

# Annual Reports and Financial Statements

For the year ended 31 July 2017



Employer-led, producing a highly skilled and productive workforce

The  
**Lincoln College**  
Group

## **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 2016-2017:

Gary Headland	Chief Executive Officer and Accounting Officer
Mark Locking	Managing Director (Education Training and Delivery)
James Foster	Managing Director (International and Commercial)

### **BOARD OF GOVERNORS**

A full list of Governors is given on page 19 of these financial statements.

#### **Clerk to the Corporation**

Sarah Adams

### **PROFESSIONAL ADVISERS**

#### **Financial statements auditors and reporting accountants:**

RSM UK Audit LLP  
Two Humber Quays  
Wellington Street West  
Hull  
HU1 2BN

#### **Internal auditors**

ICCA Education Training and Skills  
46 The Priory Queensway  
Birmingham  
B4 7LR

#### **Bankers**

National Westminster Bank Plc  
Brayford Wharf North  
Lincoln  
LN1 1YW

Bank Saudi Fransi  
Head Office  
Riyadh 11554  
Kingdom of Saudi Arabia

#### **Solicitors**

Eversheds LLP  
1 Wood Street  
London  
EC2V 7WS

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## REPORT OF THE GOVERNING BODY

The members present their report and the audited financial statements for the year ended 31 July 2017.

### Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Lincoln College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

### Mission

Employer-led; producing a highly skilled and productive local workforce.

Our vision; to be an extraordinary organisation with sufficient scale and resilience to ensure that it adds recognised social and economic value to its communities in Greater Lincolnshire and Nottinghamshire by providing high quality education and training and making people exceptionally well prepared for work.

### Public Benefit

Lincoln College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the Charity, are disclosed on page 19.

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. The delivery of public benefit is covered throughout the Report of the Governing Body. However, the Lincoln College Group Strategy 2016-2019 specifically identifies the following key ambitions:

- **Excellence in Education and Training**

We will accelerate the ongoing transformation of our education and training delivery, dramatically improving the outcomes for our learners, until we are extraordinary.

- **Employer-focused Curriculum**

Our curriculum will be highly relevant, meeting the needs of employers and other key customers.

- **Higher Education and Skills Growth**

Through our Career Degree concept, we will continue to advance our higher education and skills offer with major investment in new infrastructure and programmes.

- **International and Commercial Development**

We will have the largest and most profitable international and commercial portfolio of UK general further education colleges, which generates substantial investment in education and training in Greater Lincolnshire and Nottinghamshire.

## REPORT OF THE GOVERNING BODY (CONTINUED)

- **Collaborate for Strength**

We will be more resilient by creating new partnerships, founded upon trust and confidence, so that we are stronger together and better able to meet the needs of businesses and students.

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

- High-quality outcomes
- High-quality teaching
- Widening participations and tackling social exclusion
- Excellent progression opportunities
- Strong student support systems
- Links with Local Enterprise Partnerships (LEPs)

### IMPLEMENTATION OF THE LINCOLN COLLEGE GROUP STRATEGY 2016-2019

On an annual basis SMART objectives are agreed with the appropriate Senior Responsible Owners (SROs) setting out precisely what is to be achieved in the coming year, to what standard/measure and by when. Performance against the Group ambitions (and against the critical enablers identified in the diagram on page 5) is tracked monthly at Performance management meetings and with individual SROs as part of their Performance Development Reviews.

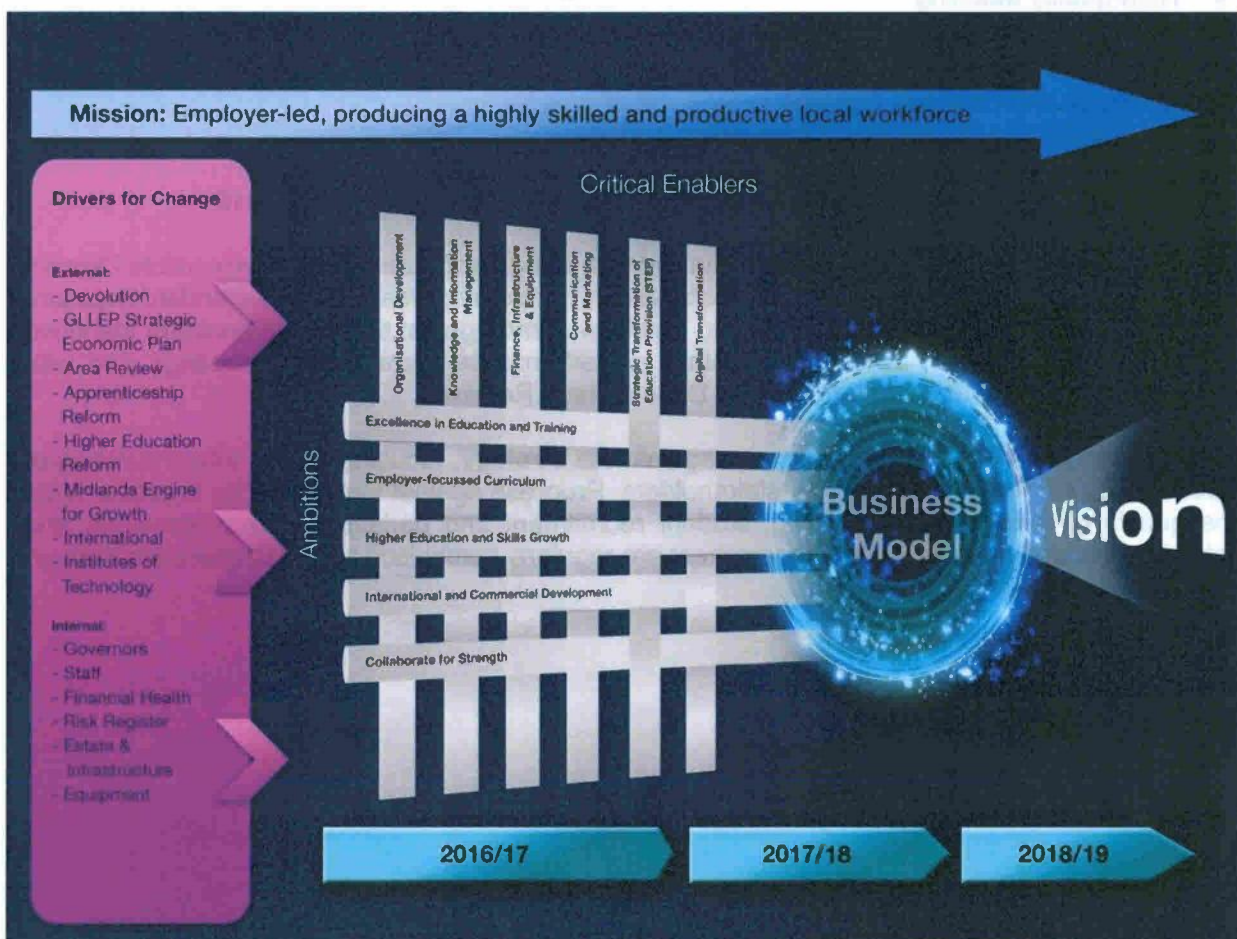
The Corporation regularly reviews progress against the Strategy, focusing on the future success of the College, its students and other key stakeholders. Progress against targets set for improvements in the quality of teaching and learning, student recruitment and participation and achieving and maintaining a sound financial health assessment are regularly scrutinised by the Corporation through formal committee structures.

## REPORT OF THE GOVERNING BODY (CONTINUED)

### IMPLEMENTATION OF THE STRATEGY (continued)

The Executive Leadership Team have established an extremely effective Performance Management Framework and systems to ensure delivery of the Group Strategy 2016-2019 objectives; these include the establishment of a 'Gold Group' to track progress against the 2016 Ofsted Quality Improvement Plan, a significant investment to transform Information Systems throughout the Group and the development of the Strategic Asset Management Group to identify capital and infrastructure needs.

The illustration below shows the Lincoln College Group ambitions for the period 2016-2019, along with the critical enablers and drivers for change.



The following section describes in some detail the progress against delivery of the Strategy 2016-2019 for each of the five key ambitions:

#### Ambition 1: Excellence in Education and Training

Very strong progress was achieved against challenging targets in 2016-2017, including:

- 100% pass rate for A Levels for the first time in Lincoln College's history
- 76% achievement rate for AS compared to 61.4% in 2015-2016
- Combined A/AS Levels achievement rate of 86.7% which is 17% above 2015-2016 and above both target and forecast
  - This is currently 5% above the national benchmark for our provision
  - This shows a strong improvement trend over 3 years in both groups across Retention, Pass and Achievement rates

## REPORT OF THE GOVERNING BODY (CONTINUED)

### IMPLEMENTATION OF THE STRATEGY (continued)

- GCSE English and maths combined Achievement rate A\*-G has risen to 84%; 3% above national average and 7.3% better than 2015-2016. Pass rates have increased in English and maths to 98% and 97.8% from 92% and 91% respectively
- Combined achievement rates for English and maths GCSE A\*-C (9-4) have risen to 31%; 1% above national benchmark and 18% better than 2015-2016. English 35% and maths 25%

The highlights are shown in the table below:

	2015/16 Outturn	2016-2017 Outturn	Variance
Overall Achievement	74%	81.0%	+7%
Pass Rate	84%	88.8%	+4.8%
Retention	88%	91.1%	+3.1%
Apprenticeships			
Overall	52%	64.1%	+12.1%
Timely	46%	50.5%	+4.5%
Higher Education Overall Achievement	84%	86.0%	+2%

### Ambition 2: Employer-focussed curriculum

During 2016-2017:

- Lincoln College piloted three new 'employer-led' programmes and has achieved a strong proof of concept in all three cases and scaling up the opportunities:
  - Britain's first Air & Defence Career College (data for the first wave of students was excellent).
  - Britain's first Construction Career College.
  - A unique partnership was formally begun in November 2016 with Team KnowHow, part of the Dixons-Carphone Group (FTSE 100).
- Introduced several new Career Degrees.
- A detailed EMSI analysis of the curriculum was completed and is shaping current design activity for 2018-2019

## REPORT OF THE GOVERNING BODY (CONTINUED)

### IMPLEMENTATION OF THE STRATEGY (continued)

#### Ambition 3: Higher Education and Skills Growth

A key highlight was the award of TEF Silver for our HE provision.

