

**PAPER FOR GOVERNORS
PAPER LMC/C/31/16**

**LANCASTER & MORECAMBE
COLLEGE**

**Report and Financial Statements
For the Year Ended 31 July 2016**

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

Key Management Personnel, Board of Governors and Professional Advisers

Key Management Personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2015/16:

D Wood	Principal and CEO; Accounting Officer
P France	Vice Principal: Finance & Resources
G Atherton	Vice Principal: Curriculum & Quality Standards
J Hughes	Director of Business Development

Board of Governors

A full list of Governors is given on pages 9 and 10 of these financial statements.

J Wilkinson acted as Clerk to the Corporation from 1 August to 1 November 2015 and O Cushen took over for the remainder of the period.

Professional Advisers

A full list of Governors is given on pages 9 and 10 of these financial statements.

Financial Statements auditors and reporting accountants:

RSM UK Audit LLP
3 Hardman Street
Manchester
M3 3HF

Internal Auditors:

RSM Risk Assurance Services LLP (formerly
Baker Tilly Risk Advisory Services LLP)
1 Hollinswood Court
Stafford Park 1
Telford
Shropshire
TF3 3DE

Bankers:

Barclays Bank Plc
Barclays Business Centre
38 Market Street
Lancaster
LA1 1HR

Barclays Wealth
1 Churchill Place
London
E14 5HP

CAF Bank
25 Kings Hill Avenue
Kings Hill
West Malling
Kent
ME19 4JQ

Lloyds Bank Plc
25 Gresham Street
London
EC2V 7HN

Santander Corporate Banking
298 Deansgate
Manchester
M3 4HH

Solicitors:
Eversheds LLP
Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

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LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

Members' Report

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements of Lancaster & Morecambe College (the College) for the year ended 31 July 2016.

LEGAL STATUS

The Corporation was established under The Further and Higher Education Act 1992 for the purpose of conducting the affairs of Lancaster & Morecambe College. The corporation was incorporated as Lancaster & Morecambe College on 1 April 1993. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

MISSION

“Inspiring and developing individuals and businesses through high quality work-related education and training”.

PUBLIC BENEFIT

Lancaster & Morecambe College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 9 to 10.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching;
- Widening participation and tackling social exclusion;
- Excellent employment record for students;
- Strong student support systems;
- Maintain good financial health and continue to improve the College's estate and resources.

IMPLEMENTATION OF STRATEGIC PLAN

During the year the Corporation monitored the College against its 2015-2016 Strategic Plan which covered the period from 1 August 2015 to 31 July 2016. The Strategic Plan is updated each year and contains targets across the following core strategies:

- Sustain and develop the College community, its culture, values and wellbeing;
- Provide all students with a high quality learning experience that supports them to aspire, achieve and progress;
- Forge partnerships with businesses, LEPs, schools, universities and local authorities to lead in planning and developing successful local education and skills;
- Providing its students and staff with an outstanding environment in which to learn, teach and work.

A selection of the College's specific targets and achievement of those targets in 2015/2016 are shown below:

- 85% of learners surveyed would recommended the College to a friend compared to a target of 95%;
- Recruited 1,280 16/18 FE learners against a target of 1,253;
- 93% of teaching staff qualified against a target of 95%;
- Staff sickness 4.5% against a target of 4.5%

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

Members' Report (continued)

Financial Objectives

The College's overriding financial objective is to maintain its financial health grade as 'Outstanding'.

Specific financial targets included:

- Generate a positive cash flow from operations each year;
- Maintain at least 100 cash days in hand;
- Maintain a positive reserve on the income and expenditure account;
- Generate an underlying surplus each year;
- Restrict total borrowing to 0% of total annual income;
- Maintain a current ratio of at least 1.5.

The College met 4 of the above targets, and its grade for financial health remains as 'Outstanding'.

PERFORMANCE INDICATORS

FE Choices (formerly the "Framework for Excellence") has four key performance indicators:

- Success rates;
- Learner destinations;
- Satisfaction (formerly "learner views");
- Satisfaction survey (formerly "employer views").

The College is committed to observing the importance sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency/Education Funding Agency. The College is assessed by the Skills Funding Agency/Education Funding Agency as having an "Outstanding" financial health grading. The current rating of Outstanding is considered an acceptable outcome.

FINANCIAL POSITION

FINANCIAL RESULTS

The College generated an operating deficit in the year of £855k (2015 : £90k), with total comprehensive income of (£2,704k) (2015 : (£838k)).

At 31 July 2016 the College had accumulated reserves of £14,179k (2015 : £16,883k) and cash balances of £4,736k (2015 : £5,381k). The cash surplus is intended for the development of existing accommodation.

The College has no subsidiary companies.

