

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

We have audited the group financial statements of Lakes College for the year ended 31 July 2023 which comprise the Consolidated and College Statement of financial activities incorporating income and expenditure account, the Consolidated and College Balance sheet, the Consolidated and College Statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Further Education SORP 2019 and the College Accounts Direction 2022 to 2023 issued by the Education and Skills Funding Agency.

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

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group and College's affairs as at 31 July 2023 and of the Group and College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further Education SORP 2015 and the College Accounts Direction 2022 to 2023 issued by the Education and Skills Funding Agency.

### **BASIS OF OPINION**

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

### **CONCLUSIONS RELATING TO GOING CONCERN**

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

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

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

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

### **OTHER INFORMATION**

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

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

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

In our opinion, in all material respects:

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

### **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

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

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

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

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

### **RESPONSIBILITIES OF MEMBERS OF THE CORPORATION**

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

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

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

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

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

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

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

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

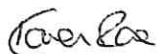
- performed analytical procedures as a risk assessment tool to identify any unusual or unexpected relationships; and
- tested journal entries to identify unusual transactions; and
- tested the operating effectiveness of key controls over purchase cycles on a sample basis; and
- reviewed the application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

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

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

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

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



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

Date: 18th December 2023

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

### Statement of Accounting Policies

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

### Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2022 to 2023 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The college is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

### Basis of Accounting

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

### Basis of consolidation

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

### Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Strategic Report. There are inherent uncertainties affecting college future funding long term funding rates, significant qualification reform, The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying notes.

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

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

In 2019/20, the increase in the LGPS liability to £9.0m moved the college to a negative balance sheet position. That liability has decreased to £8.1m resulting in a negative balance sheet of £1.4m. In 2021/22, an actuarial gain means that the pension liability reduced to £1.7m and the balance sheet return to a positive £5.5m. In 2022/23, a further actual gain of £5.6m resulted in a positive £3.7m actuarial assessment. This scheme is a long-term liability, arising as the college must offer the LGPS to staff who are not eligible as members of the Teachers' Pension Scheme, and would only crystallise if the college were to leave the pension scheme.

At the last valuation, the actuaries recommended that the college did not pay additional contributions for McCloud uncertainty and additional deficit contributions ceased.

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

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



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

### **Future Operations**

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

The college has made a deficit in the year of £2m (2022 £0.5m) before the actuarial movement on the pension scheme, and a deficit of £0.06m (2022 surplus £6.9m) including the pensions movement with asset ceiling applied as detailed at note 15.

The college has net current assets of £0.02m (2022 £1.7m) and positive reserves of £5.4m (2022 £5.5m).

Notwithstanding the above the governors confirm the college continues to be a going concern, without the pension asset the college has assets of £5.4m (2022 £7.2m), the pension liability is payable by employer contributions over a long-term duration and all contributions over the medium term can be met from cash flows.

In addition, within current liabilities there is £0.9m (2021 £0.8m) of deferred income capital grants which are not liabilities falling due for payment but instead income yet to be released. Removing the deferred income there would be net current assets of £0.92m (2022 £2.4m) clearly demonstrating the ability of the college to meet its liabilities as they fall due.

Accordingly, the governors have reviewed future financial projections, cash flow statements, available bank facilities and the ability of the College to meet its liabilities. The Corporation is committed to robust monitoring of a Financial Recovery Plan to ensure that actions are having the impact necessary to support future aspirations. The College had available cash reserves of £1.8m as at 31 July 2023, and no outstanding loans. The level of cash reserves and fiscal planning indicate the college has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

### **Recognition of Income**

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

The recurrent grant from Office for Students (OfS) represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred income and recognised in income over the expected useful life of the asset under the accrual method permitted by FRS 102.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned. Income received in advance of performance-related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as conditions are met.

Income from tuition fees is recognised in the period for which it is receivable and includes all fees payable by students or their sponsors.

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

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

### **Agency Arrangements**

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

### **Post Retirement Benefits**

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

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

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

### **Short Term Employment Benefits**

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

### **Enhanced Pensions**

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

### **Non-Current Assets - Tangible Fixed Assets**

#### **a. Land and Buildings**

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

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

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred income grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

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

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2022. 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. Lower value mobile IT equipment and associated peripherals, which may individually cost under £1,000, are capitalised to allow appropriate tracking of use of the asset. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation less depreciation.

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

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

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

### Leased Assets

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

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

### Investments

Fixed asset investments are carried at historical cost less any provision for a permanent diminution in their value. Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value.

### Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the



Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

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

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

### **Liquid Resources**

Cash and cash equivalents include sums on short-term deposits with recognised banks and building societies and government securities. At no time during this accounting period did cash reserved dip below 30 days and forecast. Indicate this remains the cash coming for the coming 12 months from the signing of these accounts.