Also, Lincoln College improved on an already high DLHE position with an increase of 1% to 97.9% of HE students in employment or further study and the median salary of our students increased from £20,000 to £24,500.

NSS overall satisfaction was 94.23% which, put into context, was a 12% improvement on the previous year, over 10% higher than the regional average of 84.13% and 10% higher than the FE Sector average of 84.2%.

During 2016-2017 we commenced teaching of:

- BA(Hons) Lens Based Media.
- BA(Hons) Business and Management.
- BSc(Hons) Sports Therapy.
- BSc(Hons) Sports Coaching, Development and Pedagogy.

In addition, we validated the following courses and have commenced delivering at the start of 2017-2018:

- BA(Hons) Musical Instrument Craft.
- BSc(Hons) Computer Science.
- HNC Public Services.

#### Higher Education Graduation

This year saw our highest ever numbers at the Higher Education Graduation ceremony, with support from the High Sheriff and the first ever award of 'Companionship' to Steve Gelder MBE.

#### Ambition 4: International and Commercial Development

2016-2017 was a highly successful year for the Qatuf Female College in the Kingdom of Saudi Arabia:

- Confirmed award of SSS
- Confirmed top 3 of all CoE Colleges according to CHAPPS data.
- Attendance 85% and retention 99%.
- Notable practice for:
  - On-the-job training.
  - Student Council.
- KPMG 85% 'very compliant' rating.
- Innovative plans put in place to become more efficient and to increase capacity further.
- During 2016-2017 also began a Ministry of Health Programme:
  - Teaching 307 health trainees with English language skills for the health sector.
  - Based at Qatuf College, part of nationwide project to upskill healthcare workers.



## **REPORT OF THE GOVERNING BODY (CONTINUED)**

### **IMPLEMENTATION OF THE STRATEGY (continued)**

#### **Sichuan College of Architectural Technology (China)**

- Graduation in June 2016 of 511 construction students.
- Praise from President Li Hui regarding strength of partnership.
- City & Guilds accreditation for our modules.

#### **Chengdu Polytechnic (China)**

- Accountancy Programme is working well:
  - Student outcomes good.
  - Numbers steadily increasing: 90 new in-take expected 2017/18.
  - Accreditation and student pathways are priority areas.
- Opportunities to develop the partnership further:
  - Internships.
  - Study exchange.
  - Teacher training.
  - Potential new joint programme

#### **Other new partnership work began in China in 2016-17, including:**

- Developing a joint construction programme with Guangdong Construction College, and,
- Signing a Memorandum of Understanding with Chengdu Industry and Trade College

#### **Ambition 5: Collaborate for Strength**

- A strong Federation has been formed with the Grimsby Institute Group (GIG), including the creation of Greater Lincolnshire Apprenticeships Limited
- Other collaboration models have been developed with GIG to:
  - improve academic performance; and
  - create opportunities for mutually beneficial international and UK commercial activity.
- Also, a new commercial partnership with University of Hull in KSA is now in place
- Many other collaboration models are being developed with a variety of partners, building on partnerships such as those arising from the Midlands Engine Export Champion Initiative, and events such as those managed recently by the Lincoln College Group involving the Department of International Trade and the China British Business Council.

## REPORT OF THE GOVERNING BODY (CONTINUED)

### LEARNER NUMBERS AND FUNDING

In 2016-2017 the College has delivered activity that has produced £24,091,000 in funding body main allocation funding.

The College had approximately 13,500 learners enrolled on its programmes. Of these 3,500 were learners aged 16 to 18 and over 9000 were adult learners.

The total number of 16-19 EFA funded learners in 2016-2017 was 2,785. Income received of £14,998,000 was lagged based on 2015-2016 student numbers.

The number of funded Adult Non-Apprenticeship learners in 2016-2017 was 3,427 and income from Other Adult Skills totalled £3,173,000.

The total number of 16-18 apprentices for 2016-2017 was 732. The income earned for 2016-2017 was £2,148,000.

The total number of adult apprentices in learning for 2016-2017 was 3,042. Subject to final reconciliation, the income earned from adult apprenticeships for 2016-2017 was £3,063,000 of which £2,181,000 was delivered by subcontractors.

The total number of higher education learners in 2016-2017 was 441 with Higher Education fee income totalling £2,193,000 and HEFCE funding income of £360,000.

### Performance indicators

Key performance indicator	Sector benchmark	Lincoln College Group result 2016/17
Operating surplus	3-5%	6.5%
Staff costs as % of income	< 65%	61%
Adjusted current ratio	>1:1	0.7:1
Borrowing as % of income	<40%	29%
<b>Financial Health Score</b>		Satisfactory

### FINANCIAL POSITION

The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The College is assessed by the ESFA as having a 'Satisfactory' financial health grading in 2016-2017.

### Financial Results

#### Headlines

For 2016-2017 the Lincoln College Group ended the year with an operating surplus of £2.93m (2015/16 £4.28m deficit).

Total income for the year amounted to £56.9m (2015/16 £39.40m) relating to continuing operations, with £24.09m (2015/16 £23.70m) from funding bodies, £31.34 (2015/16 13.63m) from tuition fees and education contracts, and £1.48m (2015/16 £1.43m) other income.

## REPORT OF THE GOVERNING BODY (CONTINUED)

### Financial Results (continued)

#### Headlines

During the year the proportion of ESFA funding to total income was 42% .

The College Group has accumulated reserves of £16.16m (2015/16 £10.21m) excluding pension deficit, and cash balances of £0.44m (2015/16 £2.31m).

Tangible fixed asset additions during the year amounted to £1.6m, this was split between land and buildings £0.12m and equipment £1.48m.

Cash inflow from operating activities was £0.27m (2015/16 outflow £2.20m), with a decrease in cash in the year of £2.11m.

The financial health of the College Group remains satisfactory, with sufficient reserves to respond to new opportunities.

In these financial statements the College has recognised:

100% ownership of Lincoln Academy Limited, the subsidiary is a property rental and investment company, owning 99% of the share capital of Lincoln College International LLC.

100% ownership of FE Resources (Lincoln) Limited, the subsidiary company used to procure and process manage the use of visiting Associated Lecturing staff and other staff ancillary to teaching.

100% ownership of Deans Sports, Health and Management Company Limited, established for the management of the many commercial aspects of Deans Sport, Health and Leisure Centre, ensuring that the College maintains a strong community and social footprint throughout the year.

100% ownership of Lincoln College Corporate Support Solutions Limited, established to provide support services across the group, owning 1% of the share capital of Lincoln College International LLC.

100% ownership of the assets and trading results of the newly formed (in 2016-2017) Joint Venture partnership, Greater Lincolnshire Apprenticeships Limited with the Grimsby Institute Group (GIG). This reduced to 50% after the year end.

The activities and financial performance of each of the above subsidiary companies have been appropriately consolidated in these financial statements.

### Going Concern

- The UK finance team produce a 24 month rolling cashflow that forecasts the cash position to July 2019. This is updated each month to take account of actual results and is adjusted to reflect the current known risks around forward cashflows.
- The monthly management accounts are extensive and provide detailed analysis and context around each funding stream and all pay and non-pay cost classifications.
- The Group has the ability to repay debts as they fall due and has in place sufficient facilities with its bankers and other providers of finance to ensure an appropriate level of working capital headroom is available.
- Early negotiations have begun to restructure the existing loans and this process is supported by a firm of treasury management specialists. There is a high level of confidence in the Groups ability to access fresh loan finance as well as being well placed to structure its loans in such a way as to further increase working capital.

## REPORT OF THE GOVERNING BODY (CONTINUED)

### Financial Objectives

The strategic financial objectives of the College for 2017-2019 (in line with the approved Two Year Finance Plan) are detailed below;

- achieve an operating surplus on the income and expenditure account throughout the life of the plan
- achieve a Group EBITDA greater than 8% of total income
- improving working capital and raising the current ratio to greater than 1.5 by 2018-2019
- ensure that payroll expenditure is controlled at a level that is appropriate for a wide range of delivery models, and in line with the delivery of the Group Strategic Plan
- deploy resources into opportunities for growth, and multiply efforts in those areas of the business that yield a positive financial contribution

### 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.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer in line with financial regulations (fully updated and approved in July 2017). All other borrowing requires the authorisation of the Corporation.

### Cash flows and liquidity

The Group had a cash outflow of £2.11m during 2016-2017. The size of the Group's borrowing and its approach to interest rates were calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. A comprehensive strategic debt management review was commissioned during 2016-2017 by an external consultancy firm specialising in education finance. The review concluded that the Group, due to its low gearing and recent levels of debt repayments, is well placed to seek additional finance should this be required. The Group repaid loan finance of almost £3.5m during the year 2016-2017.

