

Lakes College
Report and Financial Statements
for the year ended 31 July 2021
www.lcwc.ac.uk



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FINANCIAL HIGHLIGHTS

Consolidated Statement of Comprehensive Income

	2020-21		2019-20	
	£000'S	%	£000'S	%
Income				
Funding Body Grants	10,474	87	9,535	80
Education Contracts	391	3	637	6
Tuition Fees and Charges	734	6	1,097	9
Other Contract and Grants	48	-	143	1
Other Operating Income	439	4	483	4
Investment Income	1	-	8	-
	12,087	100	11,903	100
Expenditure				
Staff Costs	7,917	65	8,362	64
Other Operating Expenses	3,152	26	3,467	27
Depreciation	984	8	1,018	8
Interest Payable	144	1	129	1
Loss on disposal of assets	-	-	-	-
	12,197	100	12,976	100
(Deficit)	(110)		(1,073)	

Consolidated Balance Sheet

	2020-21	2019-20
	£000s	£000's
Non-Current Assets		
Investment in Joint Venture	25,177	23,456
	-	-
Current Assets	4,021	2,831
Current Liabilities	(2,343)	(2,058)
Net Current Assets	1,678	773
	26,855	24,229
Creditors due after 1 year	27,886	26,685
Provisions	308	333
Total Net Assets	(1,339)	(2,789)
Restricted reserves		
Revaluation reserve	377	377
Designated reserve	125	100
Non-restricted reserves		
Income & Expenditure	(1,841)	(3,266)
	(1,339)	(2,789)

STRATEGIC REPORT

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2021.

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 pages 54-55.

The Corporation was incorporated on 1st 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

Lakes College has a vision to be an ambitious technical college that enhances the prosperity and prospects of our people and communities.

Our mission and purpose is to enable people to recognise, develop and fulfil their potential.

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 Cumbria Local Enterprise Partnership (CLEP), 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 which can secure professional chartership.

All four Cumbria FE Colleges continue to work collaboratively to support the County's skills needs, the Edge ESF contract historically 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 the summer of 2021, we received confirmation of the success as lead on a Cumbria-wide collaborative bid under the Strategic Development Fund.

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. During 2020-21 we re-secured Matrix, ISO 9001 and Cyber Essentials Plus accreditations and secured the TUC Health and Wellbeing bronze award.

In July 2020 the college established a fully owned subsidiary company, Lakes College Enterprises Ltd, for the immediate purpose of transferring cleaning services to the company. These services were transferred on 1st August 2020 and catering services followed on 1 July 2021.

The College has supported over 600 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 2020 to 31 July 2023 with the following high-level strategic objectives. The first year of the plan was impacted by COVID 19 with on-going disruption which has impacted on on-site learning and growth opportunities, though apprenticeship provision has grown.

Our strategy intent is to enhance the prosperity and prospects of our people and communities by enabling people to recognise their potential. Our Beyond Good agenda secures continuous quality improvement and financial sustainability.



A sample of key targets and in-year performance is detailed in the tables below:

STRATEGIC FOCUS 1

Learners Achieve

Measure	KPI	Out-turn																																																																								
Learners feel safe and are safe	Learner survey results 99%	Autumn 98% Spring 99% Summer 99%																																																																								
TLA	90% Good or Better	92%																																																																								
QAR Outcomes and Value Added <i>Note HE added, not included in QAR therefore target based on 2019/20 out-turn with 1% uplift for retention as no national benchmark available</i>	Upper quartile % <table><tr><th>E&T</th><th>All</th><th>16-18</th><th>19+</th></tr><tr><td>Retention</td><td>94.6%</td><td>92.7%</td><td>96.1%</td></tr><tr><td>Pass</td><td>98.6%</td><td>96.6%</td><td>98.9%</td></tr><tr><td>Achievement</td><td>89.9%</td><td>86.3%</td><td>91.8%</td></tr><tr><td>Value-added (L3)</td><td>3</td><td></td><td></td></tr></table> <table><tr><th>Apprentices hips</th><th>All</th><th>16-18</th><th>19+</th></tr><tr><td>Overall</td><td>73.2%</td><td>86.4%</td><td>91.5%</td></tr></table> <table><tr><th>HE</th><th>Retenti on</th><th>Pass</th><th>Achiev ement</th></tr><tr><td>Overall</td><td>94%</td><td>99%</td><td>92%</td></tr></table>	E&T	All	16-18	19+	Retention	94.6%	92.7%	96.1%	Pass	98.6%	96.6%	98.9%	Achievement	89.9%	86.3%	91.8%	Value-added (L3)	3			Apprentices hips	All	16-18	19+	Overall	73.2%	86.4%	91.5%	HE	Retenti on	Pass	Achiev ement	Overall	94%	99%	92%	Note: In-year data for pass and acheivement rates <table><tr><th>E&T</th><th>All</th><th>16-18</th><th>19+</th></tr><tr><td>Retention</td><td>92.6%</td><td>94.4%</td><td>90.8%</td></tr><tr><td>Pass (In-year)</td><td>94.0%</td><td>91.1%</td><td>97.0%</td></tr><tr><td>Achievement</td><td>87.0%</td><td>86.0%</td><td>88.1%</td></tr><tr><td>Value – added (L3)</td><td>3</td><td></td><td></td></tr></table> <table><tr><th>Apprentices hips</th><th>All</th><th>16-18</th><th>19+</th></tr><tr><td>Overall (In-year)</td><td>71.9%</td><td>68.1%</td><td>73.1%</td></tr></table> <table><tr><th>HE</th><th>Retenti on</th><th>Pass</th><th>Achiev ement</th></tr><tr><td>Overall</td><td>88.8%</td><td>97.2%</td><td>86.3%</td></tr></table>	E&T	All	16-18	19+	Retention	92.6%	94.4%	90.8%	Pass (In-year)	94.0%	91.1%	97.0%	Achievement	87.0%	86.0%	88.1%	Value – added (L3)	3			Apprentices hips	All	16-18	19+	Overall (In-year)	71.9%	68.1%	73.1%	HE	Retenti on	Pass	Achiev ement	Overall	88.8%	97.2%	86.3%
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Learner satisfaction with course	<table><tr><th>Sustain above</th><th>16-19</th><th>HE</th><th>Appre ntices hips</th></tr><tr><td>Overall satisfaction</td><td>96%</td><td>90%</td><td>90%</td></tr><tr><td>Would recommend the course</td><td>95%</td><td>93%</td><td>99%</td></tr><tr><td>In developing digital skills</td><td>90%</td><td>90%</td><td>90%</td></tr></table>	Sustain above	16-19	HE	Appre ntices hips	Overall satisfaction	96%	90%	90%	Would recommend the course	95%	93%	99%	In developing digital skills	90%	90%	90%	<table><tr><th>Sustain above</th><th>16-19</th><th>HE</th><th>Appren ticeshi ps</th></tr><tr><td>Overall satisfaction</td><td>94% A 94% S 93%Su</td><td>89% A 69% S</td><td>93%</td></tr><tr><td>Would recommend the course</td><td>97% A 96% S 92%Su</td><td>95%A. 82% S</td><td>93%</td></tr><tr><td>In developing digital skills</td><td>88% A 89% S 93%Su</td><td></td><td>94%</td></tr></table> A= Autumn S = Spring Su=Summer	Sustain above	16-19	HE	Appren ticeshi ps	Overall satisfaction	94% A 94% S 93%Su	89% A 69% S	93%	Would recommend the course	97% A 96% S 92%Su	95%A. 82% S	93%	In developing digital skills	88% A 89% S 93%Su		94%																																								
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In developing digital skills	88% A 89% S 93%Su		94%																																																																							
Internal Progression rate	E&T: 80% Apprenticeships: 96%	81% 93%																																																																								
Positive sustained destinations	E&T: 80% Apprenticeships: 92%	86% 89%																																																																								

