

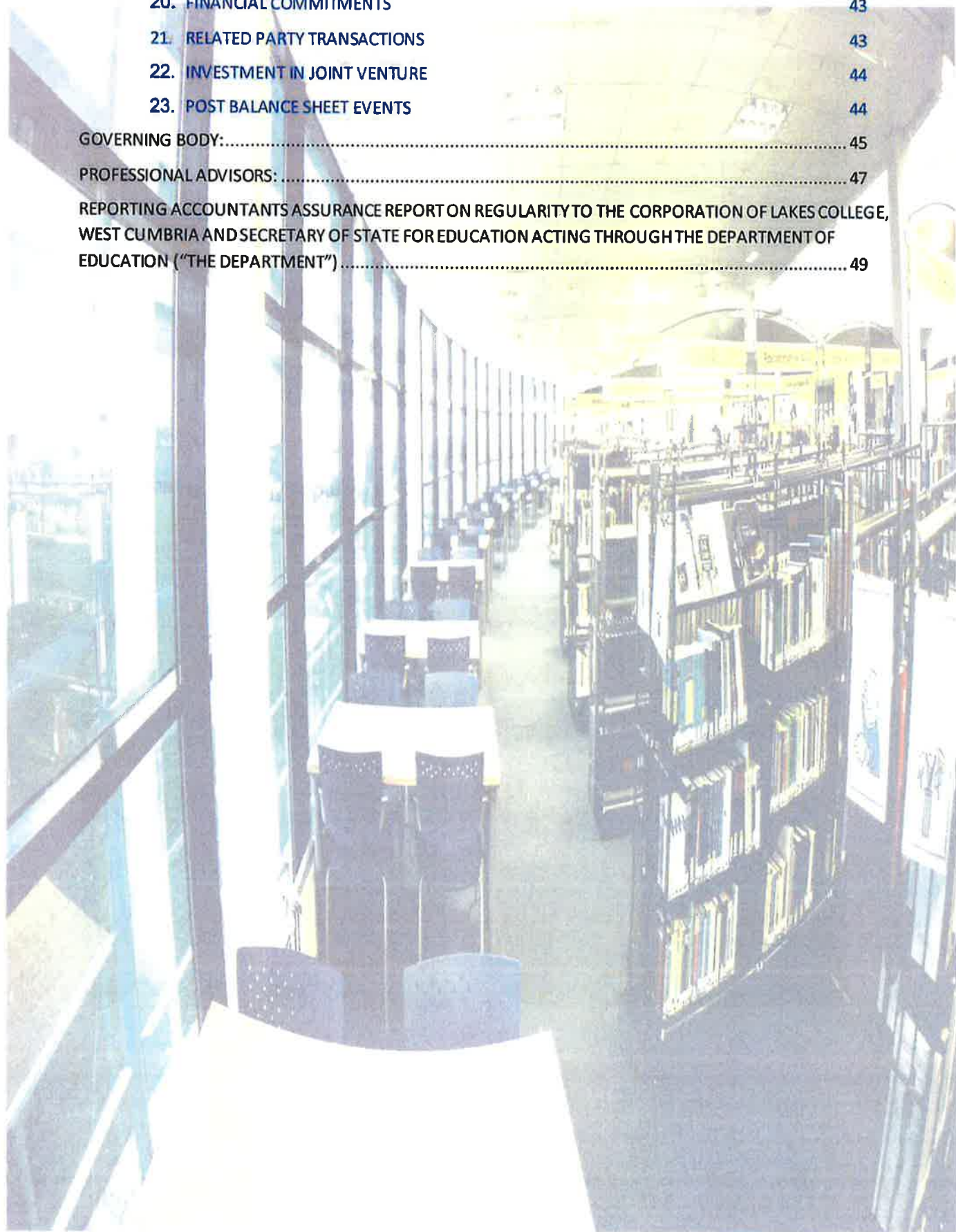
Lakes College
Report and Financial Statements
for the year ended 31 July 2019
www.lcwc.ac.uk



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FINANCIAL HIGHLIGHTS

Statement of Comprehensive Income

	2018-19		2017-18	
	£000's	%	£000's	%
Income				
Funding Body Grants	9,600	79	8,955	78
Education Contracts	864	7	734	7
Tuition Fees and Charges	1,090	9	1,118	10
Other Operating Income	610	5	625	5
Investment Income	13	-	8	-
	12,177	100	11,440	100
Expenditure				
Staff Costs	8,037	63	8,058	64
Other Operating Expenses	3,637	28	3,359	27
Depreciation	1,033	8	1,071	8
Interest Payable	72	1	110	1
Loss on disposal of assets	3			
	12,782	100	12,598	100
(Deficit)	(605)		(1,158)	

Balance Sheet

	2019 £000's	2018 £000's
Non-Current Assets	24,038	24,132
Investment in Joint Venture	-	-
Current Assets	3,688	4,049
Current Liabilities	(2,276)	(2,343)
Net Current Assets	1,412	1,706
	25,450	25,838
Creditors due after 1 year	18,398	18,725
Provisions	6,138	2,798
Total Net Assets	914	4,315
Restricted reserves		
Revaluation reserve	377	377
Designated reserve	781	850
Non-restricted reserves		
Income & Expenditure	(244)	3,088
	914	4,315

STRATEGIC REPORT

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2019.

Legal Status

The Corporation was established under the Further and Higher Education Act 1992 and is an exempt charity for the purposes of Part 3 of the Charities Act 2011, regulated by the Secretary of State for Education. The members of the Governing body, who are trustees of the charity, are disclosed on page 46-47.

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

Over the period of these financial statements, the College's mission statement is:

'To Unlock Potential '

Our vision is to be :

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

In delivering its mission, the College provides identifiable public benefits through the advancement of education by providing high quality teaching, widening participation and tackling social exclusion, prioritising student achievement and employment outcomes to meet the skills requirements of employers, primarily in West Cumbria. The College is committed to finding suitable courses for as many students as possible, regardless of their educational background, to support them to succeed.

The College strives to serve its local and national community by working in collaboration with key stakeholders, supporting the strategic priorities of the Local Enterprise Partnership (LEP), and working with employers to meet the skills needs of West Cumbria. This is exemplified in our position as a founding member of the National College for Nuclear (NCfN) in partnership with Sellafield Ltd, University of Cumbria, EDF Energy, Bridgwater and Taunton College and the University of Bristol. The NCfN places the College at the centre of national nuclear skills development. The Northern Hub commenced operations in September 2017 with Level 3 full-time and part-time learners and extended to HE provision in January 2018.