### Reserves policy

The Group has an implied reserves policy by virtue of the targets and key assumptions detailed in the financial plans (2016-2018 and 2017-2019), and clearly recognises the importance of reserves in the overall financial stability for the Group, and ensures that there are adequate reserves to support the College's core activities.

The College Group reserves include £80k held as restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at £12.82m (2016: £6.81m). A formal reserves policy is being developed in 2017-2018 in light of the recent strategic debt review, the significant cash generation in 2016-17 and the planned for delivery of an estates Masterplan and long-term capital programme.

## REPORT OF THE GOVERNING BODY (CONTINUED)

### Financial health

The current and planned financial health of the Group is as follows:

Financial Health Grade: Year ending 31 July				
	2016	2017	2018	2019
<b>Lincoln College</b>	Satisfactory	Satisfactory	Good	Good
<b>KSA</b>	Not graded	Satisfactory	Good	Good
<b>Group</b>	Not graded	Satisfactory	Good	Good

### FUTURE DEVELOPMENTS

Deliver Year Two of Lincoln College Group Strategy 2016-2019, in particular (by reference to Ambition were relevant):

- **Ambition 1:**
  - Achieve Ofsted GOOD during next inspection.
- **Ambition 2:**
  - Create a clear and compelling vision for Newark College.
  - Create a clear and compelling vision for Gainsborough College.
  - Qualify Institute of Technology (IoT) opportunity.
- **Ambition 4:**
  - Continue to grow our operations in KSA and China.
  - Pursue a range of commercial opportunities (already well developed in some cases)
  - Explore UK growth by acquisition.
- **Ambition 5:**
  - Open two additional Air & Defence Career Colleges (A&DCC).
  - Continue to build Greater Lincolnshire Apprenticeships Limited.
  - Continue to develop FE Sector partnership opportunities.

## **REPORT OF THE GOVERNING BODY (CONTINUED)**

### **GREATER LINCOLNSHIRE AREA REVIEW**

The Area Review was conducted from October 2016 to March 2017.

The Lincoln College Group believes passionately in collaboration and has expressed to all of the region's colleges that it is open to have discussions on collaboration. We adopted a very open approach to the Area Review, making it clear that we were willing to consider all options for collaboration. The Lincoln College Group Strategy 2016-2019 has an explicit ambition related to collaboration as follows:

"We will be more resilient by creating new partnerships, founded upon trust and confidence, so that we are stronger together and better able to meet the needs of businesses and students."

We have formed a strategic relationship with the Grimsby Institute Group (GIG) that will improve the effectiveness, efficiency and economy of the further and higher education provision to employers in Greater Lincolnshire, starting with the creation of a new collaborative partnership (established as a formal Joint Venture) called Greater Lincolnshire Apprenticeships in order to grow exponentially the number of apprenticeships delivered by the FE sector across the region.

### **STAFF AND STUDENT INVOLVEMENT**

Students and staff are represented on College Committees and on the Board of the Corporation by staff and student governors. There are two staff governors, academic and non-academic. The students are represented by an HE student, the Student President and Student Vice-President. The Student President provides a full report to the Board at each meeting. Termly Student Council meetings are held with input from class and course student representatives. Staff are formally represented termly at the Joint Consultation and Negotiation Committee with the recognised Trade Unions.

Lincoln College Group has moved forward dramatically in terms of communication and engagement in the last 12 months. The Group has introduced Workplace by Facebook, giving all staff a mobile data solution to internal communications, enabling them to communicate in groups across projects and to broadcast on an organisation-wide basis via text, video and live-streaming. This progressive, democratised communication has empowered all staff to own their communications and has replaced cruder tools like all staff email and document-based briefing regimes.

A new mobile optimised website has revolutionised our public facing engagement, providing a vibrant, engaging information source and application and enquiry vehicle. This has been integrated with MIS systems to provide back-office admin savings.

The College has launched a digital alumni network to create a life-long learning relationship among current and former students, which is also generating volunteer offers and business development leads. We have invested in our public recruitment and engaging events, using high-end marketing materials to enhance the brand and image of the group.

Students and staff have been further engaged in our wider events including our Air and Defence Career College Matriculation, our HE Graduation, our Lifelong Learning Business Breakfast, our FE Awards Ceremony, the opening of the LCG sponsored Lincoln Arabic School for All, the opening of our KnowHow IT suite at Gainsborough College and our planned Apprenticeship Week Recruitment Fair, Chinese New Year Export event and Construction Career College Launch. A team of student ambassadors helped deliver all of these events.

The College has invested in a press and PR cloud-based platform to push its editorial messages further and re-focused marketing spend on to paid-for social media promotion to provide cost-effective advertising reach.

## REPORT OF THE GOVERNING BODY (CONTINUED)

### RESOURCES

The College Group has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the buildings that the College currently operates from, serving the needs of a wide range of learners and employers across Lincolnshire and Nottinghamshire.

#### Financial

The College Group has £16.16m of net assets (including £9.93m pension liability) at the Balance Sheet date.

#### People

The College Group employs 800 people (expressed as full time equivalents) of whom 417 in note 7 are teaching staff.

### Events after the reporting period

There were no post balance sheet events.

### PRINCIPAL RISKS AND UNCERTAINTIES

#### Reputation

The College has a good reputation locally, regionally, and internationally. Maintaining a quality brand is essential for the College's success in attracting students and building external relationships.

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.

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. 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 Group level which is continually monitored by the Audit Committee. 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. An annual report on Risk is also considered by the Board of Corporation of Lincoln College.

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

## REPORT OF THE GOVERNING BODY (CONTINUED)

### Government Funding

The College is aware of several issues which may impact on future funding, including apprenticeship reforms. The College, in conjunction with its key stakeholders, has developed a strategy for growth in response to this. It is recognised that the introduction of the apprenticeship levy will significantly affect that marketplace though the full implications are not yet known as government policy continues to develop.

These risks are mitigated in a number of ways:

- Funding is derived through a number of separate income streams and educational and training programmes. Focus and effort is currently placed on increasing non-Governmental income streams, and reducing reliance thereon
- The design and control of the curriculum, innovation and high quality provision remain key control measures
- Significant management focus is given to the achievement of funding targets, learner numbers and increase to the overall student success rate
- Considerable focus and investment is placed on maintaining and managing key relationships with all stakeholders
- Ensuring the College is focused on LEP priority sectors with a plan to close appropriate gaps
- Expansion of targeted curriculum areas to provide better progression routes and to continue to meet local area demand
- Diversification and growth of new income streams, including the commercial and international provision in the United Kingdom, China and the Kingdom of Saudi Arabia
- By ensuring the College continues to deliver high quality education and training.

### Tuition Fees and Employer Provision

The College approves its Fees Strategy annually and that provides the necessary flexibility to take a commercial view on fees based on assessed price elasticity of adult and apprenticeship learning for the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training thus ensuring value for money for students and employers
- Close monitoring of the demand for courses as prices change
- Generating more commercial and international income

### Financial viability

The Group's current financial health grade is classified as 'Satisfactory' as described above, with planned for grades of 'Good' with effect from financial year 2017-2018.

### Business Continuity

The College considers the principal risks to continuity of business to be:

- Major incident involving utilities or infrastructure
- Major failure of ICT systems
- Damage to buildings and/or unavailability of facilities due to adverse weather conditions, fire, theft, vandalism or terrorism

These are mitigated by the Business Recovery Plan and Business Continuity insurance.



## **REPORT OF THE GOVERNING BODY (CONTINUED)**

### **STAKEHOLDER RELATIONSHIPS**

In line with other Colleges and Universities, the College has many stakeholders. These include:

- Staff and Students
- Local, Regional and National Employers
- Funding Body
- FE Commissioner
- Local Authorities
- The Local Community
- The Local Enterprise Partnership
- Members of Parliament
- Government Offices & Departments/ Regional Development Agencies
- Other FE institutions, Universities and Schools
- Trade Unions
- Professional bodies

The College recognises the importance of these stakeholders and engages in regular communication with them through a wide range of forums and media.

### **EQUALITY AND EMPLOYMENT OF DISABLED PEOPLE**

The College is committed to ensuring equality of opportunity for all who learn and work here. The college's Equality & Diversity Policy is reviewed on a planned basis and updated as required. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief marriage and civil partnership, pregnancy and maternity, gender reassignment and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation, specifically the Equality Act 2010. The College also considers equality & diversity issues in respect of its decisions, policies, procedures and practices. The Equality and Diversity Working Group meets regularly to discuss and debate relevant issues and reviews progress against objectives.

The College is a 'Disability Confident Employer' and has committed to the principles and objectives of the standard having undertaken a successful review in September 2017. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has committed to the 'Mindful Employer' initiative to assist the mental health and wellbeing of staff. The College regularly provides opportunities for staff to refresh their knowledge on equality & diversity issues and all new starters undergo training as part of an induction programme.

The College considers all applications for employment from disabled people. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues and to provide reasonable adjustments within the Equality Act 2010. The College is a 'Disability Confident Employer' and has committed to the principles and objectives of the standard.