### **Provisions**

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

### **Judgements in applying accounting policies and key sources of estimation uncertainty**

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

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

### **Other Key sources of estimation uncertainty**

- *Tangible Fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 16, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2022 has been used by the actuary in valuing the pensions liability at 31 July 2022. 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 2023

	Notes	College 2023 £000	Group 2023 £000	College 2022 £000	Group 2022 £000
Funding body grants	1	12,920	12,920	11,414	11,414
Education contracts	2	712	712	787	787
Tuition fees and charges	3	671	671	786	786
Other operating income	4	642	899	558	715
Investment income	5	52	52	5	5
<b>Total Income</b>		<b>14,997</b>	<b>15,254</b>	<b>13,550</b>	<b>13,707</b>
<b>Expenditure</b>					
Staff costs	6	10,538	10,784	8,766	8,951
Other operating expenses	8	5,173	5,179	4,054	4,031
Depreciation	9	1,282	1,284	1,109	1,111
Interest and other finance costs	10	57	57	132	132
<b>Total expenditure</b>		<b>17,050</b>	<b>17,304</b>	<b>14,061</b>	<b>14,225</b>
<b>Surplus/(Deficit) before other gains and losses</b>		<b>(2,053)</b>	<b>(2,050)</b>	<b>(511)</b>	<b>(518)</b>
(Loss) on disposal assets	9	-	-	-	
<b>Surplus/(Deficit) before tax</b>		<b>(2,053)</b>	<b>(2,050)</b>	<b>(511)</b>	<b>(518)</b>
Taxation		-	-		
<b>Surplus/(Deficit) in the year</b>		<b>(2,053)</b>	<b>(2,050)</b>	<b>(511)</b>	<b>(518)</b>
Actuarial gain/(loss) in respect of pension schemes	15/16	1,984	1,984	7,364	7,364
<b>Total comprehensive income for the year</b>		<b>(69)</b>	<b>(66)</b>	<b>6,853</b>	<b>6,846</b>
Represented by:-					
<b>Unrestricted comprehensive income</b>		<b>(69)</b>	<b>(66)</b>	<b>6,853</b>	<b>6,846</b>

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

# **CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES**

For The Year Ended 31 July 2023

	Notes	Income and expenditure Account	3G Pitch Sink Fund	Revaluation Reserve	Total
<b>Group</b>					
At 31 <sup>st</sup> July 2022		4,980	150	377	5,507
Actuarial gain/(loss) on pension schemes		1,984			1,984
Deficit from income and expenditure account		(2,050)			(2,050)
Transfers to designated reserves		(25)	25		--
At 31 <sup>st</sup> July 2023	18/19	4,889	175	377	5,441
<b>College</b>					
At 31 <sup>st</sup> July 2022		4,976	150	377	5,503
Actuarial gain/(loss) on pension schemes		1,984			1,984
Deficit from income and expenditure account		(2,053)			(2,053)
Transfers to designated reserves		(25)	25		--
At 31 <sup>st</sup> July 2023	18/19	4,882	175	377	5,434

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



# **BALANCE SHEETS AS AT 31 JULY 2023**

	Notes	College 2023 £000	Group 2023 £000	College 2022 £000	Group 2022 £000
<b>Non-current assets</b>					
Tangible fixed assets	9	28,371	28,376	25,941	25,948
Investment in joint venture	11	-	-	-	-
<b>Total non-current assets</b>		<b>28,371</b>	<b>28,376</b>	<b>25,941</b>	<b>25,948</b>
<b>Current assets</b>					
Debtors	12	2,209	2,254	1,262	1,213
Cash at bank and in hand		1,779	1,784	4,161	4,196
<b>Total current assets</b>		<b>3,988</b>	<b>4,038</b>	<b>5,423</b>	<b>5,409</b>
Creditors: amounts falling due within one year	13	(3,965)	(4,013)	(3,756)	(3,746)
<b>Net current assets</b>		<b>23</b>	<b>25</b>	<b>1,667</b>	<b>1,663</b>
<b>Total assets less current liabilities</b>		<b>28,394</b>	<b>28,401</b>	<b>27,608</b>	<b>27,611</b>
Creditors amounts falling due after more than one year	14	(22,724)	(22,724)	(20,153)	(20,153)
Defined benefit obligations after provisions	15	0	0	(1,677)	(1,677)
Provisions	16	(236)	(236)	(275)	(275)
<b>Total net assets</b>		<b>5,434</b>	<b>5,441</b>	<b>5,503</b>	<b>5,506</b>
<b>Restricted reserves</b>					
Designated reserve	17	175	175	150	150
<b>Unrestricted reserve</b>					
Revaluation Reserve	17	377	377	377	377
Income and expenditure account	18	4,882	4,889	4,976	4,979
<b>TOTAL FUNDS</b>		<b>5,434</b>	<b>5,441</b>	<b>5,503</b>	<b>5,506</b>

The financial statements on pages 29 to 55 were approved by the Governing Body on 7th December 2023 and were signed on its behalf by:

*Michael Priestley*

**Mike Priestley**  
Chairman

*Chris Nattress*

**Chris Nattress**  
Principal

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended 31 July 2023

	College 2023 £000	Group 2023 £000	College 2022 £000	Group 2022 £000
<b>Cash flow from operating activities</b>				
<b>Surplus/(Deficit) on continuing operations after depreciation of assets at valuation, exceptional items and before tax</b>	(2,053)	(2,050)	(511)	(518)
Depreciation (note 10)	1,282	1,284	1,109	1,111
Deferred capital grants to income (note 1 and 5)	(887)	(887)	(810)	(810)
(Increase)/decrease in debtors (note 13)	(947)	(1,041)	(227)	(174)
Increase/(decrease) in creditors and provisions (note 14,15 and 17)	65	124	1,364	1,332
Pension cost less contributions payable	333	333	855	855
Adjustment for investing or finance activities				
Loss on disposal of fixed assets	-	-	-	-
Interest receivable (note 6)	(52)	(52)	(5)	(5)
Interest payable (note 11)	-	-	-	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(2,259)</b>	<b>(2,289)</b>	<b>1,775</b>	<b>1,791</b>
<b>Cash flows from investing activities</b>				
Purchase of tangible fixed assets	(3,712)	(3,712)	(1,882)	(1,882)
Sales of tangible fixed assets	-	-	-	-
Deferred capital grants received	3,537	3,537	1,295	1,295
<b>Net cash inflow/(outflow) for capital expenditure and financial investment</b>	<b>(175)</b>	<b>(175)</b>	<b>(587)</b>	<b>(587)</b>
<b>Cash flows from financing activities</b>				
<b>Returns on Investment and servicing of finance</b>				
Investment Income		-	-	-
Interest received	52	52	5	5
Repayment of amount borrowed				
Interest paid	-	-	-	-
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>52</b>	<b>52</b>	<b>5</b>	<b>5</b>
<b>Increase/ (Decrease) in cash and cash equivalents in the year</b>	<b>(2,382)</b>	<b>(2,412)</b>	<b>1,193</b>	<b>1209</b>



## NOTES TO THE ACCOUNTS

### 1. FUNDING BODY GRANTS

	College 2023 £000	Group 2023 £000	College 2022 As Restated £000	Group 2022 As Restated £000
ESFA Recurrent grant – adult	765	765	636	636
ESFA Recurrent Grant – 16-18:	5,688	5,688	5,089	5,089
ESFA Recurrent Grant - Apprenticeships	3,964	3,964	3,322	3,322
OFS Recurrent Grant	364	364	371	371
Releases of government capital grants	557	557	493	493
Bursary Funds	246	246	175	175
Other Funds	1,336	1,582	1,328	1,328
	<b>12,920</b>	<b>12,920</b>	<b>11,414</b>	<b>11,414</b>

### 2. EDUCATION CONTRACTS

	College 2023 £000	Group 2023 £000	College 2022 £000	Group 2022 £000
Local Education Authority	196	196	138	138
Other Contracts	516	516	649	649
	<b>712</b>	<b>712</b>	<b>787</b>	<b>787</b>

Education contract income represents fee income received which is not directly from ESFA or OfS. Other contracts includes Multiply income of £28,540 which is classified as a restricted grant.

### 3. TUITION FEES AND CHARGES

	College 2023 £000	Group 2023 £000	College 2022 £000	Group 2022 £000
Adult Education Fees	282	282	243	243
Apprenticeship fees and contracts	69	69	58	58
Higher Education	320	320	485	485
	<b>671</b>	<b>671</b>	<b>786</b>	<b>786</b>

Tuition fees funded by bursaries Included within the above amounts are tuition fees funded by bursaries of £475 (2022 £475)

#### 4. OTHER OPERATING INCOME

	College 2023 £000	Group 2023 £000	College 2022 £000	Group 2022 As restated £000
Releases from non-government capital grants (non ESFA/OFS)	330	330	316	316
Other income generating activities	213	213	180	180
Other income	99	356	62	219
	642	899	558	715

#### 5. INVESTMENT INCOME

	College 2023 £000	Group 2023 £000	College 2022 £000	Group 2022 £000
Other interest receivable	52	52	5	5

## 6. STAFF COSTS

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

	College 2023 Numbers	Group 2023 Numbers	College 2022 As restated Numbers	Group 2022 As restated Numbers
Teaching departments FTE	142	142	120	120
Headcount	155	155	136	136
Teaching support services FTE	41	41	48	48
Headcount	53	53	66	66
Administration and central services FTE	46	46	39	39
Headcount	52	52	44	44
Premises FTE	7	7	7	18
Headcount	8	8	8	27
Income Generation FTE	8	8	5	5
Headcount	10	10	8	8
TOTAL FTE	244	244	219	230
Headcount	278	278	262	281

Staff costs for the above persons:

	College 2023 £000	Group 2023 £000	College 2022 As restated £000	Group 2022 As restated £000
Teaching departments (including Faculty Technicians and other support staff)	6,478	6,478	4,890	4,890
Teaching support services	1,560	1,560	1,310	1,310
Administration and central services	1,461	1,461	1,178	1,477
Premises	248	494	226	410
Income Generation Staff	370	370	383	84
Apprenticeship Levy	23	23	15	16
Pension Deficit Charge	-	-	-	-
FRS 102 retirement benefit charge	276	276	723	723
Restructuring costs - Contractual	21	21	-	-
Non-contractual	25	25	-	-
Movement in holiday pay accrual	76	76	34	34
Other	-	-	7	7
	10,538	10,784	8,766	8,951
Wages and salaries	7,688	7,924	6,137	6,313

Agency Costs	468	468	176	176
Social security costs	690	698	569	576
Other pension costs	1,416	1,418	1161	1163
FRS 102 retirement benefit charge	276	276	723	723
	<b>10,538</b>	<b>10784</b>	<b>8,766</b>	<b>8,951</b>
Employment costs for staff on permanent contracts	9,314	9,560	7,498	7,683
Employment costs for staff on short-term and temporary contracts	948	948	545	545
FRS 102 retirement benefit charge	276	276	723	723
	<b>10,538</b>	<b>10,784</b>	<b>8,766</b>	<b>8,951</b>



