

Annual Reports and Financial Statements

For the year ended 31 July 2023



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 Senior Postholders and were represented by the following in 2022-2023:

| | |
|--------------|--|
| Mark Locking | Principal, Chief Executive Officer, Accounting Officer and Managing Director (Education Training and Delivery) – to 10 October 2022 appointed as Interim CEO. Permanently appointed 11 October 2022. |
| James Foster | Senior Officer and Managing Director of the Subsidiaries (International and Commercial) |
| Tom Dannatt | Group Director (Finance and Commercial) – Resigned 30 June 2023 |
| Jo Lynch | Chief Finance and Compliance Officer – Appointed 1 September 2023 |

BOARD OF GOVERNORS

A full list of Governors is given on pages 23 and 24 of these financial statements.

Clerk to the Corporation

Sarah Adams

PROFESSIONAL ADVISERS

Financial statements auditors and reporting accountants:

RSM UK Audit LLP
Chartered Accountants
103 Colmore Row
Birmingham
West Midlands
B2 5AF

Internal auditors

Wylie and Bisset LLP
168 Bath Street
Glasgow
G2 47P

Bankers

National Westminster Bank Plc
Brayford Wharf North
Lincoln
LN1 1YW

Banque Saudi Fransi
Head Office
Riyadh 11554
Kingdom of Saudi Arabia

Solicitors

Eversheds LLP
1 Wood Street
London
EC2V 7WS

CONTENTS

| | Page Number |
|--|--------------------|
| Report of the Governing Body | 3 |
| Statement of Corporate Governance and Internal Control | 22 |
| Statement of Regularity, Propriety and Compliance with Funding Body Terms and Conditions of Funding | 30 |
| Statement of Responsibilities of the Members of the Corporation | 31 |
| Independent Auditor's Report to the Corporation of Lincoln College | 32 |
| Consolidated and College Statement of Comprehensive Income | 36 |
| Consolidated and College Balance Sheets as at 31 July 2023 | 37 |
| Consolidated and College Statement of Changes in Reserves | 38 |
| Consolidated Statement of Cash Flows | 39 |
| Notes to the Financial Statements | 40 |

REPORT OF THE GOVERNING BODY

The members present their report and the audited financial statements for the year ended 31 July 2023.

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.

PURPOSE

To be an extraordinary employer-led organisation; producing a highly skilled and productive local workforce.

OUR FUTURE STATE

- Our staff are passionate and innovative in their focus on the quality of our education and training to unlock an extraordinary learning experience resulting in highly skilled and motivated students with sector leading outcomes.
- Our education and training are nationally recognised as employer-led and informed by the local skills agenda, resulting in our students being even more productive and employable.
- Leaders enable and liberate our people by being exceptional communicators, inspiring others and having an extraordinary approach to people management and development.
- The Group seeks to invest innovatively in education and training due to growth and diversification of our income in the UK and overseas.
- Our focus on finances, infrastructure and estates will provide resources that reduce our impact on the planet and accelerate the student experience to extraordinary.

OUR PRIORITIES 2022-2023

- **Deliver Extraordinary Education and Training** – continue on our journey towards an extraordinary student experience where they make confident progress through excellent Learning, Assessment and Teaching (LAT), with improved quality, outcomes and destinations. Grow the opportunities for Work Experience and Industry Placements with better integration with our commercial training businesses such as The Old Bakery, Deans, Aura and The Drill.
- **Create Financially Resilient Colleges across the Group** – by recruiting more 16-18 year olds, adults, apprentices and HE students whilst diversifying international income, to deliver against the 2023/24 group budget. Explore strategic options for growth, develop a more efficient UK delivery model and increasingly sustainable property strategy.
- **Invest in our People and Resources** – continue to develop the skills and aspirations of staff through a strengthened “People Plan” that continues to improve our inclusive, supportive, learning and working environment. To be the college of choice for students and staff through enhanced learning opportunities, a focus on their health and well-being and further, sustainable, capital investment in facilities.
- **Increase the Relevance of Education and Training** – continue to be recognised for innovation and delivering extraordinary education programmes with a clear focus on our local LSIP findings and devolution agendas. Open the Air and Space Institute, embed the HEART curriculum, grow Higher Technical Qualifications and T-Levels whilst enhancing adult provision through our commercial ventures and bootcamps.
- **Develop the Leadership and Governance of the Lincoln College Group** – to develop and train a reshaped leadership and governance structure to grow the values and culture to become an “Extraordinary employer-led organisation” through improved outcomes, exploring strategic growth opportunities, and delivering on our Accountability Agreement to support the local skills agenda and LSIPs.

REPORT OF THE GOVERNING BODY (CONTINUED)

MINDSET

The College's mindset is how we expect people to behave to achieve our Purpose and 'Be Extraordinary'.

CLEAR AND COMPELLING PURPOSE: We need to know where we are heading so that we concentrate our focus, our resources and capabilities on getting there. That vision also needs to be compelling, to motivate us to achieve it. To be compelling it needs to be achievable and realistic. Equally, it needs to take us beyond sustaining the status quo. A clear and compelling vision is something we all need to have.

HIGH PERFORMING LEADERSHIP AND TEAMS: There are lots of examples of organisations that have truly exceptional talent and yet fail to perform to their full potential. Leadership is a way of thinking, behaving and acting; it is a responsibility that falls on us all. We are all capable of leading, it is a choice. High performing leadership and high performing teams are founded upon trust and confidence. It intuitively understands that when one element of the team is unsuccessful, we are all unsuccessful, a sense of shared responsibility.

SHARP FOCUS ON THE NUMBERS: We often do not focus on numbers but use anecdotes to underpin any statements and arguments we make. Top performing organisations really understand their numbers. Those numbers are different for each of us depending upon the area in which we work and the level at which we operate. Take some time to think about your role. Do you know the numbers that pertain to you? If not, do something about it.

ENABLED AND LIBERATED WORKFORCE: Large and complex organisations cannot be run like a small business with decisions being made only by the owner or Managing Director. That sort of approach prevents innovation and creates a paternalistic culture. Equally, organisations that do not have proper boundaries and constraints can lack discipline leading to inappropriate decisions being made, duplication of effort and inefficient use of resources and capabilities. The question is one of balance and clarity.

LEAN, EFFICIENT AND SUSTAINABLE SYSTEMS: Lean and efficient systems ensure that we use our limited resources efficiently. Where we don't have lean and efficient systems we often tolerate wasted effort. Are the systems and processes that you follow efficient? Are the systems that you plug into efficient? We should all be thinking all the time about how we do our work and whether there is a better way.

EXCEPTIONAL COMMUNICATION: We all have a responsibility to translate our vision, mission and values driving behaviour into the language of our people, relating it to their daily work. We need to take this responsibility seriously and consider what forms of communication work best for us and our teams and make time for this activity.