## REPORT OF THE GOVERNING BODY (CONTINUED)

### DISABILITY STATEMENT

The College seeks to achieve the objectives set down in the Equality Act 2010:

- a) In conjunction with the E&D Working Group, the facilities department have created a database denoting all accessibility to teaching spaces across the 3 UK sites. This information will be used to improve accessibility issues across a 3-5 year period. Furthermore, the College is represented on the DisabledGo website, giving clear accessibility information to current and potential students across the 3 UK campus sites.
- b) The College has a range of specialist equipment, such as radio aids, mobile hoists, Dictaphones, alpha-smart etc. which the College can make available for use by students. Where specific equipment is required we would look to purchase/hire this on an individual basis.
- c) The College publishes its Admissions Policy. Within this policy there is a specific section on support of SEND students. Students have the opportunity to appeal against decisions made within the admissions policy.
- d) The College employs a dedicated Special Educational Needs Co-ordinator and there are a number of student support assistants who can provide a variety of support for learning.
- e) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- f) Students are advised on the variety of pastoral support that is available at open evenings, induction and information is also available within the college prospectus, website and on Moodle.

### 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 12 December 2017 and signed on its behalf by:

Signature: .....



James Pinchbeck - Chair

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2016 to 31 July 2017 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i) In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii) In full accordance with the guidance to Colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the foundation Code"); and
- iii) Having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector

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 Foundation Code. We have not adopted and therefore do not apply 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 Foundation Code, and it has complied throughout the year ended 31 July 2017. The Corporation 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 on 15 December 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.

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

### THE CORPORATION

The members who served on the Corporation during the year and up to the date of signature of this report were as follows. Individual categories of members (save for elected members) were discontinued under the requirements of the revised Instruments and Articles effective from 1 January 2008.

	Date of Appointment	Term of Office: Years	Date of Completion	Status of Appointment/ Membership	Committees Served	Attendance
Mr R Arbon	22 August 2016	1		Elected Student President	Corporation Perf and Quality	6 out of 7 2 out of 4
Mr K Batty	31 January 2016	3	1 November 2016	Independent	Corporation	2 out of 2
Mr H Beeken	1 September 2015	4		Independent	Corporation Perf and Quality	6 out of 7 4 out of 4
Miss H Burridge	1 September 2016	1	31 July 2017	Elected HE Student	Corporation Finance	6 out of 7 1 out of 4
Mr L Colver	20 October 2016	1	31 July 2017	Elected FE Student	Corporation	1 out of 6
Mr N Cudmore	28 May 2016	4		Independent	Chair: Audit Corporation	5 out of 5 5 out of 7
Mr P Doody	1 January 2009 4 March 2013	4 4	31 August 2017	Independent	Chair: Finance Vice Chair: Corporation Search Remuneration	4 out of 4 5 out of 7 1 out of 2 2 out of 2
Mrs H Fluck	11 December 2016	3		Elected Academic Staff	Corporation Perf and Quality	4 out of 5 3 out of 3
Mr D Graham	1 September 2015	4		Independent	Corporation Audit Search	3 out of 7 3 out of 5 1 out of 2
Mr G Headland	4 August 2014	Ex Officio		CEO/ Accounting Officer	Corporation Finance Search	7 out of 7 4 out of 4 1 out of 2
Mr P Horner	1 Sept 2012 1 Sept 2015	3 4		Independent	Audit Corporation	3 out of 5 6 out of 7
Mrs D Lister	1 Sept 2016	4		Independent	Corporation Perf and Quality	7 out of 7 4 out of 4
Mr N Lyons	1 February 2013 1 February 2017	4 4		Independent	Audit Corporation Perf and Quality	5 out of 5 7 out of 7 3 out of 4
Mr S Marr	11 December 2013	3	10 December 2016	Elected Academic Staff	Corporation Perf and Quality	2 out of 2 1 out of 1
Mr J Pinchbeck	1 Sept 2011 1 Sept 2014	3 4		Independent	Corporation Finance Search Remuneration	6 out of 7 3 out of 4 2 out of 2 1 out of 1
Mrs M Serna	1 Sept 2008 1 Sept 2012 1 Sept 2016	4 4 1	31 August 2017	Independent	Chair: Board of Corporation Finance Search Remuneration	6 out of 7 4 out of 4 2 out of 2 2 out of 2
Mr M Speed	1 Sept 2016	4		Independent	Corporation Audit	5 out of 7 3 out of 5
Mr D Wilkinson	1 Sept 2016	4		Independent	Corporation Perf and Quality Remuneration	5 out of 7 0 out of 2 2 out of 2
Ms S Yates	22 October 2015	3		Elected Support Staff	Corporation Finance	7 out of 7 2 out of 4

## **STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)**

### **THE CORPORATION (*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 together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets seven times a year.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Audit, Finance, Performance and Quality, Remuneration and Search. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website ([www.lincolncollege.ac.uk](http://www.lincolncollege.ac.uk)) or from the Clerk to the Corporation at:

Lincoln College  
Monks Road  
Lincoln  
LN2 5HQ

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

All Governors and the Clerk 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 roles of the Chair and Accounting Officer are separate.

### **APPOINTMENTS TO THE CORPORATION**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee consisting of four members of the Corporation which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years. In accordance with the AoC Code of Good Governance for English Colleges, members shall not normally serve more than two successive terms of office except where subsequently undertaking a new and more senior role, for example as Chair.

## **STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)**

### **CORPORATION PERFORMANCE**

The Governors complete annual self-assessments, registers of interest and skills audits. The retiring Chair of Corporation (Margaret Serna) and incoming Chair (James Pinchbeck) met with all Governors in July to carry out annual appraisals based on the self-assessments. As part of this Committee membership was restructured for the academic year 2017/18. The issues raised during the sessions are to form a plan to move to 'excellence in governance', which is being put together by the Chair and Clerk. The induction for new Governors has been strengthened to include the feedback discussed. The Chair of Search has analysed the Skills Audits returns and reported his findings to the Board of Corporation. The findings will be used to focus future Governor recruitment.

### **REMUNERATION COMMITTEE**

Throughout the year ending 31 July 2017, the College's Remuneration Committee comprised three members of the Corporation and an independent Lay Governor. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and Senior Post Holders.

Details of remuneration for the year ended 31 July 2017 are set out in Note 7 to the financial statements.

### **AUDIT COMMITTEE**

The Audit Committee comprises six members of the Corporation (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a regular basis and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the committee for independent discussion, without the presence of College management. The committee also receives and considers reports from the main FE funding body, 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 auditors, regularity reporting accountants, and financial statements auditors and their remuneration for both audit and non-audit work as well as 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.

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

### INTERNAL CONTROL (Continued)

The Corporation has delegated the day-to-day responsibility to the 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 Lincoln College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

#### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going 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 Lincoln College for the year ended 31 July 2017 and up to the date of approval of the annual report and financial statements.

#### 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 2017 and up to the date of approval of the annual report and financial statements. 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:

- budgeting systems with annual devolved budgets, which are 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 guidelines
- the adoption of formal project management disciplines, where appropriate.

Lincoln College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. The Board draw on several sources of information to strengthen the systems around internal control, this includes the work of any appointed Internal Audit firm, specific specialised reports to provide focussed assurance, and internal reports produced by the Executive Leadership Team.

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

### Review of effectiveness

The Accounting Officer has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors 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.

The Accounting Officer and 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 Accounting Officer, 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 December 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2017.

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

- The Group enjoys a strong working relationship with its bankers and other providers of finance. This involves the sharing of key financial information and forecasts, including sensitivity analysis to model a range of (risk based) financial outcomes.
- Early negotiations have begun to restructure the existing loans and this process is supported by a firm of treasury management specialists. There is a high level of confidence in the Groups ability to access fresh loan finance as well as being well placed to structure its loans in such a way as to further increase working capital.

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 12 December 2017 and signed on its behalf by:

Signature:  .....

James Pinchbeck - Chair

Signature:  .....

Gary Headland - Accounting Officer



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

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the college's financial memorandum. 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 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 ESFA.



**Signature:** .....  
**J Pinchbeck – Chair**  
**12 December 2017**



**Signature:** .....  
**G Headland - Accounting Officer**  
**12 December 2017**



## STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the College's Financial Memorandum with the ESFA, 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 2016 to 2017* issued by the ESFA, 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 Report of the Governing Body 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 to 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 to safeguard 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 ESFA are used only in accordance with the Financial Memorandum with the ESFA and with Funding Agreements with the ESFA and any other conditions that may from time to time be prescribe. Members of the Corporation must ensure that there are appropriate financial and management controls in place 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 ESFA are not put at risk.

Approved by order of the members of the Corporation on 12 December 2017 and signed on its behalf by:

Signature:  .....

J Pinchbeck - Chair

## INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF LINCOLN COLLEGE

### Opinion

We have audited the financial statements of Lincoln College (the "College") and its subsidiaries (the "Group") for the year ended 31 July 2017 which comprise the consolidated and college statements of comprehensive income, the consolidated and college balance sheets, the consolidated and college statements of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. 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 24 July 2017.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2017 and of the Group's surplus and 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.

### Basis for 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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

### Other information

The governors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other 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.

## INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF LINCOLN 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 Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education 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.

### Responsibilities of the Corporation of Lincoln College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 25, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

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

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 24 July 2017. 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 24 July 2017 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.