## 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.

	College 2023 £000	Group 2023 £000	College 2022 £000	Group 2022 £000
Salaries	274	274	268	268
Benefits in kind	2	2	2	2
Pension contributions	61	61	59	59
<b>Total</b>	<b>337</b>	<b>337</b>	<b>329</b>	<b>329</b>

There were no amounts due to key management personnel paid for compensation for loss of office, that were waived in-year, nor any salary sacrifice schemes in place. The above emoluments include amounts payable to the Principal (Accounting Officer) (who is also the highest paid officer) of:

	College 2023 £000	Group 2023 £000	College 2022 £000	Group 2022 £000
Salaries	116	116	114	114
Benefits in kind	1	1	1	1
<b>Sub Total</b>	<b>117</b>	<b>117</b>	<b>115</b>	<b>115</b>
Pension contributions	28	28	27	27
<b>Total</b>	<b>145</b>	<b>145</b>	<b>142</b>	<b>142</b>

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

	College 2023 £000	Group 2023 £000	College 2022 £000	Group 2022 £000
Principal and CEO's basic salary as a multiple of the median of all staff	4.12	4.12	4.2	4.2
Principal and CEO's total remuneration as a multiple of the median of all staff	4.2	4.2	4.2	4.2

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, although in 2021-22 the Principal's salary was reviewed to re-align with AOC benchmarking. The pension contributions in respect of the Principal and Senior Post holders are in respect of employer's contributions to the Teachers' Pension Scheme and the Local Government Pension Scheme and are paid at the same rate as for other employees.



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

**College and Group**

Range	2023 Key management personnel and other staff		2022 Key management personnel and other staff As restated	
	£000	No	£000	No
£60,001-£65,000	64	1	63	1
Salaries and Benefits on Kind				
£65,001-£70,000	-	-	71	1
Salaries and Benefits in Kind				
£70,001 - £75,000	73	1	-	-
Salaries and Benefits in Kind				
£80,001 - £85,000	-	-	84	1
Salaries and Benefits in Kind				
£85,001-£90,000	86	1	-	-
Salaries and Benefits in Kind				
£90,001 -£95,000	90	1	-	-
Salaries and Benefits in Kind				
£115,001-£120,000	117	1	117	1
<b>Total</b>	<b>430</b>	<b>5</b>	<b>335</b>	<b>4</b>

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

	College 2023 £000	Group 2023 £000	College 2022 £000	Group 2022 £000
<b>Compensation paid to former key management personnel.</b>				
Compensation paid to the former post holder	-	-	-	-
Estimated value of other contractual benefits, including provisions for pensions	-	-	-	-
<b>Total</b>	-	-	-	-

Enrolments for key personnel are set based on AOC benchmark informed by income level and performance of the college. This benchmark is also referenced to compensate set equivalents regional roles.

These senior pay disclosures meet the requirements of the ESFA and OfS according to directions.

## 8. OTHER OPERATING EXPENSES

	College 2023 £000	Group 2023 £000	College 2022 As restated £000	Group 2022 As restated £000
Teaching departments	604	604	297	297
Teaching support services	148	148	103	103
Other support services	802	802	627	627
ESFA Bursaries	268	268	175	175
Administration and central services	1,245	1,245	1,021	1,021
General education expenditure, including examination fees	720	720	613	613
Premises costs	1,283	1,289	971	971
Sub-contracting	103	103	242	242
Other Expenses	-	-	5	5
<b>Total</b>	<b>5,173</b>	<b>5,179</b>	<b>4,054</b>	<b>4,054</b>

	College 2023 £000	Group 2023 £000	College 2022 £000	Group 2022 £000
Other operating expenses include:				
Auditor's remuneration				
• Financial Statements Audit	27	27	22	22
• Other services provided by the financial statements auditors in relation to pension return, sub-contractor assurance letter, grant funding audits	5	6	9	9
• Internal Audit	14	14	12	12
• Other services provided by the internal auditors	-	-	-	-
Hire of other assets – operating leases	57	57	13	13
Loss on disposal of tangible fixed assets	-	-	-	-

## 9. TANGIBLE FIXED ASSETS

### Group

	<i>Freehold Land &amp; Buildings £000</i>	<i>Equipment £000</i>	<i>Total £000</i>
<b>Cost or Valuation</b>			
At 1 August 2022	30,842	8,235	39,077
Additions	2,335	1,377	3,712
Disposals	-	-	-
<b>At 31 July 2023</b>	<b>33,177</b>	<b>9,612</b>	<b>42,789</b>
<b>Depreciation</b>			
At 1 August 2022	6,781	6,348	13,129
Charge for period	650	634	1,284
Eliminated on disposals	-	-	-
<b>At 31 July 2023</b>	<b>7,431</b>	<b>6,982</b>	<b>14,413</b>
<b>Net Book Value As At 31 July 2023</b>	<b>25,746</b>	<b>2,630</b>	<b>28,376</b>
 <b>Net Book Value As At 31 July 2022</b>	 24,061	 1,887	 25,948
 Inherited	 366	 -	 366
Financed by capital grant	21,207	1,904	23,111
Other	4,173	726	4,899
<b>Net Book Value As At 31 July 2023</b>	<b>25,746</b>	<b>2,630</b>	<b>28,376</b>