STRATEGIC FOCUS 2

Our offer and services

Measure	KPI		Out-turn	
Recruitment volumes and winning contracts		No.	£000	
	16-19	849	£4,347	
	Adults	969	£969	
	HE	350	£822	
	Apprentices	356	£2,132	
	Contract Income		£190	
Feedback and customer satisfaction rates		No.	Out-turn £000	
	16-19	872	£4,535	
	Adults	1,354	£869	
	HE	393	£753	
	Apprentices	440	£2,671	
	Contract Income		£266	
Feedback and customer satisfaction rates	Parent Satisfaction	98%	93%, positive feedback though a small sample size.	
	Employer Satisfaction	93%	90% employer satisfaction	

STRATEGIC FOCUS 3

Our People

Measure	KPI	Outturn
Investment in CPD	3% of income invested in staff Continuous Professional Development	Estimated £379,191 from core activity alone. Target £306,000 ⁱ
Staff Turnover	Staff turnover <15% Delivery staff turnover in first year < 30%	15.9% All College (15.5% 2019/20 Benchmark 17.4%) 13.4% Delivery Staff 20.8% Teaching Support 23.6% Business Support 29% (2 of 7 new starters left) Benchmark, 30% (AoC)
Sickness absence	<2.4% absence (Sector benchmark 2.4%)	2.77% April YTD (NB, 115 Days due to COVID-19 related absence)
Staff climate	75% report I have opportunity to progress within the college 85% report My views are sought and considered 85% report Communication in the college is effective	York Survey Results 81% report I have opportunity to progress within the college, up 12% (Ranked third of 41 FE Colleges) 92% report My views are sought and considered, up 7% (Ranked fourth of 42 FE Colleges) 76% report Communication in the college is effective, down 2% (Ranked seventh of 45 FE Colleges)
Innovations from staff	£50,000 added value from staff innovations	£86,000 from digital developments.

STRATEGIC FOCUS 4 Our Finances

Measure	KPI	Outturn
Growth in turnover	Achieve £10.9m turnover	£12,087,0 00
Savings in expenditure	Staff costs as a percentage of turnover (excluding sub-contracting) – 70% or less £500,000 (15%) Efficiency savings achieved -non-pay 14 Average Class size	65.3% £465,000 11
Surplus generated as measured by EBITDA (Earnings Before interest, Taxes, Depreciation and Amortisation)	>2.1% EBITDA	7.8%
Financial Health	Good	Outstanding

STRATEGIC REPORT (continued)

Financial Performance and Resources

The College experienced a 1.5% increase in turnover from £11.9m to £12.1m. Dependency on ESFA recurrent grant income has decreased by 1% to 75% (2019-20: 77%). The College generated an operating deficit of £121,000.

Operating cash flow was £3,341,000 net inflow compared to cash outflow of £267,000 in 2019-20.

The impact of COVID has been felt on the ability to deliver to the Adult Education Budget, contributing to a clawback of £195,000 and reduced contract and other income by £234,000. However, full time 16-19 numbers increased by 5% in year and apprenticeships by 19% to offset these shortfalls in income. Government grant to support catch up activity have contributed to additional staffing and resources to support students who may have fallen behind due to an extended period of disrupted learning. Other government support has supported the learners and the college and these are detailed in notes 1 and 4. Additional COVID costs are estimated at £82,453 principally relating to health and safety expenditure, additional learning resources and catering services.

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 £125,000 for a 3G pitch sink fund. As at the balance sheet date, the income and expenditure reserve stands at a negative £1,852,000 in large part due to the increased Local Government Pension Scheme provision of £8.1m (2020: £9m). 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 the financial recovery plan delivering growth, improving financial health, lack of loan financing and improving cash reserves the Corporation considers that accounting basis of Going Concern is appropriate for the foreseeable future.

During the accounting period 1 August 2020 to 31 July 2021, the College paid 92% of its invoices within 30 days, against the Treasury target of 95%. The College incurred no interest charges in respect of late payment this period.

Available cash reserves (cash plus investments, less bank loan) stand at £3m at the balance sheet date (2019-20: £1.8m). These cash balances are after £2,894,000 investment in fixed assets. Investment was made in the Civil Engineering Training Facility, 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 5% after a 1% decrease in the previous year as the college responded to more challenging operating conditions. Of the 189 FTEs, 56% are delivery staff and a further 25% are directly student facing.

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. Development of a regional Civil training facility adjacent to the College campus will further enhance the College offer to develop skills, which meet the County's economic development plans in relation to any nuclear new build and the County infrastructure when it opens in September 2021. In September 2021 the college will deliver on wave 2 T-Levels for Construction, Child-care, Digital and educational pathways from 2020/21 with Engineering pathways following in 2021/22.