RSM UK Audit LLP

**RSM UK AUDIT LLP**  
Chartered Accountants  
Two Humber Quays  
Wellington Street West  
HULL  
HU1 2BN

Date

14/12/2017

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2017

	Notes	2017		2016	
		Group £'000	College £'000	Group £'000	College £'000
<b>INCOME</b>					
Funding body grants	3	24,091	24,091	23,700	23,700
Tuition fees and education contracts	4	31,337	5,620	13,626	6,151
Other income	5	1,475	2,980	1,429	1,075
Interest receivable and similar income	6	35	259	644	65
<b>Total income</b>		<b>56,938</b>	<b>32,950</b>	<b>39,399</b>	<b>30,991</b>
<b>EXPENDITURE</b>					
Staff costs	7	34,852	21,637	25,862	19,782
Other operating expenses	8	14,977	9,192	14,328	8,598
Depreciation	11	2,415	1,867	2,246	1,794
Interest and other finance costs	9	622	498	1,058	763
<b>Total expenditure</b>		<b>52,866</b>	<b>33,194</b>	<b>43,494</b>	<b>30,937</b>
<b>Surplus/(deficit) before other gains and losses</b>		<b>4,072</b>	<b>(244)</b>	<b>(4,095)</b>	<b>54</b>
<b>Surplus/(deficit) before tax</b>		<b>4,072</b>	<b>(244)</b>	<b>(4,095)</b>	<b>54</b>
Taxation	10	(1,140)	-	(185)	-
<b>Surplus/(deficit) for the year</b>		<b>2,932</b>	<b>(244)</b>	<b>(4,280)</b>	<b>54</b>
Exchange rate movements		(200)	-	(1,357)	-
Re-measurement of net defined benefit pension liability		3,220	3,220	3,485	3,485
<b>Other Comprehensive income for the year</b>		<b>3,020</b>	<b>3,220</b>	<b>2,128</b>	<b>3,485</b>
<b>Total Comprehensive Income for the year</b>		<b>5,952</b>	<b>2,976</b>	<b>(2,152)</b>	<b>3,539</b>
<b>Restricted comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Unrestricted comprehensive income for the year</b>		<b>5,952</b>	<b>2,976</b>	<b>(2,152)</b>	<b>3,539</b>
<b>Surplus/(deficit) for the year attributable to the Corporation of the College</b>		<b>2,932</b>	<b>(244)</b>	<b>(4,280)</b>	<b>54</b>
<b>Total Comprehensive Income for the year attributable to Corporation of the College</b>		<b>5,952</b>	<b>2,976</b>	<b>(2,152)</b>	<b>3,539</b>

**CONSOLIDATED AND COLLEGE BALANCE SHEETS AS AT 31 JULY 2017**

	Notes	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
<b>Fixed assets</b>					
Tangible assets	11	52,536	50,601	53,360	51,001
Investments	12	2	2	2	2
		<u>52,538</u>	<u>50,603</u>	<u>53,362</u>	<u>51,003</u>
<b>Current assets</b>					
Debtors	13	9,924	7,898	2,756	5,167
Cash at bank and in hand		441	70	2,305	86
		<u>10,365</u>	<u>7,968</u>	<u>5,061</u>	<u>5,253</u>
<b>Current liabilities</b>					
Creditors – amounts falling due within one year	14	(16,792)	(9,597)	(12,368)	(6,600)
<b>Net current liabilities</b>		<u>(6,427)</u>	<u>(1,629)</u>	<u>(7,307)</u>	<u>(1,347)</u>
<b>Total assets less current liabilities</b>		<u>46,111</u>	<u>48,974</u>	<u>46,055</u>	<u>49,656</u>
Creditors – amounts falling due after more than one year	15	(18,460)	(13,874)	(21,300)	(14,476)
<b>Provisions for liabilities</b>					
Defined benefit pension scheme	19	(9,931)	(9,931)	(12,877)	(12,877)
Other provisions	16	(1,556)	(1,556)	(1,666)	(1,666)
<b>Total net assets</b>		<u>16,164</u>	<u>23,613</u>	<u>10,212</u>	<u>20,637</u>
<b>Reserves</b>					
<b>Restricted reserves</b>					
Income and expenditure reserve – endowment fund		80	80	80	80
<b>Unrestricted Reserves</b>					
Income and expenditure reserve		12,809	20,258	6,812	17,237
Revaluation reserve		3,275	3,275	3,320	3,320
<b>Attributable to the College Corporation and total unrestricted reserves</b>		<u>16,084</u>	<u>23,533</u>	<u>10,132</u>	<u>20,557</u>
<b>Total reserves</b>		<u>16,164</u>	<u>23,613</u>	<u>10,212</u>	<u>20,637</u>

The financial statements on pages 28 to 56 were approved and authorised for issue by the Corporation on 12 December 2017 and were signed on its behalf on that date by:

  
J Pinchbeck  
Chair

  
G Headland  
Accounting Officer

**CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 JULY 2017**

	Attributable to College Corporation			Total
	Endowment fund	Income and expenditure reserve	Revaluation reserve	
Group	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2015</b>	80	8,919	3,365	12,364
Deficit for the year	-	(4,280)	-	(4,280)
Other comprehensive income	-	2,128	-	2,128
Transfers between revaluation and income and expenditure reserves	-	45	(45)	-
<b>Total comprehensive income for the year</b>	-	(2,107)	(45)	(2,152)
<b>Balance at 31 July 2016</b>	80	6,812	3,320	10,212
Surplus for the year	-	2,932	-	2,932
Other comprehensive income	-	3,020	-	3,020
Transfers between revaluation and income and expenditure reserves	-	45	(45)	-
<b>Total comprehensive income for the year</b>	-	5,997	(45)	5,952
<b>Balance at 31 July 2017</b>	80	12,809	3,275	16,164
College	Endowment fund	Income and expenditure reserve	Revaluation reserve	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2015</b>	80	13,653	3,365	17,098
Surplus for the year	-	54	-	54
Other comprehensive income	-	3,485	-	3,485
Transfers between revaluation and income and expenditure reserves	-	45	(45)	-
<b>Total comprehensive income for the year</b>	-	3,584	(45)	3,539
<b>Balance at 31 July 2016</b>	80	17,237	3,320	20,637
Deficit for the year	-	(244)	-	(244)
Other comprehensive income	-	3,220	-	3,220
Transfers between revaluation and income expenditure reserves	-	45	(45)	-
<b>Total comprehensive income for the year</b>	-	3,021	(45)	2,976
<b>Balance at 31 July 2017</b>	80	20,258	3,275	23,613

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED  
 31 JULY 2017**

	Notes	2017 £'000	2016 £'000
<b>Operating activities</b>			
Cash generated from/(used in) operations	18	267	(2,202)
Taxation paid		-	-
<b>Net cash from/(used in) operating activities</b>		<u>267</u>	<u>(2,202)</u>
<b>Investing activities</b>			
Investment income		1	2
Purchase of tangible fixed assets		<u>(1,599)</u>	<u>(1,071)</u>
		<u>(1,598)</u>	<u>(1,069)</u>
<b>Financing activities</b>			
Interest paid		(313)	(485)
Proceeds of new borrowings		2,984	1,500
Repayments of borrowings		<u>(3,454)</u>	<u>(1,820)</u>
		<u>(783)</u>	<u>(805)</u>
<b>Decrease in cash and cash equivalents in the year</b>		<u>(2,114)</u>	<u>(4,076)</u>
<b>Cash and cash equivalents at beginning of the year</b>		1,388	4,944
Effect of foreign exchange rate movement		<u>(209)</u>	<u>520</u>
<b>Cash and cash equivalents at end of the year</b>		<u>(935)</u>	<u>1,388</u>
<b>Relating to:</b>			
Bank balances included in cash at bank and in hand		441	2,305
Overdrafts included in Creditors: Amounts falling due within one year		<u>(1,376)</u>	<u>(917)</u>
<b>Cash and cash equivalents at end of the year</b>		<u>(935)</u>	<u>1,388</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 1 ACCOUNTING POLICIES

#### General information

Lincoln College is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is given on page 20. The nature of the College's operations are set out in the Report of the Governing Body.

#### Basis of accounting

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2016 to 2017 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102) under the historical cost convention. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in sterling which is also the functional currency of the College.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

#### Reduced disclosures

In accordance with the 2015 FE HE SORP and FRS 102, the College in its separate financial statements, which are presented alongside the consolidated financial statements, has taken advantage of the disclosure exemptions available to it in respect of presentation of a cash flow statement and financial instruments.

#### Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, as set out in Note 12. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or sold are consolidated using the purchase method for the periods from or to the date that control passes. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities.

All intra-group transactions, balances and unrealised gains on transactions between group entities are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1 ACCOUNTING POLICIES (continued)

#### Going concern

- The Group has the ability to repay its debts as they fall due and is well placed to secure good value for money in terms of future interest rates (and arrangement fees) by drawing on the services of external treasury management advisors.
- A Treasury Management Policy is in place and is regularly reviewed by the finance committee and both interim and final treasury management reports show full compliance with banking covenants, schemes of delegation and best practice.
- Notes 14 and 15 shows the loan finance that is due within and beyond one year. The Group has sufficient income generation and capital restructuring ability to ensure these are met as they fall due.
- Early negotiations have begun to restructure the existing loans and this process is supported by a firm of treasury management specialists. There is a high level of confidence in the Groups ability to access fresh loan finance as well as being well placed to structure its loans in such a way as to further increase working capital.

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future and meet its liabilities as they fall due, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

#### Recognition of income

##### Grants – government and non-government

Government revenue grants are accounted for under the accrual model and are recognised where a reliable estimate of the fair value of the asset received or receivable can be made on a systematic basis over the periods in which the related costs for which the grant compensates are recognised.

Funding body recurrent grants are measured in line with best estimates for the year of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education 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 following the year end.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1 ACCOUNTING POLICIES (continued)

#### Grants – government and non-government (continued)

16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments and is recognised when receivable.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is recognised when received or receivable.