PUBLIC BENEFIT

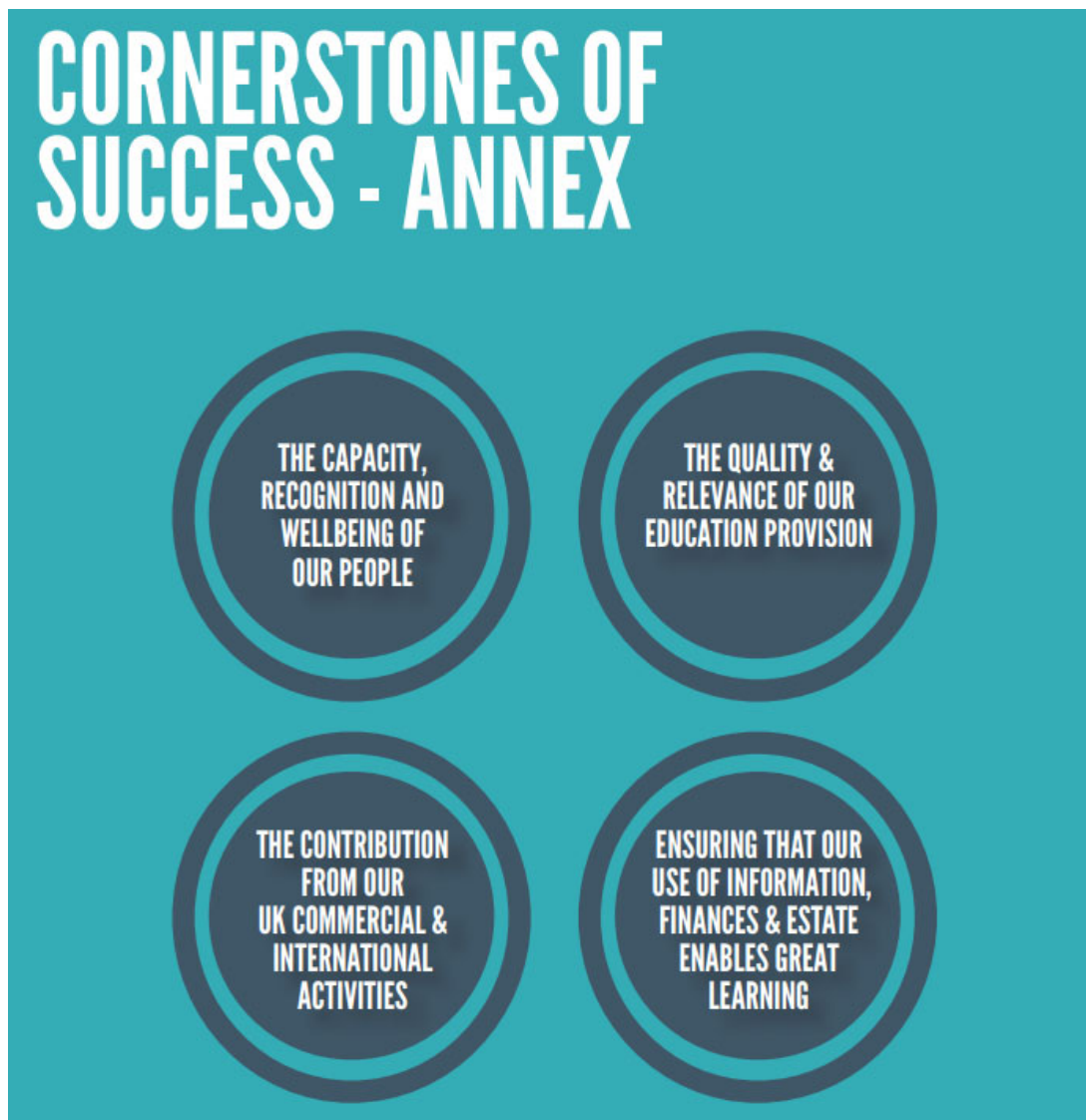
The College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the Charity, are disclosed on pages 23 and 24.

In setting and reviewing the College's Priorities, 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.

REPORT OF THE GOVERNING BODY (CONTINUED)

PUBLIC BENEFIT (CONTINUED)

The College Strategy 2022-25 specifically identifies the following cornerstones of success:



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

- Highly employable, work-ready individuals for employers and the local economy
- High-quality outcomes for learners
- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent progression opportunities
- Strong student support systems
- Links with Local Enterprise Partnerships (LEPs), the Lincolnshire Chamber of Commerce and other community-based organisations.

The delivery of public benefit is covered throughout the report of the Governing Body.

REPORT OF THE GOVERNING BODY (CONTINUED)

IMPLEMENTATION OF THE STRATEGY 2022-25

Following the exploration of a merger with Activate Learning in the academic year 2021/22 the Board appointed an interim Principal & CEO in April 2021 which, following an external recruitment process, was made permanent in October 2022. The focus of the new role and that of the Board was around enhancing and improving performance of education provision and the efficiency of delivery, with a focus on the delivery and fulfilment of new projects and ventures including the Drill, The Old Bakery and Aura, along with the creation and build of the new Air and Space Institute; a £15m project in Newark.

In seeking to meet current and future challenges a review of the organisation including the Executive Leadership Team and curriculum teams culminated in a restructure. This work led to a number of key personnel changes including the appointment of a Deputy Principal and new Chief Finance and Compliance Officer as part of a reshaped Group Leadership Team. This sat alongside a much broader review of leadership across all aspects of education and training to better align with the local skills priorities and to make efficiencies where appropriate. The reshape was completed on time and to plan with the new structure taking effect as of 1 August 2023.

In September 2022, the Board, in light of the continued growth in the Colleges/Groups UK commercial and overseas commercial interests, embarked on a review of governance. A steering group was formed to consider the increasing and changing needs in terms of governance both as an FE College but also one with other entities and overseas operations. In particular the Board sought to take into account that a number of long standing and experienced board members, including the Board Chair, were due to come to their end of term of office in August 2023. As part of the review process the Board engaged in a detailed external Board review and sought professional guidance around governance models and structure. In parallel the Board sought out and appointed new members with experience in governance and with specific sector experience and professional technical skills from a cross section of the communities it serves.

The decision by the ONS on 29 November 2022 to bring FE colleges back into the Public Sector brought some challenges. This required the Lincoln College Group to work closely with the DfE to mitigate a number of risks that arose as a result of this reclassification. These challenges and the requirement to work under MPM regulations led to the Board to consider its risk appetite and to produce a new detailed Risk Appetite report. The Board along with the ELT has and continues to work closely with the ESFA and colleagues within the FE Commissioners office to look at aspects of change in terms of its business model and processes to ensure it not only complies with the change in status but that it can look to further its aspirations and approach for a public and commercial funded approach for addressing the local workforce skills agenda and to ensure it continues to meet the need of employers; and sector priorities. Investment in education in KSA continues and the DfE have acknowledged that this activity is not novel, repercussive or contentious. In order to deliver to the majority of contracts in the Kingdom of Saudi Arabia (KSA), there is a requirement to have bonds in place. The ability to implement bonds for contractual purposes has been extended for another 5 years with the Treasury and UKEF approval.

On an annual basis SMART objectives are agreed with the appropriate leaders and governors, setting out precisely what is to be achieved in the coming year, to what standard/measure and by when.

Performance against the Group Priorities and objectives is tracked regularly at Executive Leadership Team Meetings, Board Meetings and with individual employees as part of their Performance Management Reviews.

REPORT OF THE GOVERNING BODY (CONTINUED)

IMPLEMENTATION OF THE STRATEGY 2022-25 (CONTINUED)

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.

The Corporation engages with and tracks the progress of Priorities and objectives through several channels of communication and this is not limited to formal meetings of the Corporation and Committees. This includes regular engagement across all activities of the College and use of communication channels, such as WorkPlace and Microsoft Teams, where active engagement is encouraged.

The Corporation has live access to the Strategic Risk Register that is updated by the Executive Leadership Team as and when risk profiles change and opportunities arise. The Strategic Risk Register and progress against objectives is made available and considered at each of the main committee meetings, in addition to the full Board of Corporation reviews that are undertaken.

The Executive Leadership Team have established an extremely effective Performance Management Framework and systems to ensure delivery of the College Strategy 2022-23 and its Priorities and objectives.

The Board has continued throughout the year to be actively engaged in the work of the College outside formal meetings, helping to support the academic teams in terms of relevance in curriculum provision and gaining real insight to student experience, attainment and outcome.

The Quality and Relevance of Education Provision

Ofsted graded the College as “Good” for overall effectiveness in April 2018. The College self-assessed as “Good” for 2020/21 and “Good” for all elements for 2021/22. A further assessment was carried out in January 2023 and there has been no change since then.

The Ofsted report in 2018 made it clear the College needed to sustain the improvements made which it has achieved with self-assessed grades of “Good” in all main categories.