All four Cumbria FE Colleges continue to work collaboratively to support the County's skills needs, the Edge ESF contract being the primary vehicle for this. As lead on a Maths Centre of Excellence project, we work collaboratively to support Maths skills development with the Cumbria FE Colleges and Lancaster and Morecambe College.

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

The College has supported over 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 2017 to 31 July 2020 with the following high-level strategic objectives:

Objective: Secure Best Outcomes for Learners

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

In 2018/19 the College enrolled approximately 5,400 learners – 843 (target 871) 16-18 students, 1,260 (target 1,375) apprentices and 1,929 adults on FE courses. A further 343 (target 350) students studied at HE level and 2,200 more on full cost loan, or alternative funding provision.

Achievement rates for 16-18 learners increased by 0.1%, with a 4% increase in pass rates offset by a 3.9% decrease in retention. Adult learner achievement rates decreased by 3.5%, with pass rates increasing by 1.7% and retention rates decreasing by 5.4%. Within this, English and maths high-grade achievement rates for condition of funding learners were 38% (11% increase) for English and 23% (4% increase) for maths.

Apprenticeship achievement rates increased to 75.6% in the year, a 1.4% increase..

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

	2015/16	2016-17	2017/18	2018/19	National Benchmark
16 -18	72.4%	81.0%	81.3%	81.4%	82.1%
Adults	86.8%	91.2%	92%	85.5%	88.3%
Apprenticeships	66%	73.0%	74.2%	75.6%	67.3%

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

By consistently delivering a high quality experience national FE choices satisfaction rating for students was 80%, and 97% for employers. The 2017 national Student Survey of HE students returned 88% satisfaction rates. Internal surveys place overall student satisfaction with their course at 93%.

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

In December 2017, the achievement of an Ofsted 'Good' overall judgement was underpinned by good grades across the board.

"Governors and senior leaders promote a culture of high expectations. Leaders' and managers' strategy to improve teaching, learning and assessment has been successful, and the quality of teaching, learning and assessment is now good."
Ofsted December 2017

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

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

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

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

STRATEGIC REPORT (continued)

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

Objective: Financial Sustainability

The College aims to ensure financial strength and resilience in its operations in order to secure a stable and well-resourced college to meet student and employer needs. The College historically has consistently maintained the category of 'Outstanding' financial health as measured by the sector funder and regulator. The increasingly challenging financial climate has contributed to a deterioration in the College finances and this means that the College dropped to a moderated financial grade of 'Satisfactory' in 2016-17 and this has remained the position in 2018/19 though the out-turn figures return the College to Good financial health. The balance sheet position remains strong with 100% score on the solvency and operating performance measures.

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

Measure	Target	Actual	Variance	Benchmark
Pay costs as a % of income	66%	66%		66%
Curriculum staff utilisation	96%	100%	4%	-
Average Class Size, main programme	14	11	(3)	14
Training Advisor productivity	97%	97%	-	-
Admin. costs as a % of expenditure	21%	22%	(1%)	21%
Operating surplus/(deficit)	(£93,000)	(£75,000)	(£18,000)	-
EBITDA %	2.67%	2.36%	(0.31%)	(2%)

Financial Performance and Resources

The College experienced a 6.1% increase in turnover from £11.4m to £12.2m. Despite this, dependency on ESFA recurrent grant income has increased to 77% (2017-18: 70%). The College generated an operating deficit of £605,000.

Operating cash flow was £39,000 net inflow compared to cash outflow of £446,000 in 2017-18.

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 £706,000 held as designated reserves and £75,000 for a 3G pitch sink fund. As at the balance sheet date, the income and expenditure reserve stands at a negative £244,000 due to the increased Local Government Pension Scheme provision of £5.8m (2018: £2.5m). It is the Corporation's intention to increase reserves over the life of the new strategic plan through the generation of annual operating surpluses for the purposes of re-investing in College resources.

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

During the accounting period 1 August 2018 to 31 July 2019, the College paid 95 % 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 £2.4m at the balance sheet date (2017-18: £3m). These cash balances are after £1m investment in fixed assets. Investment was made in ICT resources in class-rooms, curriculum resources and the NCfN Northern Hub. 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.

STRATEGIC REPORT (continued)

The staffing establishment increased by 3% after a 10% decrease in the previous year. The increase was attributable to growth in the National College for Nuclear establishment offset by reductions elsewhere. Of the 202 FTEs, 54% are delivery staff and a further 24% 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. Plans for a regional Civil training facility adjacent to the College campus continue to be pursued which will further enhance the College offer to develop skills which meet the County's economic development plans in relation to nuclear new build, mining and the County infrastructure. The College is well placed to meet the Government's focus on development of T-Quals and has secured a place as a Phase 2 provider for Construction, Child-care and Digital.

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

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. Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and OfS. In 2018/19, 79% (2017-18 78%) 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. The September 2019 announcement of funding rate increases for 2020/21 of 4.7% is welcomed but does not redress the level of funding cuts in recent years. The impact of Brexit on future funding settlements and replacement on European Union funding streams is yet to be determined. The College is aware of several issues which may impact on future funding including apprenticeship reforms, move to T-Quals, increased competition from schools, demographics and the devolution of the adult education budget.

The risk is mitigated in a number of ways:

- the College is seeking to increase full cost provision which is not dependent on government funding;
- maximising fee income delivering quality education and training needed by employers and for students to progress into employment;
- development of the STEM (Science, Technology, Engineering and Mathematics) provision to support growth in this area, both classroom based and apprenticeship. Ensuring that progression routes exist to higher technical skills and LEP priorities;
- seeking continued growth in apprenticeship provision;
- National College for Nuclear development to meet sector skills requirements;
- focus and investment in developing and maintaining relationships with key stakeholder bodies in West Cumbria, particularly in the nuclear sector;
- plans for the development of a Heavy Civils Training facility;
- partnership and collaboration as evidenced by NCfN, the ESF Edge contract and Cumbria FE College collaboration;
- seeking increased efficiency in processes and delivery models.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

- managing costs within funding constraints
- process improvement activity.

2. 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,
- Staff training;
- Liaison with ESFA staff;
- 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.

3. Failure to maintain the financial viability of the College

The College's current financial health grade is classified as 'Satisfactory' as described above. This is as a consequence of the substantial deficit position in 2016/17 and 2017/18. These out-turn figures return the College to good financial health. On-going cuts to FE funding of 17% have contributed to the deficit position. The College needs to rebalance income and staffing costs. This risk is mitigated in a number of ways:

- a review of various aspects of our 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;
- a growth strategy;
- development of National College for Nuclear;
- development of a Heavy Civils training facility.