Grants from non-government sources, including grants relating to assets, are recognised in income when the College has met the performance-related conditions and the grant will be received. Income received in advance of performance related conditions being met is recognised as a liability.

Government capital grants for assets, other than land, are accounted for under the accrual model. The grant income received or receivable will be recognised over the expected useful life of the asset, with any amount of the asset-related grant that is deferred being recognised as deferred income. The deferred income is allocated between creditors due within one year and those due after more than one year.

#### Other income

Income from the supply of services is recognised at fair value of the consideration received or receivable and represents the value of services to the extent there is a right to consideration.

Income from tuition fees is recognised over the period for which it is received.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1 ACCOUNTING POLICIES (continued)

#### Retirement benefits

Retirement benefits to employees of the College are principally provided by Teachers' Pensions Scheme (TPS) and the Lincolnshire County Council Pension Scheme (LCCPS), which are multi-employer defined benefit plans.

The TPS is an unfunded scheme. Contributions to the TPS are calculated 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 the Government Actuary on the basis of valuations using a projected unit method. The TPS is a multi-employer scheme but sufficient information is not available to use defined benefit accounting and therefore it is accounted for as a defined contribution scheme, with the amount charge to the statement of comprehensive income is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The LCCPS is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to comprehensive income and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

#### 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. The cost of any unused holiday entitlement the College expects to pay in future periods is recognised in the period the employees' services are rendered.

#### Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to comprehensive income 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1 ACCOUNTING POLICIES (continued)

#### Fixed asset investments

##### College

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses in the separate financial statements of the College.

Interests in subsidiaries are assessed for impairment at each reporting date. Any impairments losses or reversals of impairment losses are recognised immediately in comprehensive income.

#### Tangible fixed assets

Tangible fixed assets are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses.

##### Land and buildings

Land and buildings are stated at cost or deemed cost at the date of transition to FRS 102 less accumulated depreciation and accumulated impairment losses.

##### Equipment

Equipment costing less than £700 per individual item or set of items acquired together is recognised as expenditure in the period of acquisition. All other equipment is capitalised and recognised at cost less accumulated depreciation and accumulated impairment losses.

##### Depreciation and residual values

Freehold land is not depreciated as it is considered to have an infinite useful life. Depreciation on other assets is calculated, using the straight line basis, to write off the cost of each asset to its estimated residual value over its expected useful lives, as follows:

- Freehold buildings – over periods up to 50 years
- Leasehold improvement – term of the lease
- Motor vehicles – 4 years
- Furniture, fixtures and fittings – 10 years
- Computer equipment – 5 years
- Plant and machinery – 10 years
- General equipment – 10 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Subsequent costs, including replacement parts, are only capitalised when it is probable that such costs will generate future economic benefits. Any replaced parts are then derecognised. All other costs of repairs and maintenance are expenses as incurred.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1 ACCOUNTING POLICIES (continued)

#### Impairments of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, an estimate is made of the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment of revalued assets, are treated as a revaluation loss. All other impairment losses are recognised in comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in comprehensive income or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

#### Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

#### Leased assets

##### Operating leases – as lessee

All leases are operating leases and annual rents are charged to comprehensive income on a straight line basis over the lease term.

##### Operating leases – as lessor

Rental income from assets leased under operating lease is recognised on a straight line basis over the term of the lease.

#### Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1 ACCOUNTING POLICIES (continued)

#### Financial Instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

#### Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measure at fair value (which is normally the transaction price excluding transaction costs), unless arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

A financial assets is derecognised only when the contractual rights to cash flows expire or are stated or substantially all the risks and rewards of ownership are to another party or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

#### Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the reporting date, with all resulting exchange differences being taken to comprehensive income in the period in which they arise.

Assets and liabilities of overseas subsidiaries are translated into the Group's presentation currency at the rates ruling at the reporting date. Income and expenses of overseas subsidiaries are translated at the average rate for the year as this is considered to be a reasonable approximation to the rate at the date of the transaction. Translation differences are recognised in other comprehensive income and accumulated in equity.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1 ACCOUNTING POLICIES (continued)

#### Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover a small element of the 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 where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

#### Provisions and contingent liabilities

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 the amount of the obligation can be reliably measured.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be reliably measured.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

#### Agency arrangements

The College acts as an agent in distributing certain discretionary support funds from the funding bodies. Payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College does not have control of the economic benefit related to the transaction.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Critical areas of judgement

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

- Determined whether leases entered into by the group either as a lessor or a 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.
- For Local Government Pension Fund valuation purposes, the College has assumed a 1% pay increase until 31 July 2020 reverting to 2.4% thereafter.
- Impairment of fixed assets

The group considers whether tangible fixed assets are impaired. Where an indication of impairment is identified the estimation of the recoverable amount of the asset or the recoverable amount of the cash-generating unit is required. These will requires an estimation of the future cash flow and selection of an appropriate discount rates in order to calculate the net present value of those cash flows.

#### Critical accounting estimates and assumptions

- 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 re-assessing asset lives, factors such as technological innovation, maintenance programmes, economic utilisation and physical condition of the assets are taken into account. Residual value assessments consider issues such as future market conditions and the remaining life of the asset.

- Lincolnshire County Council Pension Scheme

The present value of the Lincolnshire County Council 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 19, 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 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3 FUNDING BODY GRANTS

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency - Adult	3,173	3,173	2,901	2,901
Education and Skills Funding Agency - 16 - 19	14,998	14,998	14,873	14,873
Education and Skills Funding Agency Apprenticeships	5,210	5,210	5,215	5,215
Higher Education Funding Council	360	360	399	399
<b>Specific grants</b>				
Releases of government capital grants	233	233	195	195
Other grants	117	117	117	117
<b>Total</b>	<b>24,091</b>	<b>24,091</b>	<b>23,700</b>	<b>23,700</b>

### 4 TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Tuition Fees (UK)	4,790	4,790	4,746	4,746
Education Contracts (Kingdom of Saudi Arabia)	25,717	-	7,475	-
Education Contracts (UK & China)	830	830	1,405	1,405
<b>Total</b>	<b>31,337</b>	<b>5,620</b>	<b>13,626</b>	<b>6,151</b>

### 5 OTHER INCOME

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering	68	68	89	89
Other income generating activities	611	253	422	84
Other grant income	578	578	752	752
Miscellaneous income	218	2,081	166	150
<b>Total</b>	<b>1,475</b>	<b>2,980</b>	<b>1,429</b>	<b>1,075</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Interest on bank deposits	1	1	2	2
Gift aid distribution from subsidiary	-	258	-	63
Foreign exchange gains	34	-	642	-
	<u>35</u>	<u>259</u>	<u>644</u>	<u>65</u>

### 7 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION

The average number of persons (including key management personnel) employed by the Group during the year, expressed as full time equivalents, was:

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	No.	No.	No.	No.
Teaching Staff	417	243	311	240
Non-Teaching Staff	383	321	372	350
	<u>800</u>	<u>564</u>	<u>683</u>	<u>590</u>

#### Staff costs for the above persons:

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Wages and salaries	29,511	12,493	18,655	13,505
Social security costs	1,456	1,446	1,254	1,207
Other pension costs	2,884	2,879	2,557	2,552
<b>Payroll sub-total</b>	<b>33,851</b>	<b>16,818</b>	<b>22,466</b>	<b>17,264</b>
Contracted out staffing services	1,001	4,819	3,301	2,423
	<u>34,852</u>	<u>21,637</u>	<u>25,767</u>	<u>19,687</u>
Restructuring - contractual	-	-	67	67
- non contractual	-	-	28	28
<b>Total Staff Costs</b>	<b><u>34,852</u></b>	<b><u>21,637</u></b>	<b><u>25,862</u></b>	<b><u>19,782</u></b>

The staff restructuring costs were approved by the Corporation.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 7 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

#### 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 Senior Management Team which comprises the Chief Executive Officer and the Managing Directors. Staff costs include compensation paid to key management personnel for loss of office.

Emoluments of key management personnel, Accounting Officer and other higher paid staff

	2017 No.	2016 No.
The number of key management personnel including the Accounting Officer was:	3	2

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

	Key management personnel		Other staff	
	2017 No.	2016 No.	2017 No.	2016 No.
£60,000 to £70,000	-	-	2	1
£90,001 to £100,000	1	-	1	-
£100,001 to £110,000	-	1	-	-
£110,001 to £120,000	-	-	-	2
£120,001 to £130,000	1	-	-	-
£140,001 to £150,000	-	-	-	1
£180,001 to £190,000	-	1	-	-
£210,001 to £220,000	1	-	-	-
	3	2	3	4

Key management personnel (including the Accounting Officer) total compensation is made up as follows:

	2017 £'000	2016 £'000
Salaries	425	281
Benefits in kind	12	12
National Insurance	55	38
	492	331
Pension contributions	18	13
<b>Total emoluments</b>	<b>510</b>	<b>344</b>

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 7 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid of key management personnel) of:

	2017 £'000	2016 £'000
Salaries	199	176
Benefits in kind	8	8
National Insurance	29	24
	<u>236</u>	<u>208</u>
Pension contributions	<u>9</u>	<u>8</u>
Total	<u>245</u>	<u>216</u>

#### Governors' remuneration

The Accounting Officer and the staff member only receive remuneration in respect of services they provide undertaking their roles of Principal and staff members under contracts of employment and not in respect of their roles as governors. The other members of the Corporation did not receive any payments from the college in respect of their roles as governors.