The “Good” outcome was achieved in the vast majority of key performance areas in 2021/22, with further challenging targets set for 2022/23. In the vast majority of areas, the college can demonstrate a sustained profile of “Good” outcomes, with a new self-assessment grade due in December 2023 for the 2022/23 academic year.

REPORT OF THE GOVERNING BODY (CONTINUED)

IMPLEMENTATION OF THE STRATEGY 2022-25 (CONTINUED)

The Quality and Relevance of Education Provision (continued)

Under the EIF, and with the removal of GFE national rates for areas of provision, the almost exclusive use of qualification achievement rates has declined with the broader requirements of progress, destinations and the relevance of the curriculum becoming ever more important. A very high-level summary of education and training successes are covered below;

- The College has an overall achievement rate of 86.0% for classroom-based provision, which is back in line with achievement rates post-Covid. Many students have sat external examinations for the first time, particularly in Mathematics and English. High achievement rates are noted in Plumbing and Gas, Electrical Installations, Care College, Air and Space Career College and Performing Arts and Media. There is no finalised data at this stage.
- Apprenticeship overall achievement rates were down compared to 2021/22 despite significant post-Covid recovery work by the team. The availability of End Point Assessments continues to be a barrier in this area. The final achievement rate of 55.2% is above the average sector national rates for 2022/23 of 52%. There was a significant growth in new starts for delivery of apprenticeships and adult programmes, which has seen the College's local and levy payer "footprint" grow aligning it closely with the national strategy for localisation with a move away from subcontracting. The College has improved its relevance to the community, students and employers shown by significant improvements in its satisfaction surveys for many groups of learners.
- The College has had a particular focus on the health and well-being of staff and students post-Covid. 'PROJECT YOU' is a college collaboration with a range of partners, that sought to support learner resilience, wellbeing, and mental health to enable learners to stay engaged in education. It was also to positively influence and increase student engagement and the learning experience by improving student employer-readiness and destinations. The project had a significant uptake, with positive outcomes, from both staff and students and has been continued into 2022/23.
- Very importantly a detailed planning process, informed by EMSI analysis of the curriculum, has led to a greater relevance of programme provision to employers. This has seen the successful launch of a number of new specialist "colleges", such as the Air and Space Institute (ASI), growth in the Lincolnshire Institute of Technology and Professional Skills Centre, significant growth in the Policing College and Pre-Join Policing Degree and record recruitment to Plumbing in Newark.
- ASI and Hospitality, Events, Arts, Retail and Tourism (HEART) are both key elements of local Towns Funds bids in Newark and Lincoln. Aura and The Drill are now fully running as commercial ventures within the retail and arts curriculum areas providing paid work and commercial work experience in the heart of Lincoln as part of the HEART programme. In year, these have been added to with a newly acquired restaurant and B&B business (the Old Bakery), and there has been a refurbishment of the Sessions Training restaurant. Finally, the start of building for the new ASI £15m Institute.
- Significant investment in the UK Colleges through the International and Commercial Division of the College group allows the continued expansion of the specialist "colleges" programme and has allowed further growth for a number of local priority needs. The match funding required for numerous projects, such as the Plumbing centre in Newark, the main ASI facility and innovative programmes such as "Project You", would not be possible without this continued source of funds.

REPORT OF THE GOVERNING BODY (CONTINUED)

IMPLEMENTATION OF THE STRATEGY 2022-25 (CONTINUED)

International and Commercial Development

The College is proud of the diverse range of UK commercial and international activities which form such an important part of the Lincoln College Group. This reflects the Board of Corporation's strategic decision around 10 years ago to diversify the College's sources of income by growing commercial activities as a means to reduce the reliance on UK Government funding.

The breadth of activities allows the College to reinvest monies to support the wider education and training offer. For example, commercial revenues directly help the College to fund additional student hours and enrichment activities in all of the employer-led career focused colleges, such as the Air and Defence College, Policing College and Care College.

To ensure that the College is confident of year-on-year revenues from its commercial ventures there is a strategic drive to diversify the range of contracts in the UK and overseas. This provides greater resilience, with sustainable revenues allowing the College to make medium term investment decisions. In practical terms, this means extending current contracts and winning new ones. It is pleasing to see that this focus has continued during 2022/23.

All of the College's commercial activities align with our education and training ethos. This allows the College to provide students with fantastic opportunities to experience working environments, such as in a restaurant or theatre. It also allows for shared learning and cultural links across the globe, for example, students learning together and having the chance to travel overseas.

The College also help to grow the skills and experience of our staff by offering them chances to work across our different sites.

More specifically, in 2022/23 the financial performance of the Lincoln College International (LCI) has been good. Revenues are less than 2021/22, but tight cost controls mean that LCI exceeded 2022/23 budgetary targets. However, these financial statements do not reflect all the revenue at the point of filing due to revenue recognition accounting policies. This income, to the value of approximately £4.3m, is expected to be included in 2023/24 revenue. The revenue has not been recognised due to the uncertainty of the revenue materialising, despite the work having been delivered. This is due to there being no formal contractual agreement in place at the time of signing these statements. The college has worked with the Centres of Excellence to deliver this study programme and expects the agreed terms to be finalised in the near future at which point the outstanding contract value will be settled.

In terms of key contracts, LCI continues to operate the highly regarded ITQAN Institute in partnership with Aramco, with the Institute's student numbers growing consistency. LCI completed the education programmes at both the Qatief Female International Technical College and the Riyadh Tourism and Hospitality College (T&H), ending the operation and maintenance contracts at these two colleges. There has been positive progress to diversify LCI's range of contracts, with the successful five-year award of a new defence engineering college in Riyadh from 2023.

REPORT OF THE GOVERNING BODY (CONTINUED)

IMPLEMENTATION OF THE STRATEGY 2022-25 (CONTINUED)

International and Commercial Development (Continued)

Wider international performance is also strong, with both China and other international contracts continuing to operate effectively despite some ongoing Covid-19 challenges. In particular, the College's delivery across four Chinese colleges remained primarily UK-based due to operational challenges of deploying teaching staff into the country. In-country delivery will return in full during the 2023/24 academic year.

In the UK, 16-19-year-old student recruitment increased by around 6 per cent, with strong confidence of further growth for the 2023/24 academic year. Apprenticeships and adult education met targets, reflecting the strong work of both the sales and delivery teams. Across all of our commercial businesses there was a significant impact due to the rise in utilities, staff and core pricing. HE numbers fell below target and followed a national declining trend of HE in FE. Notable highlights include the opening of the Old Bakery restaurant following an acquisition, the refurbishment of the Sessions House 'on campus' restaurant, both supported by the Lincoln Towns Fund. The Drill is making a strong contribution to the community and our wider curriculum delivery, although honing its commercial model remains a priority focus. This includes making changes to operating hours, staffing models and the commercial mix of performances and other hospitality uses. Human Alchemy, the College's leadership and management consultancy is growing well, with notable wins including supporting the RAF Tedder Leadership Academy.

International

LCI's success in growing the international business is built on ensuring its continual focus on the quality of provision. It is pleasing to see this recognised, with the Managing Director of the ITQAN citing the award of the Education and Training Evaluation Committee (ETEC) accreditation for the whole Institute as a notable success. During 2022/23, LCI focused on growing student numbers through building reputation for high quality delivery and innovative programmes. The ITQAN received an external quality inspection during early 2022 and received a "Good" rating. This is great credit to the Dean of the ITQAN and his team. The Institute is growing, from 862 in Semester 1 and 905 in Semester 2 in 2022/23, representing steady year-on-year growth. The leadership continues to work closely with the DfE and KSA stakeholders to secure a long-term contract for the Institute and to reduce working capital pressures post the 29 November 2022 ONS decision. The College has worked to a 1-year contract during 2022/23. A contract with the College of Excellence is in place for 2023/24 and revenue has already been invoiced for this period.