4. Ofsted Inspection

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

- engagement in sector and Ofsted quality forums;
- internal and external quality assurance activity; 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.

5. Increasing competition

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

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

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

- jointly leading the National College for Nuclear;
 - quality improvement activity to support demand;
 - collaborating where opportunities allow;
 - reviewing the business delivery model.
6. 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 D/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 is welcomed. 2018-19 high grades achievement for condition of funding learners improved for English by 11.2 to 38.2% and is above national average. For maths GCSE high grades, achievement rates increased by 4.2% to 23.4%, also above the national average. Actions to further improve achievement rates in English and maths include:

- a focus on changing mind-sets around maths and English;
- engaging early with students and parents in English and maths, building on lessons learned in a collaborative teaching and learning project;
- lead in Maths Centre of Excellence;
- increasing emphasis on achievement of all elements of the study programme including English and maths;
- recruiting specialist qualified maths and English tutors and a CPD programme for functional skills specialists;
- re-structuring co-ordination of maths and English provision;
- supporting tutors to be Awarding Body markers of GCSE papers;
- providing additional support services to support student achievement, such as the success hub;
- increasing focus on evidencing progress in learning;
- focussing on maths and English at six-week review, reviewing attendance and engagement;
- review of the qualifications delivered to non-condition of funding students in the light of Functional Skills qualification and condition of funding rule changes.

7. Staff recruitment

The recruitment of teaching staff to some vocational areas, in particular STEM, represents a risk to the quality of provision and growth strategy of the College. The shortage of skilled engineering staff is a national problem and one likely to increase as local workforce availability reduces.

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

This risk is being mitigated by:

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

8. 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

STRATEGIC REPORT (continued)

financial statements in relation to the local Government Pension Scheme (note 15). 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. The outcome of the recent Government consultation on the requirement for Colleges to offer the LGPS to non-teaching staff may inform our mitigation strategy.

9. Safeguarding and Prevent Duty

The Board has a statutory duty to ensure the safeguarding of students.

In July 2015 a legal duty was placed on colleges, amongst others, to show 'due regard to the need to prevent people from being drawn into terrorism'. The College has put in place certain safeguards in recognition of this and included the matter on its risk register so that it can be monitored regularly by the Corporation. Risks associated with these duties are being mitigated by:

- giving regular briefings to Governors and staff;
- regular reviewing and updating College policy and procedures to reflect latest good practice;
- internal communication and promotion plan;
- training for Governors and staff;
- training for student representatives;
- including Safeguarding and Prevent in the tutorial programme for students.

10. Cyber Attack

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

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

STAKEHOLDER RELATIONSHIPS

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

- students;
- parents and guardians;
- staff and representative bodies;
- the FE Commissioner;
- Local Enterprise Partnership (LEP) and Local Authorities;
- Centre of Nuclear Excellence (CoNE);
- partners in the National College for Nuclear – Sellafield Ltd, University of Cumbria, Bridgewater and Taunton College, EDF Energy Ltd and University of Bristol;
- local employers, in particular Sellafield Ltd and the wider nuclear supply sector, NHS Trusts and Rosehill Theatre;
- feeder schools;
- Cumbria FE Institutions, Lancaster and Morecambe College, and Secondary Western Heads;
- University of Cumbria and UCLAN;
- professional bodies.

Equal opportunities and employment of disabled persons

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

STRATEGIC REPORT (continued)

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

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.
- 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.

Gender Pay Gap

	Women's earnings are :-
Median gender pay gap in hourly pay	32% lower

This has increased by 6% from March 2018

	Women's earnings are :-
Mean gender pay gap in hourly pay	16% lower

This has increased by 5% from March 2018.

STRATEGIC REPORT (continued)

61% of females (increase of 5% from 2018 report) work in roles that are within the Lower & Lower Middle Quartiles, these tend to staff whom have long service with the college and have reached the top of their pay band and have no further progression other than promotion.

74% of males (increase of 13% from 2018 report) work in roles that are within the Upper Middle & Upper Quartiles, these members could be progressing up the incremental pay grade and therefore increasing the gender pay gap.

Our family friendly terms and conditions support flexible working practices which may attract more part-time women. Action-planning to reduce the gender pay gap includes efforts to encourage males into business support functions.

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
2 (3)	1.36 (2.38)

Percentage of Time	Number of Employees
0%	- (-)
1-50%	2 (3)
51-99%	- (-)
100%	- (-)

Total cost of facility time	£3,281 (£5,653)
Total Pay Bill	£7,192,629 (£7,577,183)
Percentage of total pay bill spent on facility time	0.05% (0.07%)
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 12th December 2019 and signed on its behalf by:


Mike Priestley

Chair

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2018 to 31st July 2019 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 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 College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purpose of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit, and particularly upon its supplementary guidance on the advancement of education, and that the required statements appear elsewhere in these financial statements.

The Corporation

The composition of the Corporation during 2018/19 and up to the date of signature of this report is set out on pages 46-47. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters, safeguarding and prevent, and personnel-related matters such as health and safety, equality and diversity and environment issues.

The Corporation met on seven occasions in 2018-19 and was 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. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website or from the Clerk to the Corporation at:

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

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

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

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

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.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee, consisting of four members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required. Members of the Corporation are appointed for a term of office not exceeding four years.

Corporation Performance

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

External scrutiny and self-assessment has consistently shown over a number of years that governance is at least good. Governors have a good understanding of the College, its place in the community and are responsive to national and local policy initiatives, as demonstrated by a willingness to engage in the National College for Nuclear.

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

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

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

The Board is flexible and responsive to events, setting up working groups as performance dictates and responded to a change in financial health by setting up a Finance and Corporate Working Group in 2016/17.

The Corporation approves the annual internal audit plan (on the recommendation of the Audit Committee), directed by the risk register, with the Audit Committee providing robust scrutiny of the ensuing reports. With respect to the most recent governance audit carried out in 2015/16, the internal auditor was able to give substantial assurance (echoed by the subsequent Ofsted inspection in 2017) and the only recommendation made was focused on governor attendance.

In 2018/19, Governors have achieved an overall attendance rate of 80%, slightly below national benchmarking (82%). Within that figure, Board attendance was 75% in line with college targets. The Board has improved the diversity of its membership in 2018-19 with the appointment of four new Governors. Female representation on the Board has increased to over 40% and is expected to increase further with a new appointment anticipated in 2019-20 bringing the proportion to 47%. The Board will continue to consider matters of equality and diversity in their appointment process, but they continue to have strong views about prioritising the skills required to do the job in a challenging environment above all other considerations.