In-year, curriculum developments have focussed on T-Levels, the shift to apprenticeship standards, delivering on Level 3 entitlement and National College for Nuclear provision. 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

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 with:

- A new White Paper for FE setting out a long-term radical vision that recognises the role of colleges in driving the success of regional economies and communities with employers, The Plan for Jobs, which includes almost £4 billion 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 £3 billion of funding over the next five years, of which the college has secured £2.6m via the FE Allocation and T-Level capital funds.
- £1.5 billion of capital investment to support the condition improvement and upgrading of the FE estate,

The college financial recovery plan aims to secure growth and financial 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. In 2020/21 we saw 5% growth in 16-18 starts and 19% growth in apprenticeship starts

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 on-going sector, economic and global disruption to daily life and economic outlook. Though we are out of lock-down in summer 2021 the pandemic is far from over and continues to present health and safety, operational and financial risks

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 where able, increasing staff only where growth allows;
- 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 2020/21, 87% (2019-20 80%) 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 represents pressure on public sector finances and therefore funding settlements. 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 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;
- extending geographical reach;
- 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;
- opening the Civil Engineering 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;

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

- Internal audit coverage,
- Monitoring of income against individual contracts;
- 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 financial health grade returned to Good in 2018/19 but back to Requires Improvement in 2019/20 as COVID operating conditions impacted of growth plans. Despite the on-going impact of COVID financial health has returned to Good over 2020/21 as the staffing establishment was reduced and growth secured. We will continue to adapt and manage our financial sustainability, having adapted a financial recovery plan to drive change in our operations.

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 Civil Engineering training facility;
- Extending our market via digital or alternative delivery patterns ;
- Development of wave 2 and 3 T-Levels;
- Bidding for the Sellafield Ltd apprenticeship contract lots;
- 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 and is securing measurable improvements.

This risk is mitigated in a number of ways:

- Beyond Good quality improvement plan ;
- 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.

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

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;
- T-Level offer;
- improving marketing, recruitment and admissions processes;
- increasing apprenticeship provision as a key priority;
- jointly leading the National College for Nuclear;
- bidding for the Sellafield Ltd apprenticeship lots.
- quality improvement activity to support demand;
- collaborating where opportunities allow, including leading on collaborative bids;;
- 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. 2020-21 high grades achievement for condition of funding learners improved for English by 4% to 48% and is above the last national average. For maths GCSE high grades, achievement rates increased by 18% to 50%, also above the last national average. This year's grades were based on the teacher assessment and build in the improved grades achieved in over the period 2018- 2020. Functional skills rates have not demonstrated the same improvement with functional skills English achievements improving to 67%, but remain 15% below last national averages and Maths very low at 9%, 73% below last national averages. 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;
- reviewing the maths and English policy;
- Adapting an iterative and extensive Springboard assessment period to support assessment and development of foundation literacy and numeracy skills.
- 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.

The September 2020 National Audit Office report into the financial sustainability of colleges in England highlighted the difficulty of recruiting when teaching salaries have fallen substantially behind those for schools and industry.

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

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;
- Consideration of staff employment via the subsidiary company to offer a differentiated financial offer of applicants;
- 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

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 1st 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, followed by Catering staff on 1st July 2021. The subsidiary company may be a vehicle to offer further opportunities to mitigate pension liability risks.

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

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

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;
- enhanced insurance cover;
- 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;
- 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, Secondary Western Heads, primary schools;
- University of Cumbria and UCLAN;
- professional bodies.

CARBON REPORTING

The intensity measurement recommended for the sector is total gross emissions in metric tonnes CO₂e per staff member. The intensity measurement for Lakes College is 2.49 tonnes CO₂e per member of staff.

Measures taken to improve energy efficiency:

- We have replaced the boilers in the main college building with more energy efficient ones and continue to upgrade lighting across college with LED lighting on a rolling basis.
- Mixed recycling bins are in place and integrated across all classrooms, large offices and the LRC. Promotion of recycling across college continues.
- Implementing the environmental management system ISO 14001 has been included in the college 2020-2023 strategic plan.

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

	2021	2020
	Women's earnings	Women's earnings
Median gender pay gap in hourly pay	33% lower	32% lower
Mean gender pay gap in hourly pay	17% lower	17% lower

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

Quartile	% Women	% Men
Lower	81% (0%)	81% (+4%)
Lower Middle	76% (1%)	77% (-15%)
Upper Middle	57% (-8%)	65% (+9%)
Upper	53% (13%)	40% (-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 (1)	1 (1)

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

Total cost of facility time	£1,650(£1,937)
Total Pay Bill	£7,788,602.(£8,362,000)
Percentage of total pay bill spent on facility time	0.02% (0.02%)
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 9th December 2021 and signed on its behalf by:



Mike Priestley

Chair
9 December 2021

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 2020 to 31st July 2021 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. 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 2020/21, and up to the date of signature of this report, is set out on pages 54-55. This also includes membership of working groups and committees, together with individual attendance figures. Biographies of the members of the Corporation are published on the website (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, as are 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 takes account of performance, and is 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 1:4.1.

Expenses paid to Governors has related to expenditure for childcare of £66.40 in 2020-21 (2019/20: £216.93).

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 2020-21, the Corporation met on 8 occasions (2019/20: 11). The Corporation continued to pay particular attention to staff and student well-being, and outcomes for students during the pandemic, and welcomed a student governor report summarising student experience of learning in the course of the year.

Formal agendas, papers and reports are supplied to governors in a timely manner (through electronic issue), 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 give 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, safeguarding and prevent, and environmental 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, there is 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), informed by the risk register, strategic and operational development and the three year audit plan, with the Audit Committee providing robust scrutiny of the ensuing reports.

The Audit Committee receives an Annual Report from the Internal Auditor, 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. The Audit Committee met four times in 2020-21 with 100% attendance of all members at each meeting.

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 judged to be good. With respect to the most recent governance audit carried out in 2021, the internal auditor was able to give substantial assurance, which echoed the good grading for Governance by Ofsted at their 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;
- to work with the Local Enterprise Partnership in the provision of enhanced civil engineering training centre for the region;
- Lead on various College collaboration developments;
- T-Level provision for waves 2 and 3.

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. In addition, it regularly receives updates in respect of strategy, curriculum and finance, national and local policy developments, and reviews KPIs at each meeting. Performance in respect of Safeguarding and Prevent, Health and Safety, Equality and Diversity are regularly reported.

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 2020/21, Governors have achieved an overall attendance rate of 89% (2019/20: 82%), slightly above national benchmarking of 87.79%. Within that figure, Board attendance was 86% (2019/20:79.5%), above college targets, an increase of 6% 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 55% of independent membership, and the Board as a whole, including staff student governors, 50% in 2020/21.

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.

Although two new independent Governors were welcomed to the Board in 2019/20, vacancies which arose in 2020/21 were not filled in-year. It was noted by Governors that smaller meetings worked better online (although they have been keen to return to site) and delayed filling the vacancies accordingly. One vacancy was filled early in 2021/22. In filling vacancies, the Search and Governance (and the Board) has due regard to the overall skills mix of the Board.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

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 vacancies.