College only

	<i>Freehold Land &amp; Buildings £000</i>	<i>Equipment £000</i>	<i>Total £000</i>
<b>Cost or Valuation</b>			
At 1 August 2022	30,842	8,223	39,065
Additions	2,335	1,377	3,712
Disposals	-	-	-
<b>At 31 July 2023</b>	<b>33,177</b>	<b>9,600</b>	<b>42,777</b>
<b>Depreciation</b>			
At 1 August 2022	6,781	6,343	13,124
Charge for period	650	632	1,282
Eliminated on disposals	-	-	-
<b>At 31 July 2023</b>	<b>7,431</b>	<b>6,975</b>	<b>14,406</b>
<b>Net Book Value As At 31 July 2023</b>	<b>25,746</b>	<b>2,625</b>	<b>28,371</b>
<b>Net Book Value As At 31 July 2022</b>	<b>24,064</b>	<b>1,877</b>	<b>25,941</b>
<b>Inherited</b>	<b>366</b>	<b>-</b>	<b>366</b>
<b>Financed by capital grant</b>	<b>21,207</b>	<b>1,904</b>	<b>23,111</b>
<b>Other</b>	<b>4,173</b>	<b>721</b>	<b>4,894</b>
<b>Net Book Value As At 31 July 2023</b>	<b>25,746</b>	<b>2,625</b>	<b>28,371</b>

If inherited land and buildings had not been re-valued they would have been included at the following historical cost amounts:

Cost

Aggregate depreciation based on cost

Net book value based on cost

2021	2020
£	£
-	-
-	-
£-	£-

## 10. INTEREST PAYABLE

	College 2023 £000	Group 2023 £000	College 2022 £000	Group 2022 £000
Pension finance cost	49	49	127	127
Enhanced pension provision	8	8	5	5
Interest Charges				
	57	57	132	132

## 11. UNLISTED INVESTMENTS

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

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

	College 2023 £000	Group 2023 £000	College 2022 £000	Group 2022 £000
National College for Nuclear	-	-	-	-
Total	-	-	-	-

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

	College 2023 £000	Group 2023 £000	College 2022 £000	Group 2022 £000
Trade debtors after provision for bad debts	166	208	159	142
Prepayments and accrued income	1,256	1,259	564	532
Amounts owed by the Education and Skills Funding Agency	787	787	539	539
Total	2,209	2,254	1,262	1,213

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

	College 2023 £000	Group 2023 £000	College 2022 £000	Group 2022 As restated £000
Trade creditors	1,375	1,382	929	914
VAT	26	26	7	7
Other taxation and social security	172	175	148	150
Accruals and deferred income	812	850	1,191	1,195
Other creditors	394	394	370	370
Deferred income – government revenue grants	300	300	319	319
Deferred income – government capital grants	886	886	792	792
Total	3,965	4,013	3,756	3,747



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

	College 2023 £000	Group 2023 £000	College 2022 £000	Group 2022 £000
Deferred income – government capital grants	22,724	22,724	20,153	20,153
<b>Total</b>	<b>22,724</b>	<b>22,724</b>	<b>20,153</b>	<b>20,153</b>

#### 15. DEFINED BENEFIT OBLIGATIONS

##### Group and College

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

##### Total pension cost for the year

	College 2023 £000	Group 2023 £000	College 2022 £000	Group 2022 £000
Teachers' Pension Scheme: contributions paid	821	821	649	649
Local Government Pension Scheme: Contributions paid	596	596	513	513
FRS 102 (28) charge	276	276	723	723
Lump sum deficit	-	-	-	-
LGPS enhanced pension charge to statement of comprehensive income	-	-	-	-
<b>Total Pension Costs within staff costs</b>	<b>1,693</b>	<b>1,693</b>	<b>1,885</b>	<b>1,885</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuations of the schemes were at 31 March 2016 for the TPS and 31 March 2022 for the LGPS. Contributions amounting to £169,959 (2022:£134,793) were payable to the above schemes at 31 July and are included within creditors. An enhanced pension provision in respect of unfunded pensioners' benefits is included in provisions detailed in note 17.

##### Teachers' Pension Scheme

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

##### The Teachers' Pension Budgeting and Valuation Account

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

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

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20- 2022/23 academic years.

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

The pension costs paid to TPS in the year amounted to £820,818. (2022: £649,147)

#### 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 2023 was £789,013 (2022: £681,991) of which employers contributions totalled £595,639 (2022: £512,558) and employees contributions totalled £199,374 (2022: £169,431). The agreed contribution rates for future years is 18.8% 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 2022, updated to 31 July 2023 by a qualified independent actuary.

	At 31 July 2023	At 31 July 2022
Rate of increase in salaries	4.2%	4.2%
Rate of increase for pensions in payment/inflation	2.8%	2.8%
Discount rate for scheme liabilities	5.1%	3.5%
Inflation assumption (CPI)	2.7%	2.7%
Commutation of pensions to lump sums	50%	50%

The above assumptions were as at 31<sup>st</sup> July 2023 and the current rate of inflation is significantly higher which could impact on the future value of the pension scheme viability.