A key challenge for the College is that it sits in a rural, sparsely populated area, with a dominance of one particular sector. This has an impact on the availability and diversity of potential candidates. Governors continue to feel that a Board of 18 members allows some flexibility and, provided it can be demonstrated that membership of the Board is regularly refreshed, they reserve the right to re-appoint for longer than best practice advice where there is demonstrable need and/or a need for continuity, in recognition of the limits of the area.

In 2018/19, four new independent Governors and one new student Governor were welcomed to the Board. In 2019/20, it is anticipated that there will be two independent governors appointed and two student governors. This demonstrates that membership of the Board is regularly refreshed. In filling these 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)

Committees

Quality Working Group

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

The working group was set up to monitor in greater depth key challenges arising from the Inspection report of 2015. Following the Ofsted inspection of 2017, the working group will be primarily used to give consideration and challenge the annual self-assessments.

Search and Governance Committee

The Search and Governance Committee comprises four members of the Corporation. The Committee operates in accordance with written terms of reference approved by the Corporation. The Committee meets 2-3 times a year and provides a forum for reporting governance developments, to discuss governor vacancies and appointments and to carry out an extensive annual review of Governance arrangements.

Remuneration Committee

Throughout the year ended 31 July 2019, the College's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to determine the remuneration and benefits of the Principal, other senior post-holders and the Clerk; with the exception of any early termination agreements, where the Committee must make recommendations to the Board. Details of remuneration for the year ended 31 July 2019 are set out in note 7 to the financial statements.

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, would withdraw).

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

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

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

Finance and Corporate Working Group

The Finance and Corporate Working Group was introduced in 2017/18 and comprised three independent members and, until 25 April 2019, 1 co-opted member. Following the resignation of the co-opted member, the working group concluded the year with five independent members. The working group operates in accordance with written terms of reference approved by the Corporation. The working group has been set up to monitor growth plans and business development and will advise the Board of their views.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

Internal Control

Scope of responsibility

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

The Corporation has delegated to the Principal, as Accounting Officer, the day-to-day responsibility for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which they are personally responsible, in accordance with the responsibilities assigned to them in the 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.

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 2019 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

Lakes College West Cumbria has an internal audit service, which operates in accordance with the requirements of the Education and Skills Funding Agency's and *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum, 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.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

The Principal has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

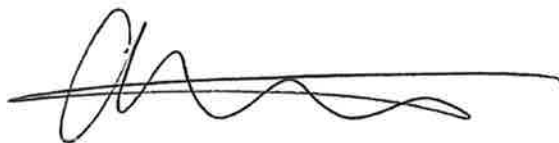
The senior management team receive reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The Corporation carries out an annual assessment in December by considering documentation from the senior management team and the internal audit annual report, and taking account of events since the year end.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution, and the safeguarding of their assets".

Approved by order of the members of the Corporation on 12th December 2019 and signed on its behalf by:



Mike Priestley
Chair



Chris Nattress
Principal/Accounting Officer

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

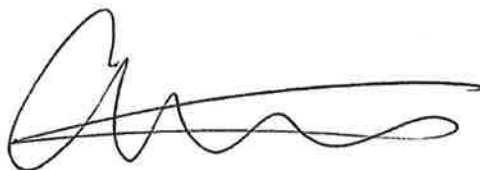
The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the Funding Agreement and contracts with the ESFA. As part of our consideration, we have had due regard to the requirements of the funding agreement and contracts with the ESFA.

We confirm, on behalf of the Corporation, that after due enquiry and to the best of our knowledge, we have been unable to identify any material, irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's Financial Memorandum.

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



Mike Priestley
Chair



Chris Nattress
Principal/Accounting Officer

12th December 2019

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the College's grant funding agreements and contracts with the ESFA, 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 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's accounts direction 2018/19 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 Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

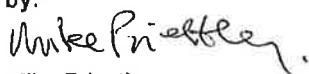
The Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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 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 12th December 2019 and signed on its behalf by:



Mike Priestley
Chair

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

We have audited the financial statements of Lakes College West Cumbria for the year ended 31 July 2019 which comprise the Statement of financial activities incorporating income and expenditure account, the Balance sheet, the Statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Further Education SORP 2015 and the College Accounts Direction 2018 to 2019 issued by the Education and Skills Funding Agency.

This report is made solely to the Corporation, as a body. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2019 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further Education SORP 2015 and the College Accounts Direction 2018 to 2019 issued by the Education and Skills Funding Agency.

BASIS OF OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporations use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The Governors are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of our knowledge and understanding of the college and its environment obtained in the course of the audit, we have not identified material misstatements in the Corporations report including the Strategic report.

We have nothing to report in respect of the following matters in relation to which the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- all the information and explanations required for the audit were not received; or
- the going concern basis of accounting and disclosure of material uncertainties is appropriate.

RESPONSIBILITIES OF MEMBERS OF THE CORPORATION

As explained more fully in the statement of responsibilities of the Members of the Corporation, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Corporation members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the college or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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



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

Date: 16 December 2019

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Statement of Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of Preparation

These Financial statements were prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the FE HE SORP) and in accordance with applicable Accounting Standards. They conform to guidance published by the Education and Skills Funding Agency in the 2018/19 College Accounts Direction.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Basis of Accounting

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

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Strategic Report. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying notes.

The College had available cash reserves of £2.4m as at 31 July 2019 and no outstanding loans. The financial statements presented a report on a deficit position for the third year. However, the level of cash reserves and fiscal planning over the period of the new strategic plan indicate the College can return to an ongoing surplus trading position and remains a going concern. The College forecasts that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of Income

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November and with any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments. Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

The recurrent grant from 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.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Agency Arrangements

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

Post Retirement Benefits

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

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

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

Short Term Employment Benefits

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

Enhanced Pensions

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

Non-Current Assets - Tangible Fixed Assets

a. Land and Buildings

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

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings as deemed cost and not to adopt a policy of revaluations of these properties in the future

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2019. They are not depreciated until they are brought into use. Any associated grants related to these assets are not released until the asset is brought into use.

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

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

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

b. Equipment

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

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

General Equipment:	5 years
Computer Equipment:	3 and 5 years
3G Pitch Surface:	10 years
3G infrastructure:	30 years

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Leased Assets

Costs in respect of operating leases are charged on a straight line basis over the lease term.