Committees

Quality Working Group

The Quality Improvement Working Group comprised five members in 2020-21, increased to six members in 2021-22, 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 and in 2021-22 will focus on self-assessment and the CIP.

Search and Governance Committee

The Search and Governance Committee comprised four members of the Corporation in 2020/21, increased to five in 2021/22. 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. In 2020/21, it discussed and agreed, and the Corporation approved, an additional responsibility for providing an 'independent view' of governance, akin to the role discussed in the Higher Education Code of Good Governance.

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 2021 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 at least 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 risk and whistle-blowing policies, fraud and bribery and anti-corruption and financial regulations.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

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, business development and efficiency and effectiveness as an advisory group to the Corporation.

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 2021 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 2021 and up to the date of approval of the annual report and accounts. This process and the risk register 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;

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

- 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 shaped by 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 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.

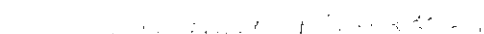
The senior management team receive reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and 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.

In its annual report, the Audit Committee has provided assurance to the Corporation in the following statement: "Having considered reports by the College's Internal and Financial Statements Auditors, as far as the information tabled to the Committee can allow a judgment to be reached, the Audit Committee is of the opinion that the College's systems have been managed to a reasonable standard and that the Corporation can rely upon the adequacy and effectiveness of the College's internal control systems, subject to the implementation of the recommendations referred to within the various reports."

Based on this advice from the Audit Committee, and advice from 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 9th December 2021 and signed on its behalf by:



Mike Priestley
Chair



Chris Nattress
Principal/Accounting Officer

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE:

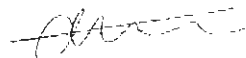
The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA), and the Office for Students (OfS), of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the corporation's grant funding agreements and contracts 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 able 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

9th December 2021

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 and OfS's accounts direction 2020/21 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.

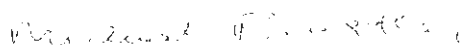
The Corporation is also required to prepare a Members' Report, which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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 9th December 2021 and signed on its behalf by:



Mike Priestley
Chair

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF LAKES COLLEGE

We have audited the group financial statements of Lakes College for the year ended 31 July 2021 which comprise the Consolidated and College Statement of financial activities incorporating income and expenditure account, the Consolidated and College Balance sheet, the Consolidated and College 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 2019 and the College Accounts Direction 2020 to 2021 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 Group and College's affairs as at 31 July 2021 and of the Group and 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 2020 to 2021 issued by the Education and Skills Funding Agency.

BASIS OF OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Corporation's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Governors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF LAKES COLLEGE (CONTINUED)

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.

Opinion on other matters prescribed by the Office for Students' Accounts Direction

In our opinion, in all material respects:

- funds from whatever source administered by the college for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of our knowledge and understanding of the Group and the College and their 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 returns adequate for our audit have not been received from branches not visited by us
- the College 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.

We have nothing to report in respect of the following matters where the Office for Students; accounts direction requires us to report to you if:

- * the College's grant and fee income, as disclosed in the notes to the accounts, has been materially misstated.
- * the College's expenditure on access and participation activities for the financial year has been materially misstated.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of

irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the responsible individual ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Corporation through discussions with Governors and other management;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management;
- identified laws and regulations were communicated within the audit team regularly and the team
- remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Corporation's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures as a risk assessment tool to identify any unusual or unexpected relationships; and
- tested journal entries to identify unusual transactions; and
- tested the operating effectiveness of key controls over purchase cycles on a sample basis; and
- reviewed the application of accounting policies including the application of capitalisation of tangible assets, and timing of recognition of grant income; and
- Considered during our work on regularity, propriety and compliance.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation; and
- enquiring of management as to actual and potential litigation and claims.

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



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

Date: 9 December 2021

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 have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2020 to 2021 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The college is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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.

Basis of consolidation

The consolidated financial statements include the college and its subsidiary, Lakes College Enterprises Ltd, controlled by the group. Control is achieved where the group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of the subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation.

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, significant qualification reform, post-BREXIT and COVID economic recession, 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

In 2019/20, the increase in the LGPS liability to £9.0m moved the college to a negative balance sheet position. That liability has decreased to £8.1m resulting in a negative balance sheet of £1.4m. 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.

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

Further mitigating actions to manage the liability are being taken by the establishment of a fully owned subsidiary company, Lakes College Enterprises Ltd, as a vehicle to limit the generation of additional liabilities where possible.

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 not considered a material risk to the going concern of the college over the medium term.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Future Operations

Government education policy and qualification reform indicate that the college is well placed to meet government priorities in regard to technical education and employer engagement.

The college has made a deficit in the year of £0.1m (2020 £1.1m) before the actuarial movement on the pension scheme, and a total surplus of £1.4m (2020 deficit £3.7m) including the pensions movement.

The college has net current assets of £1.7m (2020 £0.8m) and total deficit on reserves of £1.4m (2020 £2.8m).

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 £9.5m (2020 £6.2m), 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.

In addition, within current liabilities there is £0.7m (2020 £0.7m) 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 £2.4m (2020 £1.5m) 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 £2.9m as at 31 July 2021, 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.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Agency Arrangements

The College acts as an agent in the collection and payment of discretionary support related funds and bursaries received from funding and other bodies. Subsequent disbursements to students are excluded from the Statement of Comprehensive Income where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction. In this case payments received and disbursed would be shown separately, except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant. Any funds held are within creditor balances.

Post Retirement Benefits

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

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

The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus as part of staff costs incurred. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs and recognised in the statement of comprehensive income. Actuarial gains and losses are recognised in recognised gains and losses.

Short Term Employment Benefits

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

Enhanced Pensions

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

Non-Current Assets - Tangible Fixed Assets

a. Land and Buildings

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

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

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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 2021. They are not depreciated until they are brought into use. Any associated grants related to these assets are not released until the asset is brought into use.

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

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

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

b. Equipment

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

All equipment is depreciated on a straight line basis, over its useful economic life as follows:

General Equipment:	5 years
Computer Equipment:	3 (historic) 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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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.