LCI's contracts to operate the Qatief, and the Tourism and Hospitality colleges came to an end in 2023. LCI has operated Qatief Female College since 2014 and is very proud of the impact of our education on supporting the growth of the female workforce in support of Vision 2030. It was pleasing to retain high numbers of students, thereby helping as many as possible to secure their diploma qualifications. At Qatief, we welcomed 826 in Semester 1 and 267 in Semester 2. At the T&H, we taught 421 in Semester 1 and 161 in Semester 2. We expect education to return to these two colleges in the medium-term, potentially through a long-term partnership with the Colleges of Excellence. All stakeholders recognise the importance of the colleges to the local communities and also to support national growth in sectors, such as tourism.

Quality of delivery remains high, with both colleges receiving external performance reviews, scoring "Good" across almost all metrics.

REPORT OF THE GOVERNING BODY (CONTINUED)

IMPLEMENTATION OF THE STRATEGY 2022-25 (CONTINUED)

International (Continued)

Finally, the College continues to retain a good reputation across all of its Chinese college sites. The Managing Director and Head of International Operations visiting the four partner colleges in June 2023. This coincided with graduation events at two of the colleges as well as several meetings focused on strengthening our partnership after a long period of remote delivery due to Covid-19. Continuing Covid-19 restrictions meant much of the teaching was delivered remotely in 2022/23. Not surprisingly, this has impacted on the quality of teaching to students, but partner colleges remain positive about the programmes and the quality of the College's provision. The College looks forward to returning to face-to-face delivery in 2023 as restrictions ease.

Specific points of note across the international business include:

- Sichuan College of Architectural Technology (SCAT) continues to work on a one-year contract extension. They are the College's largest China partner. A longer-term extension is currently under negotiation. The College provides circa 750 students each year across its 3 intakes.
- Guangdong Construction Polytechnic has received its second year of teaching the construction accounting course. A new contract was agreed to continue our partnership.
- Student exchange program with the Colleges of Excellence and the Technical and Vocational Training Corporation (TVTC) for 2023/24 and beyond.
- Linguistic support has included:
 - Uzbekistan capability building support was delivered in 2022, with potential for further work via the British Council.
 - Provision of translation services to support RAF-led pilot training programmes across different sites.

UK Commercial

The College is pleased with the progress to further grow the UK commercial operations. Of particular note is the contribution that these ventures are making to the College's curriculum delivery as well as commercial and also community benefits.

During 2022/23 the focus was to finalise elements of the HEART concept, focus on the Drill operating model and to grow Human Alchemy. All of these ventures had their own unique challenges, with work continuing into 2023/24.

The College used Towns Fund money of over £1m to bring the HEART concept to fruition. The Old Bakery restaurant and refurbishment of parts of the Sessions House restaurant on the Lincoln campus has been completed successfully. The project also aims to deliver new curriculum offers and commercial short courses. This project will deliver a transformational change to the College's approach to HEART, including much needed investment in the College's employer-led facilities.

UK educational recruitment has met targets. Of particular note has been exceeding goals for apprenticeship sales and adult education. 16-18 recruitment for 2022/23 exceeded prior year by 6% and further strong growth is expected in 2023/24. The College's revised approach to curriculum planning will further help to align employer needs with student needs.

The College met its Adult Education budget allocation of £3.48m. This represents a growth from previous years and a significant amount of hard work by many teams (sales, marketing and delivery). In recent years we have seen a sizeable growth in online courses which require different approaches to marketing and operational delivery.

REPORT OF THE GOVERNING BODY (CONTINUED)

IMPLEMENTATION OF THE STRATEGY 2022-25 (CONTINUED)

LEARNER NUMBERS AND FUNDING

16-19 study programme learners totalled 2,628 (based on 2021-2022 enrolled learners under lagged funding) with associated income of £14.2m.

Adult Skills funding totalled £3.48m and the income earned from apprenticeships reached £4.3m.

Performance indicators

| Key performance indicator | Lincoln College Consolidated results 2022-2023 |
|--|--|
| Operating deficit | -15.4% |
| Staff costs (including restructuring costs) as % of income | 76% |
| Adjusted current ratio | 1.8 |
| Financial Health Score | Requires Improvement |

FINANCIAL POSITION

The Education and Skills Funding Agency (ESFA) approach to assessing the financial health of Colleges is set out in the Financial Planning Handbook published annually. The ESFA confirmed in October 2023 that the College had achieved the financial health grade of 'Good' for 2021-2022. The College is anticipating a health grade of 'Requires Improvement' in 2022-2023. This is due to the reduced revenue in KSA, as part of LCI, leading to a deficit EBITDA position. Approx. £4.3m revenue has been earned but not recognised due to the absence of a contract with the College of Excellence. This is expected to be recognised in 2023/24. The health score forecast is 'Good' for 2023-2024. The College (as part of the 2022-2025 Strategy which was launched in the Autumn term 2022) is developing a three-year approach to curriculum, people, property and finance. This longer-term approach, beyond regulatory compliance, is aimed at ensuring a joined-up approach to the delivery of the Strategy. The outturn for 2023/24 is expected to be more favourable than in previous years for Lincoln College, though the Group position is reduced due a smaller contract with in KSA.

Financial Results

Headlines

The financial results for the year 2022-23 are detailed below.

Despite widespread financial challenges in the sector, the forecast outturn for the year 2023-24 is strong yet prudent. This is despite a reduced contract in the Kingdom of Saudi Arabi, rising inflation and adverse foreign exchange differences. The Board of Corporation are confident that 2023-24 outturn is deliverable through tight controls and by having the appetite to adapt in year as necessary.

The Income and Expenditure results are good against sector benchmarks and liquidity levels are high with a year-end cash balance of £9.5m and adjusted cash days standing at 39.

REPORT OF THE GOVERNING BODY (CONTINUED)

FINANCIAL POSITION (CONTINUED)

Financial Results (continued)

Any uncertainty relating to the reclassification has been eliminated and the college are confident that their funding facility is appropriate. The reclassification of the college group and their financing, following the transfer into the central government sector on the 29 November 2022, changed the way funding was obtained. Trustees and accounting officer are confident that future cashflow projections are sufficient to manage the working capital required for the college to continue operating and to meet its debts.

2022-23 saw a year of modest capital investment in its estate, as forecast. The Air and Space Institution project based in Newark is on track to deliver a £14m project with £10m of capital support as part of the Towns' Deal Funding. This will be completed by January 2024. These projects were made possible through continued access to public funds (capital grants) and match funding from the College's own reserves. 2023-24 will see increased levels of investment at the Lincoln campus.

For 2022-23 the Lincoln College Group ended the year with an operating deficit of £8.1m (2021-22: deficit of £2.2m). This includes the impact of income not recognised of £4.3m. The adjusted operating deficit is £3.8m. Excluding the £4.3m, the movement year on year is driven by inflation, utilities and higher education income.

Total income for the year amounted to £46.3m (2021-22: £53.8m) relating to continuing operations with £25.1m (2021-22 £23.6m) from funding bodies, £17.3m (2021-22: £27.4m) from tuition fees and education contracts and £3.5m (2021-22: £2.7m) from other income. The fall in tuition fees year on year is impacted by the KSA £4.3m revenue omission. The College group has accumulated reserves of £28.7m (2021-22 £39.4m) including a year-end cash balance, net of overdraft, of £9.5m (2021-22: £5.4m). The Group's share of the Local Government Pension Scheme is excluded on the basis that the asset calculated by the actuary is under the control of the college group..

Tangible fixed asset additions during the year amounted to £10m, this was split between land and buildings £1.8m, assets under construction of £6m and equipment £2.2m. This represented a significant increase on prior years, and taken over a three-year period amounted to over £20m of capital investment.

Cash inflow from operating activities was £17.0m (2021-22: outflow £1.4m).

In these financial statements, via its 100% ownership of Lincoln College Commercial Holdings Limited, the College has recognised:

100% ownership of Lincoln Academy Limited, the subsidiary is an 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 Sport, Health and Leisure 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 Human Alchemy Limited, a prior year acquisition of a former privately owner management training consultancy.