Tangible fixed asset additions during the year amounted to £611k. This included £199k relating to Assets still under Construction at 31 July 2016. These investments related to new facilities for Hair and Beauty and Childcare provision.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2015/16 the FE funding bodies provided 76.9% of the College's total income.

TREASURY POLICIES AND OBJECTIVES

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College has a separate treasury management policy in place.

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

Members' Report (continued)

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

CASH FLOWS AND LIQUIDITY

At £(64)k (2014/15 £1,120k), operating cash outflow was insignificant.

The College has no borrowings.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

STUDENT NUMBERS

In 2015/16 the College has delivered activity that has produced £8,242k in funding body main allocation funding (2014/15 : £8,471k). The College had 3,696 (2014/15 : 3,483) funded and 1,100 (2014/15 : 1,415) non-funded students.

STUDENT ACHIEVEMENTS

Success rates across all qualifications were 77.1% (2014/15 : 75.8%)

CURRICULUM DEVELOPMENTS

The College rigorously reviews and plans its curriculum offering each year on a course by course basis. Individual courses are assessed for quality, fulfilment of learner needs, financial viability and contribution to government targets.

During 2015/2016 the College introduced a range of distance learning.

PAYMENT PERFORMANCE

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1 August 2015 to 31 July 2016, except where custom and practice has dictated otherwise, the College has endeavoured to pay suppliers within 30 days. The College incurred no interest charges in respect of late payment for this period.

POST BALANCE SHEET EVENTS

There were no post balance sheet events.

FUTURE DEVELOPMENTS

For 2016/17 the College has received funding allocations from the Skills Funding Agency of £1,592k for its adult provision, £522k for 24+ loan funded learners and £934k for 16-18 Apprentices. The Education Funding Agency has confirmed the college's allocation of £6,451k for 16-18 provision (including some 19-24 learners with high learning support needs).

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

Members' Report (continued)

Construction work will continue into 2016/2017 on the Heysham - M6 link road that will cut through the college campus. The College has reached an agreement with Lancashire County Council in respect of mitigation measures and the works around the College have been planned to minimise any disruption to its activities.

The College will continue to upgrade its campus through the implementation of the Property Master Plan. During 2016/17 new improved College entrances will be constructed and the external facades of the Music and Media Building will be upgraded. These improvements will be funded from College cash reserves.

The College will be part of the Area Review of Lancashire Colleges that will be taking place throughout 2016/17. The Area Review Team will review Further Education provision within Lancashire and make recommendations regarding future provision which may lead to some Colleges merging. The College has considered its options and has concluded that its preferred option is to remain as an independent College as per the current position. The Area Review is due to be completed by April 2017 and any recommendations made will have to be formally approved by the Corporation.

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives.

Tangible resources include the main college site.

FINANCIAL

The College has £14,179k of net assets (including £8,042k pension liability). It has no long term debt.

The College has cash reserves of £4,736k. The Corporation has resolved to utilise these reserves to undertake further phases of the College's accommodation strategy whilst retaining sufficient cash balances to maintain appropriate levels of cash days in hand.

PEOPLE

The College employs 300 people (expressed as full time equivalents), of whom 104 are teaching staff.

REPUTATION

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed three times a year by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

Members' Report (continued)

Outlined below are examples 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.

- Failure to meet learner numbers and funding targets. The College prepares a detailed curriculum plan that will deliver learner number and funding targets. Learner number and funding performance against targets are closely monitored by the Senior Management Team and action is taken where necessary.
- Failure to meet target success rates. The College has embedded quality systems and action is taken to address under-performing courses.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Lancaster & Morecambe College has many stakeholders. These include:

- Students;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Education sector funding bodies;
- FE Commissioner;
- Government Offices/ Regional Development Agencies/LEPs;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings.

EQUALITY AND DIVERSITY

The College has a comprehensive Single Equality Scheme and firmly believes that individuals are entitled to the same rights and responsibilities, regardless of race, colour, gender, age, religious belief, language, disability/learning difficulty, sexuality, culture or marital status.

The College has set targets for equality and diversity within the strategic key performance indicators which are monitored on a frequent basis.

Equality and Diversity Targets and Actuals for 2015/16 were:

	Target 2015/2016	Actual 2015/2016
Reduce the non disclosure of disability by students	<3%	1.4%
Narrow success rates between 16/18 FE males and females.	<2%	1.5%

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

Members' Report (continued)

DISABILITY EQUALITY

The College seeks to achieve the objectives set down in the Disability Discrimination Act 2000 as amended by the Special Educational Needs and Disability Acts 2001 and 2005. The college published its Single Equality Scheme in June 2010. This is available on request in Braille, large print, audio tape and is published on the college website and intranet.