Liquid Resources

Cash and cash equivalents 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 2021. 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 2021

	Notes	College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 Group
Funding body grants	1	10,474	10,474	9,535	9,535
Education contracts	2	391	391	637	637
Tuition fees and charges	3	734	734	1,097	1,097
Other Contracts and Grants	4	48	48	143	143
Other operating income	5	439	439	483	483
Investment income	6	1	1	8	8
Total Income		12,087	12,087	11,903	11,903
Expenditure					
Staff costs	7	7,789	7,917	8,362	8,362
Other operating expenses	9	3,293	3,152	3,467	3,467
Depreciation	10	982	984	1,018	1,018
Interest and other finance costs	11	144	144	129	129
Total expenditure		12,209	12,197	12,976	12,976
Surplus/(Deficit) before other gains and losses		(121)	(110)	(1,073)	(1,073)
(Loss) on disposal assets	9	-	-	-	-
Surplus/(Deficit) before tax		(121)	(110)	(1,073)	(1,073)
Taxation				-	-
Surplus/(Deficit) in the year		(121)	(110)	(1,073)	(1,073)
Actuarial gain/(loss) in respect of pension schemes	16/17	1,560	1,560	(2,630)	(2,630)
Total comprehensive income for the year		1,439	1,450	(3,703)	(3,703)
Represented by:-					
Unrestricted comprehensive income		1,439	1,450	(3,703)	(3,703)

The income and expenditure account is in respect of continuing activities. There were no operations that were acquired or discontinued during the year. The subsidiary Lakes College Enterprises Ltd commenced trading.

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES

For The Year Ended 31 July 2021

	Notes	Income and expenditure Account	3G Pitch Sink Fund	Revaluation Reserve	Total
Group					
At 31 st July 2020		(3,266)	100	377	(2,789)
Actuarial gain/(loss) on pension schemes		1,560			1,560
Deficit from income and expenditure account		(110)			(110)
Transfers to designated reserves		(25)	25		--
At 31 st July 2021	19/20	(1,841)	125	377	(1,339)
College					
At 31 st July 2020		(3,266)	100	377	(2,789)
Actuarial gain/(loss) on pension schemes		1,560			1,560
Deficit from income and expenditure account		(121)			(121)
Transfers to designated reserves		(25)	25		--
At 31 st July 2021	19/20	(1,852)	125	377	(1,350)

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

BALANCE SHEETS AS AT 31 JULY 2021

	Notes	College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000
Non-current assets					
Tangible fixed assets	10	25,168	25,177	23,456	23,456
Investment in joint venture	12	-	-	-	-
Total non-current assets		25,168	25,177	23,456	23,456
Current assets					
Debtors	13	1,035	1,035	1,029	1,029
Investments		968	968	968	968
Cash at bank and in hand		2,000	2,018	834	834
Total current assets		4,003	4,021	2,831	2,831
Creditors: amounts falling due within one year	14	(2,327)	(2,343)	(2,058)	(2,058)
Net current assets		1,676	1,678	773	773
Total assets less current liabilities		26,844	26,855	24,229	24,229
Creditors amounts falling due after more than one year	15	(19,748)	(19,748)	(17,681)	(17,681)
Defined benefit obligations after provisions	16	(8,138)	(8,138)	(9,004)	(9,004)
Provisions	17	(308)	(308)	(333)	(333)
Total net assets		(1,350)	(1,339)	2,789	(2,789)
Restricted reserves					
Designated reserve	18	125	125	100	100
Unrestricted reserve					
Revaluation Reserve	18	377	377	377	377
Income and expenditure account	19	(1,852)	(1,841)	(3,266)	(3,266)
TOTAL FUNDS		(1,350)	(1,339)	(2,789)	(2,789)

The financial statements on pages 28 to 55 were approved by the Governing Body on 9th December 2021 and were signed on its behalf by:

Michael Priestley

Chris Nattress

Mike Priestley
Chairman

Chris Nattress
Principal

CONSOLIDATED STATEMENTS OF CASH FLOWS
Year Ended 31 July 2021

	College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000
Cash flow from operating activities				
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation, exceptional items and before tax	(121)	(110)	(1,073)	(1,073)
Depreciation (note 10)	982	984	1,018	1,018
Deferred capital grants to income (note 1 and 5)	(711)	(711)	(695)	(695)
(Increase)/decrease in debtors (note 13)	(6)	(10)	242	242
Increase/(decrease) in creditors and provisions (note 14, 15 and 17)	2,502	2,518	(387)	(387)
Pension cost less contributions payable	696	696	636	636
Adjustment for investing or finance activities				
Loss on disposal of fixed assets	-	-	-	-
Interest receivable (note 6)	(1)	(1)	(8)	(8)
Interest payable (note 11)	-	-	-	-
Net cash inflow/(outflow) from operating activities	3,341	3,366	(267)	(267)
Cash flows from investing activities				
Purchase of tangible fixed assets	(2,694)	(2,705)	(436)	(436)
Sales of tangible fixed assets	-	-	-	-
Deferred capital grants received	518	518	80	80
Net cash inflow/(outflow) for capital expenditure and financial investment	(2,176)	(2,187)	(356)	(356)
Cash flows from financing activities				
Returns on Investment and servicing of finance				
Investment Income	-	-	-	-
Interest received	1	1	8	8
Repayment of amount borrowed	-	-	-	-
Interest paid	-	-	-	-
Net cash inflow from returns on investments and servicing of finance	1	1	8	8
Increase/ (Decrease) in cash and cash equivalents in the year	1,166	1,180	(615)	(615)

NOTES TO THE ACCOUNTS

1. FUNDING BODY GRANTS

	College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000
ESFA Recurrent grant - adult	901	901	1,062	1,062
ESFA Recurrent Grant – 16-18:	4,962	4,962	4,552	4,552
ESFA Recurrent Grant - Apprenticeships	2,671	2,671	2,360	2,360
OFS Recurrent Grant	331	331	348	348
Releases of government capital grants	405	405	384	384
Other Funds	1,204	1,204	829	829
	10,474	10,474	9,535	9,535

Within the above analysis, the following grant supported learning under COVID.

	College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000
ESFA High Value Courses for School and College Leavers	41	41	-	-
ESFA COVID Mass Testing Funding	28	28	-	-
ESFA National Tuition Fund	138	138	-	-
COVID Skills Offer Programme	33	33	-	-
	240	240	-	-

2. EDUCATION CONTRACTS

	College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000
Local Education Authority	125	125	231	31
Other Contracts	266	266	406	406
	391	391	637	637

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

3. TUITION FEES AND CHARGES

	College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000
Adult Education Fees	178	178	399	399
Apprenticeship fees and contracts	34	34	23	23
Higher Education	522	522	675	675
	734	734	1,097	1,097

Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £475 (2020 £0)

4. OTHER CONTRACTS AND GRANTS

Coronavirus Job Retention Scheme

College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000
48	48	143	143
48	48	143	143

The corporation furloughed ActivZone, facilities, technician and business support staff under the Government's Coronavirus Job Retention Scheme in the year. The funding received in respect of 45 staff (2020:45) relates to staff costs, which are included within the staff costs note 7.