The College does not have any assets acquired under finance leases.

Investments

Fixed asset investments are carried at historical cost less any provision for a permanent diminution in their value.

Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax (VAT), so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

- determined whether leases entered into by the College either as a lessor or lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis;
- determined whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other Key sources of estimation uncertainty

- *Tangible Fixed assets*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and the projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 15, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at

31 July 2019. 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 2019

Income	Notes	2019 £000	2018 £000
Funding body grants	1	9,600	8,955
Education contracts	2	864	734
Tuition fees and charges	3	1,090	1,118
Other operating income	4	610	625
Investment income	5	13	8
Total income		12,177	11,440
Expenditure			
Staff costs	6	8,037	8,058
Other operating expenses	8	3,637	3,359
Depreciation	9	1,033	1,071
Interest and other finance costs	10	72	110
Total expenditure		12,779	12,598
(Deficit) before other gains and losses		(602)	(1,158)
(Loss) on disposal assets	9	(3)	-
(Deficit) before tax		(605)	(1,158)
Taxation		-	-
(Deficit) in the year		(605)	(1,158)
Actuarial loss/(gain) in respect of pension schemes	15/16	(2,796)	2,066
Total comprehensive income for the year		(3,401)	908
Represented by:-			
Unrestricted comprehensive income		(3,401)	908

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

COLLEGE STATEMENT OF CHANGES IN RESERVES
For The Year Ended 31 July 2019

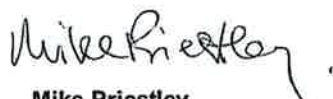
	Notes	Income and expenditure Account	Designated Reserves	3G Pitch Sink Fund	Revaluation Reserve	Total
At 31 st July 2018		3,088	800	50	377	4,315
Actuarial loss on pension schemes		(2,796)				(2,796)
Deficit from Income and expenditure account		(605)				(605)
Transfers to/from designated reserves		69	(94)	25		-
At 31 st July 2019	17/18	(244)	706	75	377	914

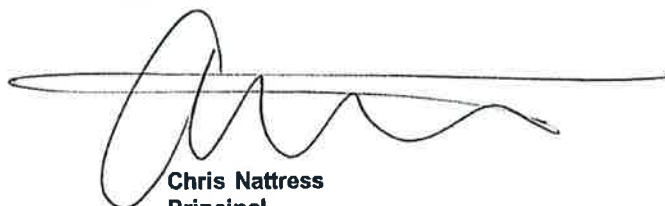
The 3G pitch sink fund has been established, as required in the grant funding conditions, for replacement of the 3G pitch 'carpet'. Part of the designated reserve for replacement and maintenance of equipment has been released for the boiler Replacement.

BALANCE SHEET
BALANCE SHEET AS AT 31 JULY 2019

	Notes	2019 £000	2018 £000
Non-current assets			
Tangible fixed assets	9	24,038	24,132
Investment in joint venture	11	-	-
Total non-current assets		24,038	24,132
Current assets			
Debtors	12	1,271	1,086
Investments		2,011	2,002
Cash at bank and in hand		406	961
Total current assets		3,688	4,049
Creditors: amounts falling due within one year	13	2,276	2,343
Net current assets		1,412	1,706
Total assets less current liabilities		25,450	25,838
Creditors amounts falling due after more than one year	14	18,398	18,725
Defined benefit obligations after provisions	15	5,779	2,492
Provisions	16	359	306
Total net assets		914	4,315
Restricted reserves			
Designated reserve	17	781	850
Unrestricted reserve			
Revaluation Reserve	17	377	377
Income and expenditure account	18	(244)	3,088
TOTAL FUNDS		914	4,315

The financial statements on pages 20 to 47 were approved by the Governing Body on 12th December 2019 and were signed on its behalf by:


Mike Priestley
Chairman


Chris Nattress
Principal

CASH FLOW STATEMENT
Year Ended 31 July 2019

	2019 £000	2018 £000
Cash flow from operating activities		
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation, exceptional items and before tax	(602)	(1,158)
Depreciation (note 10)	1,033	1,071
Deferred capital grants to Income (note 1 and 4)	(655)	(581)
(Increase)/decrease in debtors (note 12)	(185)	(275)
Increase/(decrease) in creditors and provisions	(67)	7
Pension cost less contributions payable	530	498
Adjustment for investing or finance activities	-	-
Loss on disposal of fixed assets	(3)	-
Interest receivable (note 5)	(13)	(8)
Interest payable (note 10)	-	-
Net cash inflow/(outflow) from operating activities	39	(446)
Cash flows from investing activities		
Purchase of tangible fixed assets	(942)	(3,008)
Sales of tangible fixed assets	-	-
Deferred capital grants received	344	2,966
Net cash (outflow) for capital expenditure and financial investment	(598)	(42)
Cash flows from financing activities		
Returns on investment and servicing of finance		
Investment income	-	-
Interest received	13	8
Repayment of amount borrowed	-	-
Interest paid	-	-
Net cash inflow from returns on investments and servicing of finance	13	8
(Decrease) in cash and cash equivalents in the year	(546)	(480)

NOTES TO THE ACCOUNTS

1. FUNDING BODY GRANTS

	2019 £000	2018 £000
ESFA Recurrent grant - adult	1,011	902
ESFA Recurrent Grant – 16-18	4,472	4,534
ESFA Recurrent Grant - Apprenticeships	2,555	2,252
OFS Recurrent Grant	345	444
Releases of government capital grants	401	341
Other Funds	816	482
	9,600	8,955

2. EDUCATION CONTRACTS

	2019 £000	2018 £000
Local Education Authority	195	183
Other Contracts	669	551
	864	734

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

3. TUITION FEES AND CHARGES

	2019 £000	2018 £000
Adult Education Fees	521	428
Apprenticeship fees and contracts	63	61
Higher Education	506	629
	1,090	1,118

Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £0 (2017-18: £3,500).