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 2023	At 31 July 2022
Retiring today		
Males	21.4 years	22.6 years
Females	23.8 years	25.3 years
Retiring in 20 years		
Males	22.7 years	24.1 years
Females	25.6 years	27.1 years

#### Sensitivity Analysis

	At 31 July 2023	At 31 July 2022
Discount rate +0.5% (0.1%)	16,424	22,816
Discount rate -0.5% (0.1%)	(16,424)	(22,816)
Mortality assumption – 1 year increase	18,261	23,805
Mortality assumption – 1 year decrease	(18,261)	(23,805)
CPI rate +0.25% (0.1%)	18,635	23,717
CPI rate -0.25% (0.1%)	(18,635)	(23,717)

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



	Value at 31 July 2023 £000	Value at 31 July 2022 £000
Equities	8,286	7,253
Government Bonds	2,755	3,065
Other Bonds	-	-
Property	1,679	2,094
Cash	495	669
Other	8,308	8,504
<b>Total fair plan value of assets</b>	<b>21,523</b>	<b>21,585</b>
Present value of funded liabilities	17,867	23,262
<b>Net pension Liability</b>	<b>3,656</b>	<b>(1,677)</b>
<b>Weighted average expected long term rate of return</b>	<b>5.1%</b>	<b>3.5%</b>
<b>Actual return on plan assets</b>	<b>300</b>	<b>(456)</b>

	Year Ended 31 July 2023 £000	Year Ended 31 July 2022 £000
<b>Amounts recognised in the statements comprehensive income reflect of the plan</b>		
<b>Amounts included in staff costs</b>		
Current service costs	848	1,224
<b>Total operating charge</b>	<b>848</b>	<b>1,224</b>
<b>Amount involved in investment costs</b>		
Net interest cost	49	127
<b>Pension finance costs</b>	<b>49</b>	<b>127</b>
<b>Amount recognised in comprehensive income</b>		
Return on plan assets	(655)	(807)
Experience gains/(losses) arising on the scheme liabilities	6,313	8,118
Effect on non-recognition of net defined benefit asset	(3,656)	-
<b>Amount recognised in other comprehensive income</b>	<b>2,002</b>	<b>7,311</b>
<b>Movement in deficit in year</b>		
(Deficit) in scheme at 1 August	(1,677)	(8,138)
<b>Movement in year:</b>		
Change in basis of valuation of scheme assets		
Current service cost	(848)	(1,224)
Employer contributions	598	523
Past service cost	-	-
Curtailments	-	-
Administration expenses	(26)	(22)
Net interest cost	(49)	(127)
Actuarial (loss)/gain	5,658	7,311
Effect on non-recognition of net defined benefit asset	(3,656)	-
<b>Surplus/(Deficit) in scheme at 31 July</b>	<b>-</b>	<b>(1,677)</b>

In accordance with paragraph 64 of IAS 19 and IFRIC 144, we have considered the impact of an asset ceiling on the recognition of assets in the Statement of Financial Position. An asset ceiling is the limit above which further increases in net pension assets cease to be recognised for accounting purposes. As at 31<sup>st</sup> July 2023, an asset ceiling totalling £3,656,000 was applied to limit the recognition of a surplus on the scheme.

	Year Ended 31 July 2023 £000	Year Ended 31 July 2022 £000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit</b>		
Liabilities at start of period	23,262	30,063
Current service cost	848	1,224
Past Service Costs	-	-
Interest cost	802	479
Employee contributions	196	169
Actuarial (gain)/loss	(6,313)	(8,118)
Benefits (paid)	(928)	(555)
Curtailments	-	-
<b>Defined benefit Liabilities at end of period</b>	<b>17,867</b>	<b>23,262</b>
<b>Changes in fair value of plan assets</b>		
Fair value of plan Assets at start of period	21,585	21,925
Change in basis of valuation of scheme assets	-	-
Interest on plan assets	753	352
Return on plan assets	(655)	(807)
Administration Expenses	(26)	(22)
Employer contributions	598	523
Employee contributions	196	169
Benefits paid	(928)	(555)
<b>Fair value of plan Assets at end of period</b>	<b>21,523</b>	<b>21,585</b>

The estimated value of employer contributions for the year ended 31 July 2023 is £524,000 (2022:453,000).

#### History of experience gains and losses

	2023	2022	2021	2020	2019
<b>Difference between the expected and actual return on assets:</b>					
Amount £000	251	(583)	2,915	151	154
Percentage of scheme liabilities	1.4%	(2.7%)	13%	(0.5%)	(0.6%)
<b>Experience gains and losses on scheme assets:</b>					
Amount £000	(655)	(807)	2,753	(323)	775
Percentage of scheme liabilities	3.7%	3.7%	12.6%	1%	4%
<b>Total amount recognised in SOCI:</b>					
Amount £000	5,658	7,311	1,558	2,595	2,764
Percentage of scheme liabilities	31.7%	27.8%	5.2%	9.3%	11.3%



## 16. PROVISIONS FOR LIABILITIES AND CHARGES

### Group and College

	<i>Pension Enhancement Provision 2023 £000</i>	<i>Pension Enhancement Provision 2022 £000</i>
At 1 August 2022	235	308
Interest	(8)	(5)
Actuarial (loss)	(18)	(20)
Transferred to statement of comprehensive income	26	(48)
At 31 July 2023	235	235

The enhanced pension provision relates to the cost of staff who have already left the College's employment and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	<b>2023</b>	<b>2022</b>
Interest rate	3.3%	1.6%
Net interest rate	2.9%	2.6%
Discount rate	1%	1%

	<i>Funded Provision audit Provision 2023 £000</i>	<i>Funded Provision audit Provision 2022 £000</i>
At 1 August 2022	40,000	-
Expenditure in the period	(40,000)	40,000
At 31 July 2023	-	40,000

The provision relates to 'at risk' income arising from ESFA audit in September and October 2022.