5. OTHER OPERATING INCOME

Releases from non-government capital grants (non ESFA/OFS)
Other income generating activities
Other income

College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000
306	306	311	311
51	51	145	145
82	82	27	27
439	439	483	483

6. INVESTMENT INCOME

Other interest receivable

College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000
1	1	8	8
1	1	8	8

7. STAFF COSTS

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

	College 021 Numbers	Group 2021 Numbers	College 2020 Numbers	Group 2020 Numbers
Teaching departments	105	105	107	107
Teaching support services	48	48	50	50
Administration and central services	26	26	30	30
Premises	7	22	8	8
Income Generation	3	5	5	5
	189	206	200	200

Staff costs for the above persons:

	College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000
Teaching departments (including Faculty Technicians and other support staff)	4,446	4,446	4,729	4,729
Teaching support services	1,268	1,268	1,297	1,297
Administration and central services	1,228	1,241	1,321	1,321
Premises	212	327	246	246
Income Generation Staff	61	61	100	100
Apprenticeship Levy	13	13	15	15
Pension Deficit Charge	-	-	40	40
FRS 102 retirement benefit charge	552	552	507	507
Restructuring costs - Contractual	-	-	88	88
Non-contractual	-	-	17	17
Movement in holiday pay accrual	(3)	(3)	2	2
Other	12	12	-	-
	7,789	7,917	8,362	8,362
Wages and salaries	5,497	5,621	6,032	6,032
Agency Costs	168	168	177	177
Social security costs	492	495	552	552
Other pension costs	1,080	1,081	1,094	1,094
FRS 102 retirement benefit charge	552	552	507	507
	7,789	7,717	8,362	8,362
Employment costs for staff on permanent contracts	6,469	6,597	6,895	6,895
Employment costs for staff on short-term and temporary contracts	768	768	960	960
FRS 102 retirement benefit charge	552	552	507	507
	7,789	7,789	8,362	8,362

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.

	College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000
Salaries	262	262	259	259
Benefits in kind	4	4	3	3
Pension contributions	58	58	54	54
	324	324	316	316

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:

	College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000
Salaries	111	111	110	110
Benefits in kind	2	2	2	2
Sub Total	113	113	112	112
Pension contributions	26	26	25	25
	139	139	137	137

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

	College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000
Principal and CEO's basic salary as a multiple of the median of all staff	4.4	4.4	4.4	4.4
Principal and CEO's total remuneration as a multiple of the median of all staff	4.4	4.4	4.4	4.4

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:

College and Group

Range	2021		2020	
	Key management personnel £000	No	Key management personnel £000	No
£60,001-£65,000 Salaries				
£65,001-£70,000 Salaries and Benefits in Kind	69	1	68	1
£75,001 - £80,000 Salaries and Benefits in Kind				
£80,001 - £85,000 Salaries and Benefits in Kind	84	1	82	1
£105,001 - £110,000 Salaries and Benefits in Kind				
£110,001 - £115,000 Salaries and Benefits in Kind	113	1	112	1
Total	266	3	262	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

	2021 £000	2021 Group	2020 £000	2020 Group
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

	College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000
Teaching departments	345	345	411	411
Teaching support services	137	137	108	108
Other support services	472	472	432	432
Administration and central services	813	813	803	803
General education expenditure, including examination fees	538	538	538	538
Premises costs	791	650	752	752
Sub-contracting	176	176	423	423
Other expenses	21	21	-	-
	3,293	3,152	3,467	3,467

	College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000
Other operating expenses include:				
Auditor's remuneration				
• Financial Statements Audit	22	22	22	22
• Other services provided by the financial statements auditors in relation to pension return and sub-contractor assurance letter	1	1	1	1
• Internal Audit	16	16	16	16
• Other services provided by the internal auditors	-	-	-	-
Hire of other assets – operating leases	13	13	6	6
Loss on disposal of tangible fixed assets	-	-	-	-

10. TANGIBLE FIXED ASSETS

Group

	<i>Freehold Land & Buildings £000</i>	<i>Equipment £000</i>	<i>Total £000</i>
Cost or Valuation			
At 1 August 2020	27,723	6,839	34,562
Additions	2,289	417	2,705
Disposals	-	(73)	(73)
At 31 July 2021	30,012	7,183	37,195
Depreciation			
At 1 August 2020	5,637	5,469	11,106
Charge for period	523	462	985
Eliminated on disposals	-	(73)	(73)
At 31 July 2021	6,160	5,858	12,018
Net Book Value As At 31 July 2021	23,852	1,325	25,177
Net Book Value As At 31 July 2020	22,086	1,370	23,456
Inherited	366	-	366
Financed by capital grant	19,107	646	19,753
Other	4,379	679	5,058
Net Book Value As At 31 July 2021	23,852	1,325	25,177

College only

	<i>Freehold Land & Buildings £000</i>	<i>Equipment £000</i>	<i>Total £000</i>
Cost or Valuation			
At 1 August 2020	27,723	6,839	34,562
Additions	2,289	405	2,694
Disposals	-	(73)	(73)
At 31 July 2021	30,012	7,171	37,183
Depreciation			
At 1 August 2020	5,637	5,469	11,106
Charge for period	523	459	982
Eliminated on disposals	-	(73)	(73)
At 31 July 2021	6,160	5,855	12,015
Net Book Value As At 31 July 2021	23,852	1,316	25,168
Net Book Value As At 31 July 2020	22,086	1,370	23,456
Inherited	366	-	366
Financed by capital grant	19,107	853	20,387
Other	4,379	463	2,649
Net Book Value As At 31 July 2021	23,852	1,316	25,168

Land & building additions include capitalised fees and development work for the Civil Engineering Training Centre due to open in September 2021.

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

2021

£

-

-

£-

2020

£

-

-

£-

11. INTEREST PAYABLE

	College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000
Pension finance cost	140	140	123	123
Enhanced pension provision	4	4	6	6
Interest Charges			-	-
	144	144	129	129

12. UNLISTED INVESTMENTS

This 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 and commenced activity in the academic year 2017/18.