4. OTHER OPERATING INCOME

	2019 £000	2018 £000
Releases from non-government capital grants (non ESFA/OFS)	254	240
Other income generating activities	207	190
Other income	149	195
	610	625

5. INVESTMENT INCOME

	2019 £000	2018 £000
Other interest receivable	13	8
	13	8

6. STAFF NUMBERS

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

	2019 Numbers	2018 Numbers
Teaching departments	109	105
Teaching support services	49	46
Administration and central services	31	32
Premises	8	8
Income Generation	5	5
	202	196

Staff costs for the above persons:

	2019 £000	2018 £000
Teaching departments (including Faculty Technicians and other support staff)	4,540	4,580
Teaching support services	1,059	959
Administration and central services	1,539	1,550
Premises	244	261
Income Generation Staff	92	87
Apprenticeship Levy	15	20
Pension Deficit Charge	59	58
FRS 102 retirement benefit charge	458	388
Restructuring costs - Contractual	25	133
Non-contractual	26	10
Movement in holiday pay accrual	(20)	3
	8,037	8,058
Wages and salaries	6,105	6,200
Social security costs	576	538
Other pension costs	898	932
FRS 102 retirement benefit charge	458	388
	8,037	8,058
Employment costs for staff on permanent contracts	6,621	6,863
Employment costs for staff on short-term and temporary contracts	958	807
FRS 102 retirement benefit charge	458	388
	8,037	8,058

7. EMOLUMENTS OF KEY MANAGEMENT PERSONNEL

Key Management Personnel

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

	2019 £000	2018 £000
Salaries	254	250
Benefits in kind	3	2
Pension contributions	41	40
	298	292

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:

	2019 £000	2018 £000
Salaries	109	108
Benefits in kind	2	1
Sub Total	111	109
Pension contributions	18	18
	129	127

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

	2019 £000	2018 £000
Principal and CEO's basic salary as a multiple of the median of all staff	4.4	4.8
Principal and CEO's total remuneration as a multiple of the median of all staff	4.5	4.9

Salary costs for all key management personnel are in line with salary benchmarks for Senior pay as published by the AOC. Pay awards are paid at the same rate as those awarded to other employees. The pension contributions in respect of the Principal and Senior Post holders are in respect of employer's contributions to the Teachers' Pension Scheme and the Local Government Pension Scheme and are paid at the same rate as for other employees.

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

Range	2019		2018	
	Key management personnel £000	No	Key management personnel £000	No
£60,001-£65,000 Salaries			63	1
£65,001-£70,000 Salaries	65	1		
£75,001 - £80,000 Salaries			80	1
£80,001 - £85,000 Salaries	81	1		
£105,001 - £110,000 Salaries			109	1
£110,001 - £115,000 Salaries	111	1		
Total	257	3	252	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

	2019 £000	2018 £000
Compensation paid to former key management personnel		
Compensation paid to the former post holder	-	-
Estimated value of other contractual benefits, including provisions for pensions	-	-
	-	-

8. OTHER OPERATING EXPENSES

	2019 £000	2018 £000
Teaching departments	375	304
Teaching support services	55	32
Other support services	511	338
Administration and central services	904	952
General education expenditure, including examination fees	582	558
Premises costs	906	784
Sub-contracting	296	390
Other expenses	8	1
	3,637	3,359

	2019 £000	2018 £000
Other operating expenses include:		
Auditor's remuneration		
• Financial Statements Audit	22	22
• Other services provided by the financial statements auditors in relation to NCfN capital return and sub-contractor assurance letter	1	1
• Internal Audit	20	26
• Other services provided by the internal auditors	-	-
• Hire of other assets – operating leases	27	27
• Loss on disposal of tangible fixed assets	3	-

9. TANGIBLE FIXED ASSETS

	Freehold Land & Buildings £000	Equipment £000	Total £000
Cost or Valuation			
At 1 August 2018	27,390	5,849	33,239
Additions	158	784	942
Disposals	-	(29)	(29)
At 31 July 2019	27,548	6,604	34,152
Depreciation			
At 1 August 2018	4,540	4,567	9,107
Charge for period	553	480	1,033
Eliminated on disposals	-	(26)	(26)
At 31 July 2019	5,093	5,021	10,114
Net Book Value As At 31 July 2019	22,455	1,583	24,038
Net Book Value As At 31 July 2018	22,850	1,282	24,132
Inherited	366	-	366
Financed by capital grant	17,672	781	18,453
Other	4,458	761	5,219
Net Book Value As At 31 July 2019	22,496	1,542	24,038

Land and buildings additions includes work on the development of the National College for Nuclear facility fully funded from deferred grants. Equipment additions include NCfN equipment fully funded by revenue grant.

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

2019	2018
£	£
-	-
-	-
£-	£-

10. INTEREST PAYABLE

	2019 £000	2018 £000
Pension finance cost	65	99
Enhanced pension provision	7	11
Interest Charges	-	-
	72	110

11. INVESTMENTS

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

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

	2019 £000	2018 £000
National College for Nuclear	-	-
	-	-

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £000	2018 £000
Trade debtors after provision for bad debts	238	160
Prepayments and accrued income	515	535
Amounts owed by the Education and Skills Funding Agency	518	391
	1,271	1,086

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £000	2018 £000
Trade creditors	499	204
VAT	18	7
Other taxation and social security	134	130
Accruals and deferred income	553	515
Other creditors	299	239
Deferred income – government revenue grants	138	667
Deferred income – government capital grants	635	581
	2,276	2,343

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

	2019 £000	2018 £000
Deferred income – government capital grants	18,398	18,725
	18,398	18,725

15. DEFINED BENEFIT OBLIGATIONS

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

Total pension cost for the year

	2019 £000	2018 £000
Teachers' Pension Scheme: contributions paid	435	496
Local Government Pension Scheme: Contributions paid	404	378
FRS 102 (28) charge	458	388
Lump sum deficit	59	58
LGPS enhanced pension charge to statement of comprehensive income	921	824
Total Pension Costs	1,356	1,320

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 £109,124 (2018 £106,959) were payable to the above schemes at 31 July and are included within creditors. An enhanced pension provision in respect of unfunded pensioners' benefits is included in provisions detailed in note 16.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including Colleges, in England and Wales that are maintained by local authorities. Membership is automatic for teachers and lecturers. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting And Valuation Account

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

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

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

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

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

The pension costs paid to TPS in the year amounted to £434,837 (2018: £495,866)

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 2019 was £603,341 (2018: £590,583) of which employers contributions totalled £463,000 (2018: £436,070) and employees contributions totalled £154,199 (2018: £154,513). 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 2019 by a qualified independent actuary. The update has costed in the, as yet uncertain, impact of the McCloud case, estimating additional past service liabilities of £151,000 as at 31st July 2019 and additional projected service costs of £29,000 per annum.