## 17. RESERVES

### REVALUATION RESERVE

	<i>College 2023 £000</i>	<i>Group 2023 £000</i>	<i>College 2022 £000</i>	<i>Group 2022 £000</i>
At 1 August 2022	377	377	377	377
At 31 July 2023	377	377	377	377

### DESIGNATED RESERVES

	<i>College 2023 £000</i>	<i>Group 2023 £000</i>	<i>College 2022 £000</i>	<i>Group 2022 £000</i>
Planned Maintenance and Replacement Programme				
<b>3G Pitch Sink Fund</b>				
As at 1 August 2022	150	150	125	125
Movement in designated reserve	25	25	25	25
As at 31 July 2023	175	175	150	150



# 18. MOVEMENT ON GENERAL RESERVES ACCOUNT

	College 2023 £000	Group 2023 £000	College 2022 £000	Group 2022 £000
At 1 August 2022	4,976	4,980	(1,852)	(1,841)
Actuarial gain/(loss) on pension schemes	1,984	1,984	7,364	7,364
Transfers to/(from) designated reserves	(25)	(25)	(25)	(25)
(Deficit) on continuing operations after depreciation of assets at valuation, exceptional items and tax	(2,053)	(2,050)	(511)	(518)
<b>At 31 July 2023</b>	<b>4,882</b>	<b>4,889</b>	<b>4,976</b>	<b>4,980</b>
<b>Balance represented by:</b>				
Pension reserve	0	0	(1,677)	(1,677)
Income and expenditure account reserve excluding pension reserve	4,882	4,889	6,653	6,646
<b>At 31 July 2023</b>	<b>4,882</b>	<b>4,889</b>	<b>4,976</b>	<b>4,969</b>

Restricted funds on Multiply contract were NIL as year-end, income received in year of £28,540 with activity to this value delivered and changed as expenses.

# 19. CAPITAL COMMITMENTS

	College 2023 £000	Group 2023 £000	College 2022 £000	Group 2022 £000
Capital commitments relate to Civil Engineering Training Centre, Refectory Infrastructure, digital accelerator hub, SDF fund, ICT devices, sport hall floor, main site capital grant funded improvement works.				
<b>Capital commitments</b>				
Commitments contracted for at 31 July	703	703	1,096	1,096
Authorised but not contracted at 31 July	209	209	332	332
<b>Total</b>	<b>912</b>	<b>912</b>	<b>1,428</b>	<b>1,428</b>

## 20. FINANCIAL COMMITMENTS

At 31 July 2023 the College had minimum lease payments under non-cancellable operating leases as follows:

### Group and College

	<i>Land and buildings 2023 £000</i>	<i>Land and buildings 2022 £000</i>	<i>Other 2023 £000</i>	<i>Other 2022 £000</i>
Expiring within one year	44	-	6	13
Expiring between two and five years inclusive	-	-	-	6
Expiring after five years	-	-	-	-
	44	-	6	19

## 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 National College for Nuclear joint venture vehicle was established in 2017 as we do not hold a controlling interest, in the interests of full transparency we report the following. Related party transactions amount to £4,266 (2022: £4,266), being payment of Consultancy fees and part set up costs agreed over 5 years (2020 insurance cover and audit fees for the National College for Nuclear). At the year-end date the National College for Nuclear owed £12,794 in respect of the transactions and £4,266 is included in accrued income.

In July 2020, the College established a fully owned subsidiary company, Lakes College Enterprises Ltd, as a vehicle to provide services to the College. On 1 August 2020 out-sourced cleaning staff were transferred to this subsidiary company which will provide cleaning services to the college. 3 staff were part seconded to the subsidiary company to manage the company and services. 2 Governors have been appointed to the Board. On 1<sup>st</sup> July 2021, out-sourced catering provision transferred to the company. Related part transactions in the year amounted to £238,467 (2022: £181,237 paid and £17,197 received). At the year end date Lakes College Enterprises Limited owed £9,416 (£2022: £17,192) to the College and the College owed £46,403 (£2022: £0) to Lakes College Enterprises Ltd.

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

No governors expenses were paid in the year (2022: Nil).

## **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**

Post year end the Corporation established a financial recovery plan which is robustly monitored by the Corporation in dedicated working groups and existing committees.

In July 2023 the Department for Education announced additional grant income to support the retention and reward of staff in the sector. The Corporation awarded a pay award of 4.25% based on the value of the grant awarded to the college.