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

	College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000
National College for Nuclear	-	-	-	-

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000
Trade debtors after provision for bad debts	242	242	240	240
Prepayments and accrued income	382	386	530	530
Amounts owed by the Education and Skills Funding Agency	411	411	259	259
	1,035	1,039	1,029	1,029

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000
Trade creditors	366	381	367	367
VAT	7	7	2	2
Other taxation and social security	128	129	120	120
Accruals and deferred income	565	565	538	538
Other creditors	365	365	336	336
Deferred income – government revenue grants	185	185	-	-
Deferred income – government capital grants	711	711	695	695
	2,327	2,343	2,058	2,058

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

	College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000
Deferred income – government capital grants	19,748	19,748	17,681	17,681
	19,748	19,748	17,681	17,681

16. DEFINED BENEFIT OBLIGATIONS

Group and College

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

	College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000p
Teachers' Pension Scheme: contributions paid	640	640	591	591
Local Government Pension Scheme: Contributions paid	440	440	463	463
FRS 102 (28) charge	552	552	507	507
Lump sum deficit	-	-	40	40
LGPS enhanced pension charge to statement of comprehensive income			1,011	1,011
Total Pension Costs within staff costs	1,632	1,632	1,601	1,601

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 £128,460. (2020:£123,318) 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 17.

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 and 2020-21 academic years.

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 £639,652 (2020: £591,199)

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 2021 was £589,818 (2020: £592,871) of which employers contributions totalled £445,985 (2020: £441,502) and employees contributions totalled £143,834 (2020: £151,369). 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 2021 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.

	At 31 July 2021	At 31 July 2020
Rate of increase in salaries	4.1%	3.8%
Rate of increase for pensions in payment/inflation	2.7%	2.4%
Discount rate for scheme liabilities	1.6%	1.6%
Inflation assumption (CPI)	2.6%	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 2021	At 31 July 2020
Retiring today		
Males	22.7 years	22.6 years
Females	25.3 years	25.2 years
Retiring in 20 years		
Males	24.3 years	24.2 years
Females	27.2 years	27.1 years

Sensitivity Analysis

	At 31 July 2021 £000	At 31 July 2020 £000
Discount rate +0.1%	29,486	27,280
Discount rate -0.1%	30,640	28,346
Mortality assumption – 1 year increase	31,021	28,658
Mortality assumption – 1 year decrease	29,105	26,968
CPI rate +0.1%	30,651	28,357
CPI rate -0.1%	29,465	27,269

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

	Value at 31 July 2021 £000	Value at 31 July 2020 £000
Equities	8,464	6,525
Government Bonds	3,968	3,687
Other Bonds	-	38
Property	1,644	1,016
Cash	855	1,787
Other	6,994	5,756
Total fair plan value of assets	21,925	18,809
Present value of funded liabilities	30,063	27,813
Net pension Liability	(8,138)	(9,004)
Weighted average expected long term rate of return	1.6%	1.6%
Actual return on plan assets	3,055	(28)

	Year Ended 31 July 2021 £000	Year Ended 31 July 2020 £000
Amounts recognised in the statements comprehensive income reflect of the plan		
Amounts included in staff costs		
Current service costs	978	909
Total operating charge	978	909
Amount involved in investment costs		
Net interest cost	140	123
Pension finance costs	140	123
Amount recognised in comprehensive income		
Return on plan assets	2,753	(323)
Experience gains/(losses) arising on the scheme liabilities	(1,195)	(2,272)
Amount recognised in other comprehensive income	1,558	(2,595)
Movement in deficit in year		
(Deficit) in scheme at 1 August	(9,004)	(5,779)
Movement in year:		
Change in basis of valuation of scheme assets		
Current service cost	(978)	(909)
Employer contributions	467	453
Past service cost	-	(31)
Curtailments	(22)	-
Administration expenses	(19)	(20)
Net interest cost	(140)	(123)
Actuarial (loss)/gain	1,558	(2,595)
(Deficit) in scheme at 31 July	(8,138)	(9,004)

	Year Ended 31 July 2021 £000	Year Ended 31 July 2020 £000
Changes in the present value of defined benefit obligations		
Defined benefit		
Liabilities at start of period	27,813	24,403
Current service cost	978	909
Past Service Costs	-	31
Interest cost	442	534
Employee contributions	143	151
Actuarial (gain)/loss	1,195	2,272
Benefits (paid)	(530)	(487)
Curtailments	22	-
Defined benefit Liabilities at end of period	30,063	27,813
Changes in fair value of plan assets		
Fair value of plan Assets at start of period	18,809	18,624
Change in basis of valuation of scheme assets	-	-
Interest on plan assets	302	411
Return on plan assets	2753	(323)
Administration Expenses	(19)	(20)
Employer contributions	467	453
Employee contributions	143	151
Benefits paid	(530)	(487)
Fair value of plan Assets at end of period	21,925	18,809

The estimated value of employer contributions for the year ended 31 July 2022 is £453,000.

History of experience gains and losses

	2021	2020	2019	2018	2017
Difference between the expected and actual return on assets:					
Amount £000	2,915	151	154	155	(136)
Percentage of scheme liabilities	13%	(0.5%)	(0.6%)	(0.8%)	(0.7%)
Experience gains and losses on scheme assets:					
Amount £000	2,753	(323)	775	760	1,258
Percentage of scheme liabilities	12.6%	1%	4%	4%	8%
Total amount recognised in SOCI:					
Amount £000	1,558	2,595	2,764	(2,066)	(1,122)
Percentage of scheme liabilities	5.2%	9.3%	11.3%	10.5%	5.6%

17. PROVISIONS FOR LIABILITIES AND CHARGES

Group and College

	Pension Enhancement Provision 2021 £000	Pension Enhancement Provision 2020 £000
At 1 August 2020	333	319
Expenditure in the period	(27)	(27)
Transferred from statement of comprehensive income	2	41
At 31 July 2021	308	333

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:

	2021	2020
Interest rate	1.6%	1.3%
Net interest rate	2.6%	2.0%
Discount rate	1%	1.25%

	Apprenticeship income Provision 2021 £000	Apprenticeship income Provision 2020 £000
At 1 August 2020	-	40
Expenditure in the period	-	(40)
At 31 July 2021	-	-

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

	College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000
At 1 August 2020	377	377	377	377
At 31 July 2021	377	377	377	377

DESIGNATED RESERVES

	College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000
Planned Maintenance and Replacement Programme				
3G Pitch Sink Fund				
As at 1 August 2020	100	100	75	75
Movement in designated reserve	25	25	25	25
As at 31 July 2021	125	125	100	100
At 1 August 2020	-	-	706	706
Movement in designated reserves	-	-	(706)	(706)
At 31 July 2021	-	-	-	-