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

GENDER EQUALITY

The College has a legal duty to positively promote gender equality and its Single Equality Scheme was published on the college website and intranet in June 2010 and is available on request in Braille, large print and audio tape.

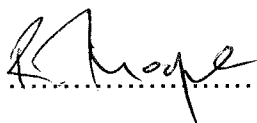
RACE EQUALITY

As a result of the Race Relations Act 1976 (as amended by the Race Relations (Amendment) Act 2001) the College has developed a comprehensive Single Equality Scheme and procedures to ensure that individuals and communities have equal access to our learning programmes and facilities. This is available on request in Braille, large print or audio tape, and is published on the college website and intranet.

DISCLOSURE OF INFORMATION TO AUDITORS

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 7 December 2016 and signed on its behalf by:



.....

R Thorpe
Chairman

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

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 1 August 2015 to 31 July 2016 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and
- ii. in full accordance with the guidance to colleges from the Association of Colleges Code of Good Governance for English Colleges.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code of Good Governance for English Colleges. We have not adopted and, therefore, do not comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Code of Good Governance for English Colleges, and it has complied throughout the year ended 31 July 2016. 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. In carrying out its responsibilities, it takes full account of the Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in June 2015.

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 purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

THE CORPORATION

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

Name	Date of Appointment	Term of Office	Date of Resignation	Status of appointment	Committees Served	Meeting Attendance
Mr R Thorpe	26 March 2012 (Re-appointed 1 April 2016)	4 years		Chair w.e.f 1 April 2014 Independent Member	Remuneration; Search	100%
Mr A Cheetham	1 August 2008 (Re-appointed 26 March 2012) Extended on 17 November 2014	4 years 1 year		Vice Chair w.e.f 1 September 2012 Re-appointed 1 April 2015 Independent Member	Audit; Remuneration ; Search	77%
Mrs T Aye	1 April 2016	4 years		Independent Member	N/a	100%
Ms H Bailey	1 April 2014	4 years	27 November 2015	Independent Member	Remuneration	66%
Dr A Bathgate	22 September 2008 (Re-appointed 1 April 2012)	4 years	31 March 2016	Staff Member (Support)	N/a	100%
Ms L Briggs	1 April 2016	4 years		Independent Member	Remuneration	66%

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

Statement of Corporate Governance and Internal Control (continued)

Mr M Burrow	7 November 2012	4 years	31 March 2016	Independent Member	Audit;	83%
Mrs S Cassey	1 April 2012 (Re-appointed 1 April 2016)	4 years		External Member	Audit	100%
Mrs L Evans	1 April 2016	4 years		Staff Member (Support)	N/a	100%
Miss G Glazier	1 July 2015	2 years	1 November 2015	Student Member	N/a	0%
Mr I Haines	23 March 2015	4 years		Independent Member	Audit	67%
Mr B Jefferson MBE	19 February 2007 (Re-appointed 1 April 2011) (Re-appointed 17 November 2014)	4 years 1 year	31 March 2016	Independent Member	Search	83%
Mr J Kirton	13 July 2009 (Re-appointed 8 July 2013)	4 years		Independent Member	Remuneration; Search	100%
Mr M Leather	25 March 2013	4 years		Independent Member	Audit	70%
Mr G Mervin	1 April 2012	4 years		Staff Member (Academic)	N/a	71%
Mr D Percival	1 October 2015	2 years	30 June 2016	Student Member	N/a	33%
Mrs K Selby	17 November 2014	4 years		Independent Member	Audit	70%
Mrs H Shukla MBE	1 August 2008 (Re-appointed 26 March 2012)	4 years	31 March 2016	Independent Member	Search	33%
Mrs V White	1 April 2008 (Re-appointed 26 March 2012)	4 years	31 March 2016	Independent Member	Audit; Remuneration Search	67%
Mr D Wood	27 August 2003			Staff Member (Principal)	Search In attendance at Remuneration;	100%
Mr J Yazdani	15 November 2010 (Re-appointed 23 March 2015)	4 years		Independent Member	Remuneration	88%
Julie Wilkinson acted as Clerk to the Corporation until 1 November 2015. Oona Cushen acted as Clerk to the Corporation from 1 November 2015.						

The Corporation conducts its business within a revised governance structure, with only Audit, Remuneration and Search Committees. The Corporation meets monthly September to December, February, March and May to July.

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

Statement of Corporate Governance and Internal Control (continued)

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, against funding targets, proposed capital expenditure, quality matters, teaching and learning performance and personnel-related matters such as health and safety and environmental issues. The Corporation meets at least twice each term.

Agendas and full minutes of all meetings, except those deemed to be confidential by the Corporation, are available for inspection on the College's website or from the Clerk to the Corporation at:

Lancaster & Morecambe College
Morecambe Road
Lancaster
LA1 2TY

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 and on the college website.