REPORT OF THE GOVERNING BODY (CONTINUED)

FINANCIAL POSITION (CONTINUED)

Financial Results (continued)

100% ownership of the Drill Hall Lincoln Ltd, Performing Arts Company. Established February 2022.

100% ownership of the Old Bakery Lincoln Ltd, Licensed Restaurant. Established October 2022.

The financial results of Greater Lincolnshire Apprenticeships Limited were not material for incorporation into the 2022-23 consolidated Group Financial Statements. The group has a 50% ownership of the assets and trading results of the Joint Venture Partnership, Greater Lincolnshire Apprenticeships Limited with the Grimsby Institute Group (GIG).

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

Financial Objectives

The College key financial objectives reflect current sector challenges, but allow continued monitoring of performance in year by Governors and Key stakeholders, these include:

- Securing a Financial Health Grade of at least 'Good' across the life of the plan.
- Generating an EBITDA to cover financial commitments and capital investment as required (subject to affordability) in both the UK and Overseas.
- Maintain sufficient levels of working capital via. own reserves and agreed facilities.
- Following the £4m injection of Government capital funding grant, the College will seek a good level of investment in the Lincoln College Campus in 23/24.
- Control of the key drivers;
 - **Performance**
 - **Liquidity**
 - **Gearing**
- Deploy resources into opportunities for growth and multiply efforts in those areas of the business that yield a positive financial contribution.
- Improve the financial efficiency of curriculum delivery

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. All other borrowing requires the authorisation of the Corporation.

Formal Treasury Management reports are produced twice per year for consideration by the Finance Committee. However, reference to the Groups Treasury Management activities is a regular feature of the Group monthly management accounts.

Treasury Management reports throughout 2022-23 confirmed full compliance with Treasury Management policy, with no deviation from standard practices and no breaches of covenant. However, following the reclassification from 1st November, the college group has ensured it is compliant with any borrowing in agreement with the DfE.

Cash flows and liquidity

The Group had a cash outflow of £17.0m during 2022-23. Working capital facilities are available from the DfE for potential future use following the ONS announcement on 29 November 2022 and subsequent reclassification of the College under central government.

REPORT OF THE GOVERNING BODY (CONTINUED)

FINANCIAL POSITION (CONTINUED)

Reserves policy

The Group has an implied reserves policy by virtue of the targets and key assumptions detailed in the financial plan (2022-23), and clearly recognises the importance of reserves in maintaining the overall financial stability for the Group, ensuring that there are adequate reserves to support the College's core activities and operating model.

The College Group reserves include £80k held as restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at £25.7m (2021-22: £36.2m).

Financial health

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

| [FR= Financial Record / FP = Financial Plan] | 2018/19 FR | 2019/20 FR | 2020/21 FR | 2021/22 FR | 2022/23 FR | 2023/24 FP | 2024/25FP |
|---|---------------|---------------|---------------|-------------|---------------|------------|------------|
| Financial Health Grade (Moderated) | Good | Outstanding | Good | Outstanding | RI | Good | Good |
| Financial Health Grade (Automated) | Good | Outstanding | Good | Outstanding | RI | Good | Good |
| Total Points | 220 | 240 | 210 | 240 | 140 | 180 | 190 |

FUTURE DEVELOPMENTS

In line with the College Strategy 2022-25 the core objectives include the following:

- **Deliver Extraordinary Education and Training** – continue on our journey towards an extraordinary student experience where they make confident progress through excellent Learning, Assessment and Teaching (LAT), with improved quality, outcomes and destinations. Grow the opportunities for Work Experience and Industry Placements with better integration with our commercial training businesses such as The Old Bakery, Deans, Aura and The Drill.
- **Create Financially Resilient Colleges** – by recruiting more 16-18 year olds, adults, apprentices and HE students whilst diversifying international income, to deliver against the 2023/24 group budget. Explore strategic options for growth, develop a more efficient UK delivery model and increasingly sustainable property strategy.
- **Invest in our People and Resources** – continue to develop the skills and aspirations of staff through a strengthened “People Plan” that continues to improve our inclusive, supportive, learning and working environment. To be the college of choice for students and staff through enhanced learning opportunities, a focus on their health and well-being and further, sustainable, capital investment in facilities.
- **Increase the Relevance of Education and Training** – continue to be recognised for innovation and delivering extraordinary education programmes with a clear focus on our local LSIP findings and devolution agendas. Open the Air and Space Institute, embed the HEART curriculum, grow Higher Technical Qualifications and T-Levels whilst enhancing adult provision through our commercial ventures and bootcamps.
- **Develop the Leadership and Governance of the Lincoln College Group** – to develop and train a reshaped leadership and governance structure to grow the values and culture to become an “Extraordinary employer-led organisation” through improved outcomes, exploring strategic growth opportunities, and delivering on our Accountability Agreement to support the local skills agenda and LSIPs.

REPORT OF THE GOVERNING BODY (CONTINUED)

FUTURE DEVELOPMENTS (CONTINUED)

Newark Towns Fund Projects

The College has developed two projects incorporated into the Newark Town Investment Plan and is supporting two others. This plan is being implemented over the next five years.

Firstly, the Construction Centre of Excellence featuring plumbing, gas training and expanded bricklaying facilities incorporated a second year of 16-19 students and an increased number of apprentices. The College is looking to further expand delivery of construction provision in Newark with electrical and multi-trade enhancements via an FE Capital Transformation Bid and use of Air and Space Institute (ASI) facilities once vacated.

Secondly, the College is leading the development of the renamed ASI, previously IASTI. Focused initially on aviation engineering, airfield operations and pilot training, it will eventually cover all areas of the industry, including aligned areas such as logistics, cyber and space. This innovative new institution will combine further, higher and industry training to raise aspiration locally and deliver employment ready staff to the air and space sectors. Thus, it is transformative in its ability to regenerate a town by locating a facility normally found at an airport or airfield into the middle of Newark; right where people need it to be incorporating the latest training techniques and equipment in a bespoke new facility funded by the Towns Fund.

The first two cohorts of students for ASI have started their level 3 programmes in interim facilities in Newark College, with flying training in the College's leased aircraft and flight simulator. Work has commenced on the main site and the building should be ready for occupation from Spring 2024. It will then begin to deliver Higher Education in conjunction with Nottingham Trent University and a Space Engineering programme, supported by the National Space Centre.

The College has also signed a MoU with the Newark YMCA and is delivering sport programmes, apprenticeships and community education from the new YMCA facility which opened in Autumn 2022. The College is working closely with the YMCA to maximise the social value of this new facility for all aspects of the community.

The College is supporting the Newark and Sherwood Council sponsored Smart Innovation, Supply Chain & Logistics Enterprise Zone. This project is supported by both Nottingham Trent and Lincoln Universities and is aimed at developing the wider site around the ASI into a logistics and supply chain innovation hub for both academia and industry.

Lincoln Green

The College commenced its ambition to improve energy efficiency and launched the Lincoln Green College. This has three aspects; firstly, to adopt sustainability into the College's strategy; secondly, the College looks to provide a focus for specific training offering opportunities for business, youth and adults to qualify in specific sustainable areas; and finally, new staff would be able to advise and assist wider curriculum areas in developing sustainability aspects to their curriculum.

A launch of a Lincoln Green College committee to oversee this development commenced in the year 2022/23. Plans for the first installation of solar panels funded by a Government grant have commenced.

REPORT OF THE GOVERNING BODY (CONTINUED)

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, an FE student, and an Apprentice Student.

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.

The College continues to move forward in terms of communication and engagement. The College operates 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.

RESOURCES

The College 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. Other resources are detailed below.

Financial

The College Group has £28.7m (2021/22 £39.4m) of net assets. Due to the recognition of the effect of the asset ceiling, the pension asset was restricted to nil in the current year. In the previous year, the pension asset was included to the value of £1.7m.

People

The College Group employs 905 people of whom 278 in note 7 are teaching staff.