19. MOVEMENT ON GENERAL RESERVES ACCOUNT

	College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000
At 1 August 2020	(3,266)	(3,266)	(244)	(244)
Actuarial gain/(loss) on pension schemes	1,560	1,560	(2,630)	(2,630)
Transfers to/(from) designated reserves	(25)	(25)	681	681
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation, exceptional items and tax	(121)	(110)	(1,073)	(1,073)
At 31 July 2021	(1,852)	(1,841)	(3,266)	(3,266)
Balance represented by:				
Pension reserve	(8,138)	(8,138)	(9,004)	(9,004)
Income and expenditure account reserve excluding pension reserve	6,286	6,297	5,738	5,738
At 31 July 2021	(1,852)	(1,841)	(3,266)	(3,266)

20. CAPITAL COMMITMENTS

	College 2021 £000	Group 2021 £000	College 2020 £000	Group 2020 £000
Capital commitments relate to Civil Engineering Training Centre, Refectory Infrastructure and ICT devices.				
Capital commitments				
Commitments contracted for at 31 July	686		169	169
Authorised but not contracted at 31 July	-		-	-
			169	169

21. FINANCIAL COMMITMENTS

At 31 July 2021 the College had minimum lease payments under non-cancellable operating leases as follows:

Group and College

	Land and buildings 2021 £000	Land and buildings 2020 £000	Other 2021 £000	Other 2020 £000
Expiring within one year	-	-	-	19
Expiring between two and five years inclusive	-	-	35	35
Expiring after five years	-	-	-	-
	-	-	35	54

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 £10,266 (2020: £2,960), being payment of Consultancy fees and part set up costs agreed over 5 years (2020 insurance cover and audit fees for the National College for Nuclear). At the year end date the National College for Nuclear owed £16,767 in respect of the transactions.

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. On 1st July 2021, out-sourced catering provision transferred to the company. Related part transactions in the year amounted to £161,155 (£134,690 paid and £26,465 received) (2020: £0) At the year end date Lakes College Enterprises Limited owed £14,490 to the College.

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 September 2021 the Civil Engineering Training Centre opened for delivery of T-Levels, apprenticeships, higher education and short course provision.

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 appointments and reappointments	Term of office	Date of Resignation	Attendance at Corporation & Committee Meetings 2020-21
Independent				
Mr Mike Priestley Chair from 30/01/20 Co-Chair, Quality Working Group Safeguarding and Prevent Link Governor Finance and Corporate Working Group Member	17/10/13 26/09/14 01/07/17 01/07/21	4yrs		Corporation 100% Committees 88%
Mr Phil Jardine Vice Chair from 06/02/20 Quality Working Group Member Chair, Finance and Corporate Working Group Member, Quality Working Group Director, Lakes College Enterprises	01/10/12 27/06/13 30/12/16 01/07/17 13/05/21 200820(LCE)	3.75 years		Corporation 100% Committees 100%
Mrs Norma Boyes Chair, Search and Governance Committee Audit Committee Member Remuneration Committee Member	09/07/98 06/12/01 15/12/05 28/01/10 01/01/14 01/01/18	4 yrs		Corporation 75% Committees 100% (of which Audit 100%)
Mrs Elaine Clinton Audit Committee Member Co-Chair Quality Working Group Equality and Diversity and Learner Support Link Governor	01/03/19 01/03/20	2.75 yrs		Corporation 100% Committees 100% (of which Audit 100%)
Mr Peter Ellwood Member, Finance and Corporate Working Group	30/01/20 29/01/21	3 yrs		Corporation 88% Committees 100%
Mrs Beth Wordsworth (formerly Gaskell) Member of the Search and Governance Committee	03/10/19 02/10/20	1 yr 3 yrs		³ Corporation 80%
Mrs Alison Hampson Quality Working Group Member Remuneration Committee Member	01/03/19 01/03/20	2.75 yrs		Corporation 75% Committees 50%
Mr Nigel Holliday Remuneration Committee member Finance and Corporate Working Group Member of Quality Working Group Lakes College Enterprises	01/03/19 01/03/20 30/09/20(LCE)	2.75 yrs		Corporation 88% Committees 100%
Mrs Denise Rollo Audit Committee Member	10/05/18 09/05/19	2.75 yrs		Corporation 100% Audit Committee 100%
Mr Robert Milburn Chair, Audit Committee from 23/11/20	10/05/18 09/05/19	2.75 years		Corporation 63% Audit Committee 100%
Dr Robin Talbot Quality Working Group Member	01/01/10 01/01/14 01/01/18	4 yrs	31/12/20	Corporation 100% Committees 100%
Ms Tanya Weston Quality Working Group Member Safeguarding and Prevent Link Governor Search and Governance Committee (Chair Designate)	07/07/16 01/07/17 01/07/20	4 yrs		Corporation 88% Committees 100%
Mr Paul Hardon	01/11/21	1 yr		n/a

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

² Remuneration Committee and Quality Working Group met once in 2020-21.

³ A leave of absence was granted to Mrs Wordsworth to cover maternity leave.

Category	Date of appointment and re-appointments	Term of office	Date of Resignation	Attendance Corporation & Committee Meetings 2020-21
Staff				
Mr Chris Nattress (Principal) Search and Governance Committee; Cumbria Colleges Ltd Board (dormant); National College for Nuclear – Director & Member Representative Lakes College Enterprises - Director	01/09/13 15/03/16 10/07/20			Corporation 100% Committees 100%
Mr Stuart Williams Audit Committee Member	01/01/18 01/01/19	3 yrs		Corporation 75% Audit 100%
Amie Calvin Health and Safety Link Governor	28/03/19 27/03/20	2.75 yrs		88%
Student				
Brooke Robson	10/12/20	1 yr	31 July 2021	83%
Aaron McCarthy	10/12/20	1 yr	31 July 2021	67%
Aaron Groggins	01/12/21	1 yr		n/a
Elijah Bennett	01/12/21	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
E Clinton
A Hampson
Vacancy*

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**
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

Burnetts
Victoria House
Wavell Drive
Rosehill
Carlisle
CA1 2ST

REPORTING ACCOUNTANTS ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF LAKES COLLEGE AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY (the ESFA)

In accordance with the terms of our engagement letter dated 15th November 2021 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, 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 during the period 1 August 2020 to 31 July 2021 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 (the Code) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. 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) data returns, for which the ESFA has other assurance arrangements in place.

This report is made solely to the corporation of Lakes College 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 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 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 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 2020 to 31 July 2021 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 Code 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.


REPORTING ACCOUNTANTS ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF LAKES COLLEGE AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY (the ESFA)

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
- 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 2020 to 31 July 2021 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



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

DATE: 9 December 2021