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	3.7%	3.6%
Rate of increase for pensions in payment/inflation	2.2%	2.1%
Discount rate for scheme liabilities	2.2%	2.9%
Inflation assumption (CPI)	2.3%	2.2%
Commutation of pensions to lump sums	50%	50%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2019	At 31 July 2018
Retiring today		
Males	23.3 years	23.2 years
Females	25.9 years	25.8 years
Retiring in 20 years		
Males	25.6 years	25.5 years
Females	28.6 years	28.5 years

Sensitivity Analysis

	At 31 July 2019	At 31 July 2018
Discount rate +0.1%	23,926	19,339
Discount rate -0.1%	24,880	20,111
Mortality assumption – 1 year increase	24,861	20,095
Mortality assumption – 1 year decrease	23,945	19,355
CPI rate +0.1%	24,890	20,119
CPI rate -0.1%	23,916	19,331

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

	Value at 31 July 2019 £000	Value at 31 July 2018 £000
Equities	8,995	8,392
Government Bonds	3,352	3,016
Other Bonds	1,136	1,086
Property	1,062	1,568
Cash	857	1,017
Other	3,222	2,154
Total fair plan value of assets	18,624	17,233
Present value of un-funded liabilities	24,403	19,725
Net pension Liability	(5,779)	(2,492)
Weighted average expected long term rate of return	2.2%	2.5%
Actual return on plan assets	1,276	1,176

	Year Ended 31 July 2019 £000	Year Ended 31 July 2018 £000
Amounts recognised in the statements comprehensive income reflect of the plan		
Amounts included in staff costs		
Current service costs	729	820
Total operating charge	729	820
Amount involved in investment costs		
Net interest cost	65	(99)
Pension finance costs	65	(99)
Amount recognised in comprehensive income		
Return on plan assets	775	760
Experience gains/(losses) arising on the scheme liabilities	(3,539)	1,306
Amount recognised in other comprehensive income	(2,764)	2,066

Movement in deficit in year		
(Deficit) in scheme at 1 August	(2,492)	(4,071)
Movement in year:		
Change in basis of valuation of scheme assets		
Current service cost	(729)	(820)
Employer contributions	460	447
Past service cost	(151)	-
Curtailments	(23)	-
Administration expenses	(15)	(15)
Net interest cost	(65)	(99)
Actuarial (loss)/gain	(2,764)	2,066
(Deficit) in scheme at 31 July	(5,779)	(2,492)

	Year Ended 31 July 2019 £000	Year Ended 31 July 2018 £000
Changes in the present value of defined benefit obligations		
Defined benefit		
Liabilities at start of period	19,725	19,892
Current service cost	729	820
Past Service Costs	151	-
Interest cost	567	514
Employee contributions	154	155
Actuarial (gain)/loss	3,539	(1,306)
Benefits (paid)	(485)	(350)
Curtailments	23	-
Defined benefit Liabilities at end of period	24,403	19,725
Changes in fair value of plan assets		
Fair value of plan Assets at start of period	17,233	15,821
Change in basis of valuation of scheme assets	-	-
Interest on plan assets	502	415
Return on plan assets	775	760
Administration Expenses	(15)	(15)
Employer contributions	460	447
Employee contributions	154	155
Benefits paid	(485)	(350)
Fair value of plan Assets at end of period	18,624	17,233

The estimated value of employer contributions for the year ended 31 July 2020 is £449,000.

History of experience gains and losses

	2019	2018	2017	2016	2015
Difference between the expected and actual return on assets:					
Amount £000	154	155	(136)	(3,041)	(1,149)
Percentage of scheme liabilities	(0.6%)	(0.8%)	(0.7%)	(16.2%)	(7.8%)
Experience gains and losses on scheme assets:					
Amount £000	775	760	1,258	1,007	735
Percentage of scheme liabilities	4%	4%	8%	7.2%	6%
Total amount recognised in SOCI:					
Amount £000	2,764	(2,066)	(1,122)	2,034	(414)
Percentage of scheme liabilities	11.3%	10.5%	5.6%	10.8%	2.8%

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Pension Enhancement Provision 2019 £000	Pension Enhancement Provision 2018 £000
At 1 August 2018	306	321
Expenditure in the period	(27)	(26)
Transferred from statement of comprehensive income	40	11
At 31 July 2019	319	306

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:

	2019	2018
Interest rate	2.0%	2.3%
Net interest rate	2.2%	1.0%
Discount rate	(0.2%)	1.3%

	Apprenticeship income Provision 2019 £000	Apprenticeship income Provision 2018 £000
At 1 August 2018	-	-
Expenditure in the period	40	-
At 31 July 2019	40	-

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

17. RESERVES

REVALUATION RESERVE

	2019 £000	2018 £000
At 1 August 2018	377	377
At 31 July 2019	377	377

DESIGNATED RESERVES

	2019 £000	2018 £000
Planned Maintenance and Replacement Programme		
At 1 August 2018	800	800
Movement in designated reserves	(94)	-
At 31 July 2019	706	800
3G Pitch Sink Fund		
As at 1 August 2018	50	-
Movement in designated reserve	25	50
As at 31 July 2019	75	50

18. MOVEMENT ON GENERAL RESERVES ACCOUNT

	2019 £000	2018 £000
At 1 August 2018	3,088	2,230
Actuarial gain/(loss) on pension schemes	(2,796)	2,068
Transfers to/from designated reserves	69	(50)
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation, exceptional items and tax	(605)	(1,158)
At 31 July 2019	(244)	3,088
Balance represented by:		
Pension reserve	(5,779)	(2,492)
Income and expenditure account reserve excluding pension reserve	5,535	5,580
At 31 July 2019	(244)	3,088

19. CAPITAL COMMITMENTS

	2019 £000	2018 £000
Capital commitments relate replacement of the main site boilers.		
Capital commitments		
Commitments contracted for at 31 July	208	-
Authorised but not contracted at 31 July	-	-
	208	-

20. FINANCIAL COMMITMENTS

At 31 July 2019 the College had minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings 2019 £000	Land and buildings 2018 £000	Other 2019 £000	Other 2018 £000
Expiring within one year	-	-	27	27
Expiring between two and five years inclusive	-	-	-	27
Expiring after five years	-	-	-	-
	-	-	27	54

21. RELATED PARTY TRANSACTIONS

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

The Principal of Lakes College West Cumbria was also a director of Energy Coast University Technical College (ECUTC) in 2017-18 (resigned 10 July 2018). The College provided some shared services for the ECUTC resulting in transactions in year of £- (2018: £49,453) Debtor balance due from ECUTC as at 31 July 2019 was £- (2018: £16,024).