Key financial assets

The College has a fixed asset base amounting to £64m and cash reserves of £9.5m as at the year-end 2022-23. There was no overdraft as at 31st July 2023.

The Estate comprises ownership of 3 campuses in the UK, including land and buildings. The College also operates from several leased properties in the UK. A comprehensive Property Strategy was approved by the Board of Corporation in November 2019 that provides details of the utilisation, condition, and suitability of current usage. The data derived from the exercise involved obtaining external advice and assurance, including surveys and professional cost plans. Consultancy support was commissioned to articulate a wide variety of potential proposals to improve the College Estate in the interests of learners, staff and other key stakeholders. The Property Strategy has brought coherency to the Colleges approach to developing its Estate, and the appointment in year of a Director of Estates Development has further improved the Colleges ability to access external funding for projects and to connect with wider stakeholders (such as the One Public Estate in Lincoln). This has enabled a shift towards a more planned approach to capital works, delivering financial savings and reducing the interruption to operations caused by reactive maintenance.

The Property Strategy was refreshed in 2022-23 with a focus on improving space utilisation and the quality and appropriateness of our spaces. Sustainability and the need to reduce overheads (particularly in the context of extremely high inflation relating to utilities costs) has moved up the agenda. This is in line with the 2022-2025 Strategy and based on feedback from staff, a recent manual utilisation exercise and various external surveys.

REPORT OF THE GOVERNING BODY (CONTINUED)

EVENTS AFTER THE REPORTING PERIOD

As mentioned in more detail in this report, there is one significant post balance sheet events to note;

- A loan for £3.15m from the DfE for the purchase of capital equipment for the new ASI building was approved after the year end.

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 continued work during the year to further 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.

Throughout the year the Colleges systems of financial management and control continued to remain strong. Procurement practices continued in line with Financial Regulations and a series of Internal Audit assignments resulted in high levels of assurance for both financial and non-financial areas of the College's business.

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. The Annual Report of the Risk Management Group highlights the work of the Group throughout the year and during 2022/23 there has been a clear focus on ensuring risks, mitigating factors and associated impacts are clearly and transparently reported.

The Risk Management Group was effective during 2022/23, and has developed a Board Assurance Framework to provide assurance on implemented risk controls at a high level.

A risk register is maintained at the Group level (the Strategic Risk Register) which is continually monitored by ELT, the Audit Committee and the Board of Corporation. 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 are 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:

- Financial Health
- Business Continuity
- Achievement of Student Recruitment Targets
- Regulatory Compliance
- Quality of Outcomes for Learners

REPORT OF THE GOVERNING BODY (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

The regulatory, taxation and supplier payment frameworks in the Kingdom of Saudi Arabia differ from those of the UK and this is recognised in the College's approach to the risk management of business matters in the Kingdom, including taking advice from local professionals to support College management's understanding of these areas. This is particularly relevant given the significant contribution that international provision brings to the Group results. All known tax provisions are fully accounted in line with advice from our independent advisors. Cashflow forecasts take account of the timing of receipts which are not as structured as the College's other operating activities.

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 Bodies
- FE Commissioner
- Local Authorities
- The Local Community
- The Local Enterprise Partnerships
- Members of Parliament
- Government Offices & Departments
- 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 DIVERSITY

The College is committed to ensuring equality of opportunity for all who learn and work here. The College's Equality and Diversity Policy is reviewed on a planned basis and updated as required.

The College respects and values positively differences in race, gender, sexual orientation, disability, religion or belief, marriage and civil partnership, pregnancy and maternity, gender reassignment and age. It strives vigorously to remove conditions which place people at a disadvantage and 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 and diversity issues in respect of its decisions, policies, procedures and practices.

The College first committed to the 'Mindful Employer' initiative in May 2010 to assist the mental health and wellbeing of staff.

The College regularly provides opportunities for staff to refresh their knowledge on equality and diversity issues and all new starters undergo training as part of an induction programme.

The College is a 'Disability Confident Employer' and has committed to the principles and objectives of the standard having undertaken a successful review in August 2022. 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.

REPORT OF THE GOVERNING BODY (CONTINUED)

DISABILITY STATEMENT

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

- a) The College has a range of specialist equipment 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.
- b) 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.
- c) The College employs a Head of Student Services and Supported Education who is a qualified SENCO, a dedicated SEND Manager and a number of Assessment and Support Co-Ordinator's. There are a number of Learning Support Assistants who can provide a variety of support for learning.
- d) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- e) 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 and website.
- f) The College employs an Equality and Diversity Officer to support the College working towards the three aims of the general equality duty; eliminate unlawful discrimination, advance equality of opportunity and foster good relations.

TRADE UNION FACILITY TIME

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the College to publish information on facility time arrangements for trade union officials at the College.

| Numbers of employees who were relevant trade union representatives for the period | FTE employee number |
|---|---------------------|
| 6 | 5.4 |

| Percentage of time | Number of employees |
|--------------------|---------------------|
| 0% | 0 |
| 1-50% | 6 |
| 51-99% | 0 |
| 100% | 0 |

| | |
|---|------------|
| Total cost of facility time | £26,825.60 |
| Percentage of pay spent on facility time | 0.11% |
| Percentage of total hours spent on paid facility time | 18.6% |

REPORT OF THE GOVERNING BODY (CONTINUED)

GOING CONCERN

At the date of approving these financial statements, the governors have considered the cashflow position of the Group and have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The governors have made their assessment in respect of the period of at least one year from the date of the issue of these financial statements and in making the assessment have considered the impact of the operations across all subsidiaries, including KSA.

As part of the Group's going concern assessment detailed cashflow projections have been prepared, including scenarios which model a range of potential outcomes, which show that the group could manage its cashflow within its existing facilities. Any additional borrowing needed by the Group to manage any risks in cashflow would be subject to agreement of the ESFA and would be considered at the point of need rather than in advance.

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 2023 and signed on its behalf by:

Signature: *Ian Billyard*
.....

Ian Billyard – Chair

28 February 2024

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 2022 to 31 July 2023 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) 'whilst not having adopted the UK Corporate Governance Code 2018, the corporation has due regard to its principles and guidance'

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. In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2023. We have not adopted and therefore do not apply the UK Corporate Governance Code 2018. 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.

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. A revised Further Education Code of Good Governance was published in September 2023 which was approved by the Board of Corporation in November 2023.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

THE CORPORATION

The 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.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

THE CORPORATION (CONTINUED)