The total expenses paid to or on behalf of the Governors during the year was £1,401; 2 governors (2016 £2,426; 1 governor). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor Meetings and events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2016: None).

### 8 OTHER OPERATING EXPENSES

	Year ended 31 July 2017		Year ended 31 July 2016	
	Group £'000	College £'000	Group £'000	College £'000
Teaching Costs	4,761	4,491	4,456	4,229
Non-Teaching Costs	5,532	2,965	5,087	2,720
Premises Costs	4,684	1,736	4,785	1,649
<b>Total</b>	<u>14,977</u>	<u>9,192</u>	<u>14,328</u>	<u>8,598</u>

#### Surplus/(deficit) before taxation is stated after charging:

	Year ended 31 July 2017		Year ended 31 July 2016	
	Group £'000	College £'000	Group £'000	College £'000
Auditors remuneration				
- Financial statements audit	32	32	20	20
- Financial statement audit of subsidiaries	66	-	46	-
- Other services provided by financial statements auditors:				
audit related assurance services - regularity	5	5	4	4
other assurance services	1	1	1	1
accounting & taxation	4	4	8	8
advisory services	2	2	2	2
Internal audit	23	23	24	21
Losses on disposal of tangible fixed assets	17	17	-	-
Operating lease rentals	122	122	121	121

**NOTES TO THE ACCOUNTS (CONTINUED)**

**9 INTEREST AND OTHER FINANCE COSTS**

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans	189	189	190	190
Bond guarantee	124	-	295	-
Net interest on defined pension liability (note 19)	309	309	573	573
	<u>622</u>	<u>498</u>	<u>1,058</u>	<u>763</u>

**10 TAXATION - GROUP**

	2017	2016
	£'000	£'000
UK Corporation Tax	-	-
KSA Corporation Tax	838	-
KSA Withholding Tax	302	185
	<u>1,140</u>	<u>185</u>

**11 TANGIBLE FIXED ASSETS (GROUP)**

	Freehold land and buildings £'000	Leasehold improvements £'000	Equipment £'000	Total £'000
<b>Cost or valuation</b>				
At 1 August 2016	57,584	163	23,450	81,197
Additions	124	-	1,475	1,599
Disposals	(217)	-	(3,892)	(4,109)
Exchange rate	-	-	1	1
At 31 July 2017	<u>57,491</u>	<u>163</u>	<u>21,034</u>	<u>78,688</u>
<b>Depreciation</b>				
At 1 August 2016	9,897	103	17,837	27,837
Charge for year	1,000	17	1,398	2,415
Eliminated in respect of disposals	(201)	-	(3,891)	(4,092)
Exchange rate	-	-	(8)	(8)
At 31 July 2017	<u>10,696</u>	<u>120</u>	<u>15,336</u>	<u>26,152</u>
<b>Carrying amount at 31 July 2017</b>	<u>46,795</u>	<u>43</u>	<u>5,698</u>	<u>52,536</u>
Carrying amount at 31 July 2016	<u>47,687</u>	<u>60</u>	<u>5,613</u>	<u>53,360</u>

## NOTES TO THE ACCOUNTS (CONTINUED)

### 11 TANGIBLE FIXED ASSETS (COLLEGE)

	Freehold land and buildings £'000	Equipment £'000	Total £'000
<b>Cost or valuation</b>			
At 1 August 2016	57,584	20,003	77,587
Additions	124	1,360	1,484
Disposals	(217)	(3,892)	(4,109)
At 31 July 2017	<u>57,491</u>	<u>17,471</u>	<u>74,962</u>
<b>Depreciation</b>			
At 1 August 2016	9,897	16,689	26,586
Charge for year	1,000	867	1,867
Eliminated in respect of disposals	(201)	(3,891)	(4,092)
At 31 July 2017	<u>10,696</u>	<u>13,665</u>	<u>24,361</u>
<b>Carrying amount at 31 July 2017</b>	<u>46,795</u>	<u>3,806</u>	<u>50,601</u>
Carrying amount at 31 July 2016	<u>47,687</u>	<u>3,314</u>	<u>51,001</u>

Land and buildings includes land of £7.42m (2016 £7.42m) which is not depreciated.

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

	£'000
Cost	Nil
Aggregate depreciation based on cost	<u>Nil</u>
<b>Carrying amount based on cost</b>	<u>Nil</u>

## NOTES TO THE ACCOUNTS (CONTINUED)

### 12 INVESTMENTS

#### Group and College Investment in works of art

£'000

Balance at 1 August 2016 and Balance at 31 July 2017 2

#### Disclosure of subsidiary companies

Name	Where Incorporated	Principal Activity	Class of Shares Held and %
Lincoln College Commercial Holdings Limited	England	Holding Company	Owned by College Ordinary 100%
Lincoln Academy Limited *	England	Investment	Limited by guarantee
Deans Sport, Health and Leisure Management Company Limited *	England	Health and Leisure	Ordinary 100%
Lincoln College Corporate Support Solutions Limited *	England	Administrative Service	Ordinary 100%
FE Resources (Lincoln) Ltd *	England	Staffing Services	Limited by guarantee
Lincoln College International LLC **	Kingdom of Saudi Arabia	Education Provider	Limited Liability Company

\* Subsidiary companies of Lincoln College Commercial Holdings Limited.

\*\* Subsidiary company of Lincoln Academy Limited (99% shareholding) and Lincoln College Corporate Support Solutions Limited (1% shareholding).

In addition the group owned 100% of Greater Lincolnshire Apprenticeships Limited. The company has not traded in the period to 31 July 2017. The College disposed of 50% of the shares after the year end, at par resulting in nil gain or loss.

### 13 DEBTORS

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Amounts falling due within one year:				
Trade debtors	5,731	377	919	285
Amounts owed by subsidiary undertakings	-	4,333	-	3,887
Other debtors	254	242	84	76
Prepayments and accrued income	3,939	2,946	1,753	919
<b>Total</b>	<u>9,924</u>	<u>7,898</u>	<u>2,756</u>	<u>5,167</u>

Trade debtors are stated after a doubtful debt provision of £50,000 (2016 £15,000).



## NOTES TO THE ACCOUNTS (CONTINUED)

### 14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank loans and overdrafts	4,630	2,337	1,905	1,905
Non bank loans	2,928	2,420	3,025	-
Payments received in advance	194	194	40	40
Trade creditors	1,791	781	2,754	1,002
Amounts owed to subsidiary undertakings	-	47	-	88
Corporation tax KSA	813	-	-	-
Other taxation and social security	408	408	396	396
Other creditors	887	827	655	650
Accruals	4,090	1,532	2,248	1,174
Government capital grants	221	221	274	274
Amounts owed to the funding body-ESFA	830	830	1,027	1,027
Amounts owed to the funding body-HEFCE	-	-	44	44
<b>Total</b>	<u>16,792</u>	<u>9,597</u>	<u>12,368</u>	<u>6,600</u>

### 15 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank loans	10,068	5,482	13,271	6,447
Non bank loans	564	564	-	-
Other creditors	7	7	15	15
Government capital grants	7,821	7,821	8,014	8,014
<b>Total</b>	<u>18,460</u>	<u>13,874</u>	<u>21,300</u>	<u>14,476</u>

UK Bank loans totalling £6,442,407 (£2,917,969 at 1.75% above LIBOR, £1,166,400 at 1.85% over base rate, and £2,358,038 at 2.4% over base rate) are repayable by instalments falling due between 1 August 2017 and 31 July 2019 and are secured on a portion of the freehold land and buildings of the College. In the Kingdom of Saudi Arabia there is a Murabaha Facility Agreement for the amount of 35,000,000 Saudi Arabian Riyals (£7,111,000) at a margin of 0.75% with a maturity date of 31 August 2019.

The College has an interest free loan of £705,000 repayable over a period of 5 years.

**NOTES TO THE ACCOUNTS (CONTINUED)**

**15 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR (continued)**

Bank loans and overdrafts are repayable as follows:

	<b>Group 2017 £'000</b>	<b>College 2017 £'000</b>	<b>Group 2016 £'000</b>	<b>College 2016 £'000</b>
In one year or less	4,630	2,337	1,905	1,905
Between one and two years	7,352	5,482	6,591	5,447
Between two and five years	2,716	-	6,680	1,000
<b>Total</b>	<b>14,698</b>	<b>7,819</b>	<b>15,176</b>	<b>8,352</b>

**16 PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Group and College Enhanced Pension £'000</b>
At 1 August 2016	1,666
Amounts utilised	(118)
Additions in the year charged to income and expenditure account	8
<b>At 31 July 2017</b>	<b>1,556</b>

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>2017</b>	<b>2016</b>
Discount rate	2.3%	2.3%
Price Inflation	1.3%	1.3%

## NOTES TO THE ACCOUNTS (CONTINUED)

### 17 FINANCIAL INSTRUMENTS

The Group has the following financial instruments:

	2017 £'000	2016 £'000
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss	-	-
Debt instruments measured at amortised cost:		
Trade debtors	5,731	919
Accrued income	2,831	1,658
<b>Total</b>	<u>8,562</u>	<u>2,577</u>
	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
<b>Financial liabilities</b>		
Financial liabilities measured at fair value through profit or loss	-	-
Financial liabilities measured at amortised cost:		
Trade creditors	1,791	2,754
Bank loans and overdrafts	14,698	18,078
Other loans	3,492	-
Accruals	4,090	2,248
<b>Total</b>	<u>24,071</u>	<u>23,080</u>

### 18 NOTES TO CASH FLOW STATEMENT

	2017 £'000	2016 £'000
<b>Surplus/(deficit) after tax for the year</b>	2,932	(4,280)
Adjustment for:		
Taxation	1,140	185
Depreciation	2,415	2,246
Investment income	(1)	(2)
Interest payable	622	1,058
Foreign exchange gains	-	(642)
Loss on sale of fixed assets	17	-
Decrease in provisions	(110)	(23)
Pensions costs less contributions payable	(35)	(224)
Operating cash flow before movements in working capital	<u>6,980</u>	<u>(1,682)</u>
Increase in debtors	(7,168)	(1,267)
Increase in creditors	455	747
<b>Cash generated from/(used in) operations</b>	<u>267</u>	<u>(2,202)</u>

## NOTES TO THE ACCOUNTS (CONTINUED)

### 19 RETIREMENT BENEFITS

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Lincolnshire County Council Pension Scheme (LCCPS) for non-teaching staff, which is managed by Lincoln County Council. Both are multi-employer defined-benefit plans.