## GOVERNING BODY:

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

Category and Roles	<sup>1</sup> Date of appointments and reappointments	Term of office	Date of Resignation	<sup>2</sup> Attendance at Corporation & Committee Meetings 2022-23
<b>Independent</b>				
Mr Mike Priestley Chair from 01/01/22 (re-appointment) Co-Chair, Quality Working Group Safeguarding and Prevent Link Governor Finance and Corporate Working Group Member	17/10/13 26/09/14 01/07/17 01/07/21	4yrs		Corporation 100% Committees 100%
Mr Phil Jardine Vice Chair from 07/02/22 (re-appointment) Quality Working Group Member Chair, Finance and Corporate Working Group  Director, Lakes College Enterprises Ltd	01/10/12 27/06/13 30/12/16 01/07/17 13/05/21  200820	3.75 years		Corporation 100% Committees 100%
Mrs Elaine Clinton Chair, Search and Governance Committee (from 01/01/22) Audit Committee Member Co-Chair Quality Working Group Equality and Diversity and Learner Support Link Governor	01/03/19 01/03/20 01/01/23	1 yr 2.75 y 4 yrs		Corporation 88% Committees 100%
Mr Peter Ellwood Member, Finance and Corporate Working Group	30/01/20 29/01/21	1 yrs 3 yrs		Corporation 75% Committees 100%
Mrs Beth Wordsworth Member of the Search and Governance Committee	03/10/19 02/10/20	1 yr 3 yrs		Corporation 75% Committees 60%
Mrs Alison Hampson Quality Working Group Member Remuneration Committee Member	01/03/19 01/03/20	2.75 yrs		Corporation 50% Committees 75%
Mr Nigel Holliday Remuneration Committee member Finance and Corporate Working Group Member of Quality Working Group  Chair and Director, Lakes College Enterprises Ltd	01/03/19 01/03/20 01/01/2023  30/09/20	1 yr 2.75 y 4yrs		Corporation 88% Committees 50%
Mrs Denise Rollo Audit Committee Member	10/05/18 09/05/19 01/01/22	4 yrs		Corporation 75% Committees 50%
Mr Robert Milburn Chair, Audit Committee from 23/11/20	10/05/18 09/05/19 01/01/22	4 yrs		Corporation 88% Committees 100%
Mr Paul Hardon	01/11/21 01/11/22	1 yr 3yrs		Corporation 63% Committees 75%
Ms Sarah Allison	01/09/22 01/09/23	1 yr 3yrs	20/09/23	Corporation 75%
Mrs Claire Dunn	01/09/23	1 yr		N/A
Mrs Val Pallister	01/11/23	1 yr		N/A
Ms Jill Stewart	23/11/23	1 yr		N/A

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

Category	Date of appointment and re-appointments	Term of office	Date of Resignation	Attendance Corporation & Committee Meetings 2022-23
<b>Staff</b>				
Mr Chris Nattress (Principal) Search and Governance Committee; Cumbria Colleges Ltd Board (dormant); National College for Nuclear – Director & Member Representative  Lakes College Enterprises Ltd - Director	01/09/13  15/03/16  10/07/20			Corporation 100% Committees 100%
Mr Lee Todd Audit Committee	17/03/22 17/03/23	1 yr 3yrs		Corporation 63% Committees 75%
Ms Kirsten Williamson	23/03/23	1 yr		Corporation 67%
Ms Rachel Bass	06/10/22	1 yr	24/11/22	Corporation 50%
<b>Student Governors</b>				
Mr Aaron Groggins	01/12/21 01/12/22	1 yr	15/07/23	63%
Mr Elijah Bennett	01/12/21 01/12/22	1 yr	15/07/23	75%
Ms Sophie Kelly	23/11/23	1 yr		
Ms Emily-Rose Lane	23/11/23	1 yr		
<b>Co-opted Committee Members</b>				
Mrs Norma Boyes Co-opted member of the Audit Committee Director, Lakes College Enterprises Ltd	01/01/22 01/02/23  01/01/22	1yr 1yr		Audit Committee 100%

#### REPORTING COMMITTEES AT YEAR END:

##### *Audit Committee: (5)*

*R Milburn (Chair)  
N Boyes (co-opted)  
L Todd  
D Rollo  
E Clinton*

##### *Remuneration: (4)*

*A Hampson  
M Priestley  
N Holliday (Chair)  
Vacancy*

##### *Search & Governance: (5)*

*E Clinton (Chair)  
M Priestley  
P Jardine  
C Nattress  
B. Wordsworth*

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

*M Priestley (Co-Chair)  
E Clinton (Co-Chair)  
N Holliday  
A Hampson  
P Jardine*

##### *Finance and Corporate Working Group: (5)*

*P Jardine (Chair)  
P Ellwood  
M Priestley  
N Holliday  
P Hardon*

#### 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  
James Watson House  
Rosehill  
Carlisle  
Cumbria  
CA1 2UU

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

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

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

Burnetts  
Victoria House  
Wavell Drive  
Rosehill  
Carlisle  
CA1 2ST



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

In accordance with the terms of our engagement letter dated 15<sup>th</sup> November 2021 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects, the expenditure disbursed and income received by Lakes College during the period 1 August 2022 to 31 July 2023 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

**Respective responsibilities of Lakes College and the reporting accountant**

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2022 to 31 July 2023 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

**Approach**

We conducted our engagement in accordance with the Code issued by the ESFA. We performed a limited assurance engagement as defined in that framework.

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

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

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

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

The work undertaken to draw our conclusion includes:

- A review of the accuracy of the corporation's self-assessment of compliance with regularity and propriety requirements and review of appropriate evidence and documentation.
- Review of expenditure systems for compliance with corporation policy and scheme of delegation.
- Consideration of staff expense claims in line with policy.
- Review of procedures in respect of government procurement cards.
- Review of corporation minutes.
- Consideration of advisory matters from internal auditor's 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 2022 to 31 July 2023 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



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

DATE: 18th December 2023