| Governor | Date of Appointment | Term of Office: (Years) | Date of Completion | Status of Appointment/ Membership | Committees Served | Attendance |
|----------------|--|-------------------------|---------------------------------|-------------------------------------|--|--|
| Mr F Ahmed | 1 Sept 2023 | 4 | | Independent | Corporation Higher Education | n/a |
| Ms H Barton | 1 Sept 2023 | 1 | | Associate | Audit | N/a |
| Mr H Beeken | 1 Sept 2015 1 Sept 2019 | 4 4 | 31 August 2023 | Independent | Corporation Perf and Quality Higher Education | 7 out of 8 4 out of 5 3 out of 3 |
| Mr I Billyard | 1 Sept 2019 1 Jan 2021 | 1 3 | | Independent | Corporation Perf and Quality Higher Education | 8 out of 8 5 out of 5 4 out of 4 |
| Mr T Calvert | 31 Oct 2017 31 Oct 2020 1 Sept 2023 | 3 3 | 31 August 2023 | Independent Associate | Corporation Finance Chair: Rem/Appr | 2 out of 8 3 out of 5 10 out of 10 |
| Miss A Conyard | 23 Oct 2020 | 3 | | Independent | Corporation Finance Higher Education Rem/Appr | 4 out of 8 0 out of 5 1 out of 3 1 out of 4 |
| Mr P Doody | 1 Sept 2023 | 3 | | Independent | Corporation Finance | n/a |
| Mr T Godson | 1 Sept 2019 1 Sept 2023 | 4 4 | | Independent | Corporation Chair: Audit | 6 out of 8 4 out of 4 |
| Mrs L Goodier | 23 Oct 2020 | 3 | | Independent | Corporation Audit | 7 out of 8 4 out of 4 |
| Mr D Graham | 1 Sept 2015 1 Sept 2019 | 4 4 | 31 August 2023 | Independent | Corporation Audit Perf and Quality Chair: HE | 2 out of 8 1 out of 4 1 out of 5 1 out of 3 |
| Mr S Justice | 7 April 2021 | 3 | Resigned 10 November 2023 | Elected Academic Staff | Corporation Perf and Quality Higher Education | 7 out of 8 5 out of 5 3 out of 3 |
| Mrs K Knoll | 7 April 2022 | 3 | | Elected Support Staff | Corporation Finance | 7 out of 8 4 out of 5 |
| Mr A Kumar | 1 Sept 2023 | 3 | | Independent | Corporation Perf and Quality | n/a |
| Mr R Leggett | 1 Sept 2023 | 1 | | Associate | Perf and Quality Higher Education | n/a |
| Mrs D Lister | 1 Sept 2016 | 4 | 12 Oct 2022 | Independent | Corporation Rem/Appraisal | 0 out of 1 1 out of 6 |
| Mr M Locking | 1 April 2022 | Ex Officio | | Principal/CEO Accounting Officer | Corporation Finance | 8 out of 8 4 out of 5 |
| Mr N Lyons | 1 Feb 2013 1 Feb 2017 1 Feb 2021 | 4 4 2 | 31 August 2023 | Independent | Corporation | 6 out of 8 |
| Mr J McLaren | 1 Sept 2022 | 1 | | Apprentice Student | Corporation | 4 out of 4 |
| Mr T McKenzie | 23 Oct 2020 | 3 | | Independent | Corporation Perf and Quality Higher Education | 6 out of 8 2 out of 5 1 out of 3 |
| Paul Milner | 1 Sept 2023 | 3 | | Independent | Corporation Finance | n/a |
| Mr J Pinchbeck | 1 Sept 2011 1 Sept 2014 1 Sept 2018 1 Sept 2020 | 3 4 2 3 | | Independent (Chair) | Corporation Finance Rem/Appraisal | 8 out of 8 5 out of 5 10 out of 10 |
| Mr M Platts | 1 Sept 2017 1 Sept 2021 | 4 4 | | Independent | Corporation Finance | 7 out of 8 4 out of 5 |
| Mr P Price | 23 Oct 2020 | 3 | | Independent | Corporation Audit | 5 out of 8 4 out of 4 |
| Miss E Sadler | 1 Sept 2023 | 1 | | FE Student | Corporation Perf and Quality | n/a |

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

THE CORPORATION (CONTINUED)

| | | | | | | |
|----------------|----------------------------|--------|----------------------|-------------|------------------------------|---------------------------|
| Miss L Rose | 1 Sept 2022 | 1 | 31 August 2023 | FE Student | Corporation Perf and Quality | 7 out of 8 5 out of 5 |
| Miss H Tapper | 1 Sept 2022 | 1 | 31 August 2023 | HE Student | Corporation Higher Education | 3 out of 8 0 out of 3 |
| Miss C Watson | 23 Oct 2020 | 3 | | Independent | Corporation Perf & Quality | 6 out of 8 4 out of 5 |
| Mr D Wilkinson | 1 Sept 2016 1 Sept 2020 | 4 3 | Resigned 31 Aug 2022 | Independent | Corporation Finance | 2 out of 10 0 out of 5 |

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, Higher Education, Remuneration and People and Search, Training and Development. Minutes of standing committees, except those deemed to be confidential by the Corporation, are available on the College's website (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.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

THE CORPORATION (CONTINUED)

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.

CORPORATION PERFORMANCE

The Governors complete annual self-assessments, registers of interest and skills audits. The Board also carry out a formal review of Board Effectiveness on an annual basis which resulted in the performance being assessed as good or excellent in all areas covered. In May 2023 an external review of the Board effectiveness was commissioned. This review is now complete and the results were shared with the Board of Corporation in January 2024. The external review evaluated all paperwork, observed Board meetings as well as conducted interviews with members of the Board. The review concluded that the culture that has been intentionally curated over the last few years is wholly conducive to the current and future objective of the Lincoln College Corporation Board. There are high levels of respect and a strong emphasis on seeking to ensure the meetings lend themselves to discussion, challenge, and scrutiny. It is noteworthy that the calibre of those involved in the Corporation Board are exceptional in terms of their wealth of experience and expertise. Recommendations have been made and these are in the process of being actioned.

A Governor development session was held in Spring 2023. The session included a Strategic Thinking and Decision-Making training delivered by Human Alchemy and the launch of the External Board Effectiveness Review. Continuing the move to 'Extraordinary Governance', Committee membership has been amended for the 2023/24 academic year. Quality Improvement Events, including the Annual College Review (ACR) which has Governor involvement and input in learning walks and engaging with students took place in the academic year 2022/23. Cross-committee attendance, and engagement at events continues and is reporting on throughout the year. The Chair of Search has analysed the Skills Audits returns and reported his findings to the Board of Corporation. In September 2023, Ian Billyard took up the role of Chair of the Corporation following the end of the term of office of James Pinchbeck. In addition, 6 new Governors and 2 Associate/Lay Governors have been recruited. These new Governors were inducted in September and October 2023 following appointment from 1 September 2023.

REMUNERATION COMMITTEE

Throughout the year ending 31 July 2023, the College's Remuneration and People Committee comprised four members of the Corporation and the Chair of Lincoln College (International) LLC Board of Directors. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and Senior Post Holders in addition to consideration of an all staff pay award. The College has adopted the AoC's Senior Staff Remuneration Code and responded to the consultation on changes in November 2018.

Details of remuneration for the year ended 31 July 2023 are set out in Note 7 to the financial statements.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

THE CORPORATION (CONTINUED)

FINANCE COMMITTEE

The Finance Committee comprises six members of the Corporation (including the Accounting Officer and Chair). The Committee met five times during the year.

The Corporation has delegated the Finance Committee:

- a. to review detailed information relating to the budget, annual statements and monthly/regular financial performance;
- b. to provide comprehensive independent financial advice to the Corporation;
- c. advising on approval of any ESFA or other Funding Body financial returns and submissions, including the IFMC, with specific consideration to ensuring any plans enable and drive the strategy as approved by the Board of Corporation;
- d. to review the regulations governing management of finances and capital assets;
- e. ensure effective compliance reporting is in place in respect of any loan covenants or other requirements relating to banking facilities;
- f. to take on any specific tasks as the Corporation may determine from time to time; and
- g. to act in line with normal policy when the urgency of the situation, in the opinion of the Committee, prompts immediate action; this includes Chair's emergency action.

AUDIT COMMITTEE

The Audit Committee comprises four 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.

The Audit Committee met four times in the year to 31 July 2023. The members of the Committee and their attendance records are shown below:

| Name | Attendance |
|---------------|------------|
| Mr T Godson | 4 out of 4 |
| Mrs L Goodier | 4 out of 4 |
| Mr D Graham | 1 out of 4 |
| Mr P Price | 4 out of 4 |

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

INTERNAL CONTROL

Scope of Responsibility

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

The Corporation has delegated the day-to-day responsibility to the 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 conditions of funding between Lincoln College and the funding body. 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 2023 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 and arrangements for compliance with legal and regulatory matters including those relating to the regularity and propriety of the use of public funding 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 2023 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.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

INTERNAL CONTROL (CONTINUED)

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 from the Audit Committee

The Audit Committee has advised the Board of Governors that the Corporation has an effective framework for governance and risk management in place. The Audit Committee believes the corporation has effective internal controls in place.