Total pension cost for the year	Group	College	Group	College
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Teachers' Pension Scheme: contributions paid	1,331	1,331	989	989
Lincolnshire County Council Pension Scheme				
Contributions paid excluding deficit contributions	966	966	961	961
FRS 102 (28) charge	462	462	350	350
Charge to the Statement of Comprehensive Income	1,428	1,428	1,311	1,311
Payments to other schemes	117	112	161	156
Enhanced pension charge to Statement of Comprehensive Income	8	8	96	96
<b>Total Pension Cost for Year within staff costs</b>	<b>2,884</b>	<b>2,879</b>	<b>2,557</b>	<b>2,552</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

Contributions amounting to £288,000 (2016 £312,000) were payable to the scheme at 31 July and are included within creditors.

#### Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. 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. Retirement and other pension benefits are paid by public funds provided by Parliament.

#### Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

## NOTES TO THE ACCOUNTS (CONTINUED)

### 19 RETIREMENT BENEFITS (CONTINUED)

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

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £191.5 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held the valuation date) of £176.6 billion
- Notional past service deficit of £14.9 billion
- Assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings
- Rate of real earnings growth is assumed to be 2.75%
- Assumed nominal rate of return is 5.06%

The employer contribution rate was 14.1% until 1 September 2015, when it increased to 16.48% (including a 0.08% administration fees), with an employer cost cap of 10.9% of pensionable pay. The employer contribution rate will be payable until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the year amounted to £1,331,000.

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme on as a defined benefit plan so it is accounted for as a defined contribution plan.

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

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

#### **Scheme Changes**

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

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

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

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

## NOTES TO THE ACCOUNTS (CONTINUED)

### 19 RETIREMENT BENEFITS (CONTINUED)

#### Local Government Pension Scheme

The LCCPS is a funded defined-benefit plan, with the assets held in separate funds administered by Lincolnshire County Council. The total contributions made for the year ended 31 July 2017 were £1,729,000, of which employer's contributions totalled £921,000 and employees' contributions totalled £266,000 deficit payment of £497,000 and strain costs of £45,000. The agreed contribution rates for future years are 22.3% for employers and range from 5.5% to 7.5% for employees, depending on salary. In addition there are deficit payment due of £435,000 for the year ended 31 March 2018 and £446,000 for the year ended 31 March 2019.

#### Principal Actuarial Assumptions

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

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	2.1%*	1.7%*
Future pensions increases	2.3%	1.9%
Discount rate	2.8%	2.4%
Inflation assumption (CPI)	2.4%	1.9%
Commutation of pensions to lump sums	50%	50%

\*In 2016 and 2017, salary increase of 1% for 3 years and then CPI thereafter.

The average life expectancy for a pensioner retiring at 65 on the reporting date is:

	At 31 July 2017 Years	At 31 July 2016 Years
<i>Retiring today</i>		
Males	22.1	22.2
Females	24.4	24.4
<i>Retiring in 20 years</i>		
Males	24.1	24.3
Females	26.6	26.8

	Fair Value at 31 July 2017 £'000	Fair value at 31 July 2016 £'000
Equity instruments	31,430	28,077
Debt instruments	4,835	4,803
Property	3,627	4,063
Cash	403	-
<b>Total fair value of plan assets</b>	<b>40,295</b>	<b>36,943</b>
<b>Actual return on plan assets</b>	<b>4,110</b>	<b>4,135</b>

## NOTES TO THE ACCOUNTS (CONTINUED)

### 19 RETIREMENT BENEFITS (CONTINUED)

The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	2017 £'000	2016 £'000
Fair value of plan assets	40,295	36,943
Present value of plan liabilities	(50,137)	(49,820)
Present value of unfunded liabilities	(89)	-
<b>Net pensions liability</b>	<b>(9,931)</b>	<b>(12,877)</b>

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

	2017 £'000	2016 £'000
Current service cost	(1,428)	(1,276)
Net interest on the net defined benefit pension liability	(309)	(573)
Benefit changes, gain/(loss) on curtailment and gain/(loss) in settlement	-	(35)
<b>Total</b>	<b>(1,737)</b>	<b>(1,884)</b>

Amounts recognised in other comprehensive income

Re-measurement of net defined benefit pension liability	3,220	3,485
Amounts recognised in other Comprehensive Income	3,220	3,485

	2017 £'000	2016 £'000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	49,820	47,998
Current service cost	1,428	1,276
Interest cost	1,203	1,739
Contributions by scheme participants	266	275
Return on plan assets (excluding net interest on the net defined benefit liability)	(1,471)	(516)
Benefits paid	(1,020)	(987)
Plan introductions, changes, curtailments and settlements	-	35
<b>Defined benefit obligations at end of period</b>	<b>50,226</b>	<b>49,820</b>

Changes in fair value of plan assets

<b>Fair value of plan assets at start of period</b>	36,943	31,985
Interest income	894	1,166
Actuarial gain	1,749	2,969
Employer contributions	1,463	1,535
Contributions by scheme participants	266	275
Benefits paid	(1,020)	(987)
<b>Fair value of plan assets at end of period</b>	<b>40,295</b>	<b>36,943</b>

## NOTES TO THE ACCOUNTS (CONTINUED)

### 20 AMOUNTS DISBURSED AS AGENT LEARNER SUPPORT FUNDS

	2017 £'000	2016 £'000
Funding body grants – SFA 24+	300	254
Funding body grants – SFA 19+	-	334
Funding body grants – EFA 16-18	473	488
	<u>773</u>	<u>1,076</u>
Disbursed to students	(592)	(1,006)
Administration costs	(27)	(43)
	<u>154</u>	<u>27</u>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

### 21 CAPITAL COMMITMENTS (GROUP AND COLLEGE)

	2017 £'000	2016 £'000
Commitments contracted for at 31 July	<u>44</u>	<u>-</u>

### 22 FINANCIAL COMMITMENTS (GROUP AND COLLEGE)

The Group and College had total future minimum lease payments under non-cancellable operating leases as follows:

	2017 £'000	2016 £'000
Payments due		
Not later than one year	136	161
Later than one year and not later than five years	54	167
<b>Total lease payments due</b>	<u>190</u>	<u>328</u>

#### The group as lessor

At the year end the group had contracted as lessor with tenants, under non-cancellable operating leases, for the following future minimum lease payments:

	2017 £'000	2016 £'000
Amounts receivable		
Less than one year	18	18
Between one and five years	22	40
<b>Total lease payments due</b>	<u>40</u>	<u>58</u>



## NOTES TO THE ACCOUNTS (CONTINUED)

### 23 RELATED PARTY TRANSACTIONS

Lincoln College was the sponsor of The Lincoln College Academy Trust. During the year the College provided support services for The Lincoln College Academy Trust totalling £146,000. The amounts outstanding at year end were £nil (2016 £35,000) for The Lincoln College Academy Trust.

Key management compensation disclosure is given in note 7.

### 24 CONTINGENT LIABILITY

The College has a guarantee in respect of Lincoln College International LLC with National Westminster Bank, provided by the Secretary of State acting by the Export Credits Guarantee Department, for 34,048,000 Saudi Arabian Riyals (£6,902,000) as at 31 July 2017.

# **INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF LINCOLN COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION**

## **Conclusion**

We have carried out an engagement, in accordance with the terms of our engagement letter dated 24 July 2017 and further to the requirements of the financial memorandum with the Skills Funding Agency to obtain limited assurance about whether the expenditure disbursed and income received by Lincoln College during the period 1 August 2016 to 31 July 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

## **Basis for conclusion**

The framework that has been applied is set out in the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Education and Skills Funding Agency has other assurance arrangements in place.

We are independent of Lincoln College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion

## **Responsibilities of Corporation of Lincoln College for regularity**

The Corporation of Lincoln College is responsible, under the financial memorandum and the requirements of the Further & 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. The Corporation of Lincoln College is also responsible for preparing the Governing body's Statement of Regularity, Propriety and Compliance.

## **Reporting accountant's responsibilities for reporting on regularity**

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 Post-16 Audit Code of Practice 2016 to 2017.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

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 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

**INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF LINCOLN COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION (CONTINUED)**

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the financial memorandum with the Skills Funding Agency and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

This report is made solely to the Corporation of Lincoln College and the Secretary of State for Education acting through the Department for Education in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of Lincoln College and the Secretary of State for Education acting through the Department for Education 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 Lincoln College and the Secretary of State for Education acting through the Department for Education for our work, for this report, or for the conclusion we have formed.

*RSM UK Audit LLP*

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Date: *14/12/2017*