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.

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

APPOINTMENTS TO THE CORPORATION

Members of the Corporation are appointed for a term of office not exceeding four years, but can be re-appointed for a further 4 years; 8 years maximum. In exceptional circumstances, this may be extended for a further year. The Corporation is responsible for ensuring that appropriate training is provided as required.

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole.

SEARCH COMMITTEE

The Corporation has a search committee, comprising five members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The rules and remit of the search committee are published on the College's website.

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

Statement of Corporate Governance and Internal Control (continued)

CORPORATION PERFORMANCE

Governors self-assessed their collective performance during the year as Requires Improvement. This grade was informed by the Ofsted inspection and their own self-assessment, which highlighted some areas for improvement around rigorous challenge and scrutiny of the performance management of teaching, learning and assessment, learner outcomes and adequate assurance that the College has the capacity for sustainable improvement.

REMUNERATION COMMITTEE

Throughout the year ending 31 July 2016 the College's remuneration committee comprised six members (reducing to five members from 1 April 2016). The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer, Clerk and other senior post-holders.

Details of remuneration for the year ended 31 July 2016 are set out in notes 7 and 8 to the financial statements.

AUDIT COMMITTEE

The audit committee comprises of five members of the Corporation (excluding the Accounting Officer). The committee operates in accordance with written terms of reference approved by the Corporation.

The audit committee meets at least on a termly basis and provides a forum for reporting by the College's internal and financial statements and regularity 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 review the systems of internal control, risk management controls and governance processes in accordance with an agreed 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 and financial statements and regularity auditors and their remuneration for both audit and non-audit work as well a reporting annually to the Corporation.

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

Statement of Corporate Governance and Internal Control (continued)

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 Lancaster & Morecambe College for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

The risk and control framework

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

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

Lancaster & Morecambe College has an internal audit service, which operates in accordance with the requirements of the EFA's and SFA's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the college is exposed, and annual internal audit plans and a programme of assurance 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. The audit committee was provided with regular internal audit reports on this assurance activity; these reports did not identify any significant actions required.

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 (where appointed);
- 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 reporting accountant for regularity assurance in their management letters and other reports.

The Accounting Officer 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.

Statement of Corporate Governance and Internal Control (continued)

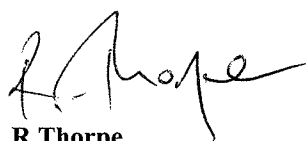
The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Principal and senior management team and the audit committee also receive regular reports from internal audit and other sources of assurance, 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. At its 16 November 2016 meeting the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2016.

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 body and the safeguarding of their assets".

GOING CONCERN

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 7 December 2016 and signed on its behalf by:



R Thorpe
Chair



D Wood
Accounting Officer

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

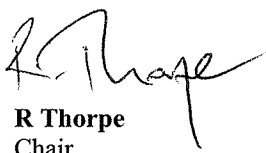
Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. As part of our consideration we have had due regard to the requirements of the financial memorandum.

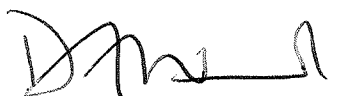
We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial memorandum.

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

Approved by order of the members of the Corporation on 7 December 2016 and signed on its behalf by:



R Thorpe
Chair



D Wood
Accounting Officer

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

Statement of Responsibilities of the Members of the Corporation

The members of the Corporation who act as trustees for the charitable activities of the College are required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency/Education Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2015 to 2016* issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the Corporation is required to:

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

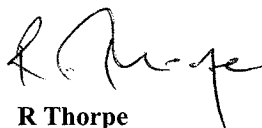
The Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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 the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the members of the Corporation on 7 December 2016 and signed on its behalf by:



R Thorpe
Chair

LANCASTER & MORECAMBE COLLEGE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

Independent Auditors' Report to the Corporation of Lancaster & Morecambe College

We have audited the College financial statements ("the financial statements") set out on pages 19 to 43. The financial reporting framework that has been applied in their preparation is 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", as set out in our engagement letter dated 21 December 2015.

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Skills Funding Agency and our engagement letter dated 21 December 2015. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 21 December 2015 to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of Lancaster & Morecambe College and Auditor

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 15, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with the terms of our engagement letter dated 21 December 2015, Joint Audit Code of Practice issued by the Skills Funding Agency and Education Funding Agency and International Standards on Auditing (UK and Ireland). The International Standards on Auditing (UK and Ireland) require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2016 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

LANCASTER & MORECAMBE COLLEGE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

**Independent Auditors' Report to the Corporation of Lancaster & Morecambe College
(Continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the revised Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

RSM UK Audit LLP

RSM UK Audit LLP
Chartered Accountants
3 Hardman Street
Manchester
M3 3HF

Date: *16 December 2016*