated value of employer contributions for the year ended 31 July 2018 is £433,000.

History of experience gains and losses

	2017	2016	2015	2014	2013
Difference between the expected and actual return on assets:					
Amount £000	(136)	(3,041)	(1,149)	692	(233)
Percentage of scheme liabilities	(0.7%)	(16.2%)	(7.8%)	5.4%	(1.9%)
Experience gains and losses on scheme assets:					
Amount £000	1,258	1,007	735	(88)	945
Percentage of scheme liabilities	8%	7.2%	6%	0.8%	9.4%
Total amount recognised in SOCI:					
Amount £000	(1,122)	2,034	(414)	604	712
Percentage of scheme liabilities	5.6%	10.8%	2.8%	4.7%	5.7%

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Pension Enhancement Provision	Pension Enhancement Provision
	2017 £000	2016 £000
At 1 August 2016	347	342
Expenditure in the period	(26)	(26)
Charges to Comprehensive Statement of Comprehensive Income:		
Interest charges	12	8
Actuarial (gain)/loss	(12)	23
At 31 July 2017	321	347

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:

	2017	2016
Interest rate	2.3%	2.3%
Net interest rate	1.00%	1.00%
Discount rate	1.3%	1.3%

17. RESERVES

REVALUATION RESERVE

	2017 £000	2016 £000
At 1 August 2016	377	377
At 31 July 2017	377	377

DESIGNATED RESERVES

	2017 £000	2016 £000
At 1 August 2016	800	800
Movement in designated reserves	-	-
At 31 July 2017	800	800

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

18. MOVEMENT ON GENERAL RESERVES ACCOUNT

	2017 £000	2016 £000
At 1 August 2016	2,293	4,579
Actuarial gain/(loss) on pension schemes	1,134	(2,057)
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation, exceptional items and tax	(1,197)	(229)
At 31 July 2017	2,230	2,293
Balance represented by:		
Pension reserve	(4,071)	(4,785)
Income and expenditure account reserve excluding pension reserve	6,301	7,078
At 31 July 2017	2,230	2,293

19. CAPITAL COMMITMENTS

	2017 £000	2016 £000
Capital commitments relate to the capital development of the National College for Nuclear, fully funded by the Education and Skills Funding Agency		
Capital commitments		
Commitments contracted for at 31 July	1,954	213
Authorised but not contracted at 31 July	560	6,438
	2,514	6,651

20. FINANCIAL COMMITMENTS

At 31 July 2017 the College had minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings 2017 £000	Land and buildings 2016 £000	Other 2017 £000	Other 2016 £000
Expiring within one year	-	-	27	15
Expiring between two and five years inclusive	-	-	54	-
Expiring after five years	-	-	-	-
	-	-	81	15

21. RELATED PARTY TRANSACTIONS

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

The Principal of Lakes College West Cumbria is also a director of Energy Coast University Technical College (UTC). The College provides some shared services for the Energy Coast UTC resulting in transactions in year of £83,645 (2016: £122,913). The receivables balance due from Energy Coast UTC as at 31 July 2017 was £32,832 (2016: £38,098)

The College was a founding member of BECCAL Ltd, a company established to provide low cost student accommodation in the area. In July 2017 the College resigned its membership and Director when there was a management buy-out of the facility.

The National College for Nuclear joint venture vehicle was established in the year. Related party transactions amount to £3,880 (2016: £3,862), being payment of insurance cover for the National College for Nuclear.

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

22. INVESTMENT IN JOINT VENTURE

In March 2016 the College entered into a joint venture with Sellafield Ltd, EDF Energy, Bridgwater and Taunton College, University of Bristol and University of Cumbria to form the National College for Nuclear, one of the government's flag-ship national colleges.

23. POST BALANCE SHEET EVENTS

The College suffered a Ransomware attack in August 2017 which disrupted operations in the first half-term of 2017/18. The ransomware disabled College IT systems over the enrolment and start of term period. College processes and the learner experience have been disrupted over this period. The College insurers have confirmed insurance cover for the incident.

GOVERNING BODY:

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

Category and Roles	Date of appointment and re-appointments	¹ Term of office	Date of Resignation	Attendance at Corporation & Committee Meetings 2016/17
Independent				
Mr Joe Holliday Health and Safety Lead Governor	05/07/01 05/12/02 29/06/06 28/01/10 01/01/14	4 yrs		Corporation 86%
Mrs Norma Boyes Chair, Search and Governance Committee; Audit Committee Member; Remuneration Committee Member SEN Lead Governor	09/07/98 06/12/01 15/12/05 28/01/10 01/01/14	4 yrs		Corporation 100% Audit 100% Search & Gov 100% Remuneration 100%
Mr Andrew Oldham Chair of Audit Committee	11/12/08 01/12/12 30/11/16 01/07/17	1.5 yrs		Corporation 86% Audit 100%
Mr Mark Stanger Chair of Corporation Remuneration Committee Member Search and Governance Committee Member Finance and Corporate Working Group from 14/09/17	02/07/09 01/07/13 01/07/17	4 yrs		Corporation 100% Search & Gov 100% Remuneration 100%
Dr Robin Talbot Teaching and Learning Lead Governor Quality Working Group from 22/09/16	01/01/10 01/01/14	4 yrs		Corporation 100% Quality W Group 100%
Mr Les Agnew Chair, Remuneration Committee Search and Governance Committee Member Finance and Corporate Working group from 14/09/17	18/03/10 01/01/14	4 yrs		Corporation 75% Search & Gov 100% Remuneration 100%
Mr Mark Telford Business Development Lead Governor	22/09/11 30/06/15	4 yrs	19/01/17	Corporation 25%
Mr Phil Jardine Quality Working Group Member until 31/07/17 Finance and Corporate Working Group from 14/09/17	01/10/12 27/06/13 30/12/16 01/07/17	3.5 yrs		Corporation 93% Quality W Group 100%
Mrs Claire Madden Remuneration Committee Member Audit Committee Member	18/09/13 16/09/14 01/07/17	4yrs		Corporation 75% Audit 100% Rem Cttee 100%
Mr Mike Muir	11/12/14 10/12/15	3.5 yrs	19/10/2017	Corporation 50%
Mr Mike Priestley Vice Chair from 22/09/16 Chair, Quality Working Group Safeguarding and Prevent Lead Governor	17/10/13 26/09/14 01/07/17	4yrs		Corporation 86% Quality W Group 60%
Mrs Helen Johnson Quality Working Group Member	10/12/15 09/12/16 01/07/17	3.5 yrs		Corporation 63% Quality W group 60%
Ms Tanya Crofts Quality Working Group Member	07/07/16 01/07/17	4 yrs		Corporation 100% Quality W Group 100%
Mr John Dunn Quality Working Group Member from 23/03/17	02/02/17	1 yr		Corporation 100% Quality W Group 100%

¹ The potential for merger in 2015/16 and the start of 2016/17 impacted on the duration of re-appointments, with some governors being re-appointed for a very short period of time. As merger did not reach a conclusion, further, longer re-appointments have been made later in 2016/17.

Category	Date of appointment and re-appointments	Term of office	Date of Resignation	² Attendance Corporation & Committee Meetings 2016/17
Staff				
Mr Chris Nattress (Principal) Search and Governance Committee; Cumbria Colleges Ltd Board (dormant); Energy Coast University Technical College Board - Director; Britain's Energy Coast Campus Accommodation Ltd – Director National College for Nuclear – Director & Member Representative	01/09/13			Corporation 100% Search & Gov 100%
Mrs Sarah Graham Audit Committee Member Equality and Diversity Lead Governor	01/01/10 01/01/14	4yrs		Corporation 63% Audit 100%
Mrs Elizabeth Walker	10/12/15 09/12/16 06/07/17	2.5 yrs		Corporation 75%
Student				
Luke Robertson	17/11/16	0.7 yrs		67%
Andrew Pearce	01/01/17 28/09/17	10 months		25%
Co-opted Member of the Audit Committee				
Ms Sarah Farquhar Co-opted Member of the Audit Committee	15/05/13 26/06/14 24/09/15 28/09/17	10 months		Audit 100%
Co-opted Member of the Finance and Corporate Working Group				
Andrew Fennell	13/11/17	1 yr		

REPORTING COMMITTEES AT YEAR END:

Audit Committee: (5)

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

Remuneration: (4)

*L Agnew (Chair)
C Madden
N Boyes
M Stanger*

Search & Governance: (4)

*N Boyes (Chair)
M Stanger
L Agnew
C Nattress*

Quality Working Group: (5)

*M Priestley (Chair)
T Crofts
H Johnson
P Jardine
R Talbot
J Dunn*

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

11th 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 3rd October 2017 and further to the requirements of the Financial Memorandum with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Lakes College West Cumbria during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice issued by the Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Department has other assurance arrangements in place.

This report is made solely to the corporation of Lakes College West Cumbria and the Department in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Lakes College West Cumbria and the Department those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Lakes College West Cumbria and the Department for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Lakes College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure discussed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Joint Audit Code of Practice issued by the Department. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusion includes:

- A review of the accuracy of the corporation's self-assessment of compliance with regularity and propriety requirements and review of appropriate evidence and documentation.
- Review of expenditure systems for compliance with corporation policy and scheme of delegation.
- Consideration of staff expense claims in line with policy

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

- Review of procedures in respect of government procurement cards.
- Review of corporation minutes.
- Consideration of advisory matters from internal auditors reports.

Conclusion

In the course of our work nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed:



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

15 December 2017