The National College for Nuclear joint venture vehicle was established in 2017. Related party transactions amount to £2,924 (2018: £3,950), being payment of insurance cover and audit fees for the National College for Nuclear.

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

22. INVESTMENT IN JOINT VENTURE

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

23. POST BALANCE SHEET EVENTS

There are no events after the reporting period.

GOVERNING BODY:

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

Category and Roles	¹ Date of appointments and reappointments	Term of office	Date of Resignation	² Attendance at Corporation & Committee Meetings 2018-19
Independent				
Mrs Norma Boyes Chair, Search and Governance Committee Audit Committee Member Remuneration Committee Member SEN Link Governor	09/07/98 06/12/01 15/12/05 28/01/10 01/01/14 01/01/18	4 yrs		Corporation 100% Audit 100% Search & Gov 100% Remuneration 100%
Mr Andrew Oldham Chair of Audit Committee until 27/11/18	11/12/08 01/12/12 30/11/16 01/07/17	1.5 yrs	31/12/18	Corporation 100% Audit 100%
Mr Mark Stanger Finance and Corporate Working Group Member	02/07/09 01/07/13 01/07/17	4 yrs		Corporation 86% Finance & Corp 20%
Dr Robin Talbot Quality Working Group Member	01/01/10 01/01/14 01/01/18	4 yrs		Corporation 57% Quality W Group 100%
Mr Les Agnew Chair, Remuneration Committee Search and Governance Committee Member Finance and Corporate Working Group Member	18/03/10 01/01/14 01/01/18	1.5 yrs	28/02/19	Corporation 75% Search & Gov 100% Remuneration 100%
Mr Robert Milburn Chair, Audit Committee from 28/11/18	10/05/18 09/05/19	2.75 years		Corporation 57% Audit Committee 100%
Mr Phil Jardine Vice Chair from 08/02/18 Quality Working Group Member until 15/09/18 Chair, Finance and Corporate Working Group from 14/09/17	01/10/12 27/06/13 30/12/16 01/07/17	3.5 years		Corporation 71% Quality W Group n/a Finance & Corp 80%
Mrs Claire Madden Remuneration Committee Member Audit Committee Member	18/09/13 16/09/14 01/07/17	4yrs	07/05/19	Corporation 50% Audit 50% Rem Cttee 100%
Mr Mike Priestley Chair from 01/02/18 Chair, Quality Working Group Safeguarding and Prevent Link Governor Finance and Corporate Working Group Member from 16/05/19	17/10/13 26/09/14 01/07/17	4yrs		Corporation 100% Quality W Group 100% Finance and Corp 100%
Mrs Helen Johnson Quality Working Group Member	10/12/15 09/12/16 01/07/17	3.5 yrs	31/12/18	Corporation 67% Quality W group 0%
Ms Tanya Weston (was Crofts) Quality Working Group Member Equality and Diversity Link Governor	07/07/16 01/07/17	4 yrs		Corporation 86% Quality W Group 100%
Mr John Dunn Quality Working Group Member	02/02/17 01/01/18	3 yrs	31/01/19	Corporation 67% Quality W Group 0%
Mrs Denise Rollo Audit Committee Member from 28/11/18	10/05/18 09/05/19	2.75 yrs		Corporation 86% Audit Committee 100%
Mrs Elaine Clinton Audit Committee Member from 16/05/19	01/03/19	1 yr		Corporation 67%
Mr Nigel Holliday Remuneration Committee member from 03/10/19 Finance and Corporate Working Group Member from 16/05/19	01/03/19	1 yr		Corporation 100% Remuneration n/a Finance & Corp 0%
Mrs Loren Redmond Finance and Corporate Working Group Member from 16/05/19	01/03/19	1 yr		Corporation 67% Finance & Corp 0%
Mrs Alison Hampson Quality Working Group Member from 16/05/19 Remuneration Committee Member from 16/05/19	01/03/19	1 yr		Corporation 67% Quality W Group n/a Remuneration 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 2018-19.

Category	Date of appointment and re-appointments	Term of office	Date of Resignation	Attendance Corporation & Committee Meetings 2018-19
Independent				
Beth Gaskell	03/10/19	1 yr		n/a
Staff				
Mr Chris Nattress (Principal) Search and Governance Committee; Cumbria Colleges Ltd Board (dormant); National College for Nuclear – Director & Member Representative	01/09/13			Corporation 100% Search & Gov 100%
Mrs Elizabeth Walker	10/12/15 09/12/16 06/07/17	2.5 years	31/12/18	Corporation 67%
Mr Stuart Williams Audit Committee Member	01/01/18 01/01/19	3 yrs		Corporation 71% Audit 100%
Amie Calvin Health and Safety Link Governor	28/03/19	1 yr		100%
Student				
John Thinnesen	22/03/18 21/03/19	4 mths	31/07/19	14%
Leanne Singleton	14/11/19	1 yr		
Rebecca Dockray	12/12/19	1 yr		
Co-opted Member of the Finance and Corporate Working Group				
Andrew Fennell Co-opted Member of Finance and Corporate Working Group	13/11/17 12/11/18	1 yr	25/04/19	Finance & Corp 75%

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
Vacancy

Search & Governance: (4)

N Boyes (Chair)
M Priestley
T Weston
C Nattress

Quality Working Group: (5)

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

Finance and Corporate Working Group: (4)

P Jardine (Chair)
M Stanger
M Priestley
N Holliday
L Redmond

KEY MANAGEMENT PERSONNEL

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

PROFESSIONAL ADVISORS:

External Auditors: **Armstrong Watson Audit Limited**
Chartered Accountants & Statutory Auditors
Fairview House
Victoria Place
Carlisle
CA1 1HP

Internal Auditors: **ICCA Education Training and Skills Ltd**
11th Floor
McLaren House
46 Priory Queensway
Birmingham
B4 7LR

Bankers: Barclays Bank plc
2 Finkle Street
Workington
CA14 2AU

Solicitors: Eversheds
Evershed House
20 Great Bridgewater Street
Manchester
M1 5ES

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

In accordance with the terms of our engagement letter dated 16th September 2019 and further to the requirements of the Financial Memorandum with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Lakes College West Cumbria during the period 1 August 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Lakes College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure discussed and income received during the period 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw our conclusion includes:

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

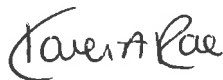
REPORTING ACCOUNTANTS ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF LAKES COLLEGE, WEST CUMBRIA AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT OF EDUCATION ("THE DEPARTMENT") Cont'd

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

Conclusion

In the course of our work nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed:



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

16th December 2019