The specific areas of work undertaken by the Audit Committee in 2022/23 and up to the date of the approval of the financial statements are:

| RISK / SYSTEM | AUDIT AREA |
|-------------------|--------------------------|
| Financial Systems | Payroll |
| Financial Systems | Stock Control |
| Other | Estates Management |
| Other | Quality Improvement Plan |
| Funding | Apprenticeships |
| Required | Follow-up Review |

On the basis of the independent audit reports received, the Committee's opinion is that the College does have in place an adequate and effective assurance framework. As a result of the assurances received throughout the academic year, the Committee can confirm that the College has in place adequate and effective audit arrangements. It is the Committee's opinion that the framework of governance, risk management and control, and processes for the effective and efficient use of resources, the solvency of the institution and the safeguarding of its assets are sufficiently robust to provide a reasonable opinion.

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.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

INTERNAL CONTROL (CONTINUED)

Review of effectiveness (Continued)

The Accounting Officer and Senior Management Team receive reports setting out key performance and risk indicators and consider 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 July 2023 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2023 by considering documentation from the Senior Management Team and internal audit and taking account of events since 31 July 2023. Feedback from the committee to the Board of Corporation was based on recommended areas of improvement and focus for the academic year 2023/24. The incoming Chief Finance and Compliance Officer will be responsible for ensuring the relevant internal audits are carried out through the year and any risks highlighted are mitigated.

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 governing body and the safeguarding of their assets*".

Approved by order of the members of the Corporation on 12 December 2023 and signed on its behalf by:

Ian Billyard

Signature:
Ian Billyard – Chair

28 February 2024

Mark Locking

Signature:
Mark Locking – Accounting Officer

28 February 2024

STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer I confirm that the Corporation has had due regard to the framework of authorities governing regularity, propriety and compliance, and the requirements of grant funding agreements and contracts with ESFA, and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with those authorities and terms and conditions of funding.

I confirm on behalf of the Corporation that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the Corporation, or material non-compliance with the framework of authorities and the terms and conditions of funding under the corporation's grant funding agreements and contracts with ESFA, or any other public funder. This includes the elements outlined in the "Dear Accounting Officer" letter of 29 November 2022 and ESFA's bite size guides.

I confirm that no instances of material irregularity, impropriety, funding noncompliance, or non-compliance with the framework of authorities have been discovered to date. If any instances are identified after the date of this statement, these will be notified to ESFA.

Signed

Mark Locking

Mark Locking
Accounting Officer

28 February 2024

Statement of the Chair of Governors

On behalf of the corporation, I confirm that the Accounting Officer has discussed their statement of regularity, propriety and compliance with the Board and that I am content that it is materially accurate.

Ian Billyard

Ian Billyard
Chair of the Board of Corporation

28 February 2024

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 corporation's grant funding agreements and contracts with ESFA, the corporation is required to prepare financial statements which give a true and fair view of the financial performance and position of the corporation for the relevant period. Corporations must also prepare a strategic report which includes an operating and financial review for the year. The bases for the preparation of the financial statements and strategic report are the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice. In preparing the financial statements, the corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate (which must be consistent with other disclosures in the accounts and auditor's report)
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the corporation will continue in operation

The corporation is also required to prepare a strategic report, in accordance with paragraphs 3.23 to 3.27 of the FE and HE SORP, that describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the corporation.

The corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the corporation and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

The corporation is responsible for the maintenance and integrity of its website(s); the work carried out by auditors does not involve consideration of these matters and, accordingly, 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 and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, and any other public funds, are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions, that may be prescribed from time to time by ESFA, or any other public funder, including that any transactions entered into by the corporation are within the delegated authorities set out in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides. Members of the corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the corporation are responsible for securing economic, efficient and effective management of the corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA and other public bodies are not put at risk.

Approved by order of the members of the corporation on 12 December 2023 and signed on its behalf by:

Signed

Ian Billyard

Chair of Board of Corporation

28 February 2024

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF LINCOLN COLLEGE

Opinion

We have audited the financial statements of Lincoln College (the "College") for the year ended 31 July 2023 which comprise the consolidated and college statement of comprehensive income, the consolidated and college statement of changes in reserves, the consolidated and college balance sheet, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Accounts Direction 2022 to 2023 issued by the Education and Skills Funding Agency.

In our opinion the financial statements:

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

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 and college 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

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

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

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

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. The governors are responsible for the other information contained within the Report and Financial Statements. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

In our opinion, in all material respects:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2022 to 2023 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept;
- 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.

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

- the College's grant and fee income, as disclosed in the note 4 to the accounts, has been materially misstated.
- The College's expenditure on access and participation activities for the financial year has been materially misstated.

Responsibilities of the Corporation of Lincoln College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 31, 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 Group's and 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 Group or the College or to cease operations, or have no realistic alternative but to do so.

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

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.

The extent to which the audit was considered capable of detecting irregularities, including fraud.

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the Group and College operates in and how the Group and College are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Further and Higher Education SORP, the College Accounts Direction published by the Education and Skills Funding Agency and Regulatory Advice 9: Accounts Direction published by the Office for Students' and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and inspecting correspondence with local tax authorities and evaluating advice received from internal/external tax advisors.

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

The most significant laws and regulations that have an indirect impact on the financial statements are those which are in relation to the Education Inspection Framework under the Education and Inspections Act 2006, Keeping Children Safe in Education under the Education Act 2002 and the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018. We performed audit procedures to inquire of management and those charged with governance whether the group is in compliance with these law and regulations and inspected correspondence and inspected correspondence with licensing or regulatory authorities.

The group audit engagement team identified the risk of management override of controls and income recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates and inspecting funding agreements and allocations confirming revenue was recognised in line with the requirements of FRS 102.

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.

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 8 August 2022. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged 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
103 Colmore Row
Birmingham
West Midlands
B3 3AG

29/02/24 2024.

**CONSOLIDATED AND COLLEGE STATEMENT OF COMPREHENSIVE
INCOME FOR THE YEAR ENDED 31 JULY 2023**

| | Notes | 2023 | | 2022 | |
|---|-------|-----------------|------------------|----------------|------------------|
| | | Group £'000 | College £'000 | Group £'000 | College £'000 |
| INCOME | | | | | |
| Funding body grants | 3 | 25,131 | 25,131 | 23,593 | 23,593 |
| Tuition fees and education contracts | 4 | 17,296 | 5,377 | 27,411 | 5,084 |
| Other income | 5 | 3,457 | 4,574 | 2,704 | 4,905 |
| Interest receivable and similar income | 6 | 453 | 106 | 44 | 11 |
| Total income | | <u>46,337</u> | <u>35,188</u> | <u>53,752</u> | <u>33,593</u> |
| EXPENDITURE | | | | | |
| Staff costs | 7 | 35,275 | 25,534 | 35,438 | 25,235 |
| Restructuring costs | 7 | 205 | 205 | 68 | 68 |
| Other operating expenses | 8 | 14,557 | 10,621 | 12,357 | 9,503 |
| Amortisation | 11 | 60 | - | 60 | - |
| Depreciation | 12 | 2,525 | 2,361 | 2,438 | 2,274 |
| Interest and other finance costs | 9 | 888 | 625 | 1,091 | 862 |
| Total expenditure | | <u>53,510</u> | <u>39,346</u> | <u>51,452</u> | <u>37,942</u> |
| (Deficit)/surplus before other gains and losses | | <u>(7,173)</u> | <u>(4,158)</u> | <u>2,300</u> | <u>(4,349)</u> |
| (Deficit)/surplus before tax | | <u>(7,173)</u> | <u>(4,158)</u> | <u>2,300</u> | <u>(4,349)</u> |
| Taxation | 10 | <u>(969)</u> | <u>(86)</u> | <u>(95)</u> | <u>(84)</u> |
| (Deficit)/surplus for the year | | <u>(8,142)</u> | <u>(4,244)</u> | <u>2,205</u> | <u>(4,433)</u> |
| Exchange rate movements | | (903) | - | 1,677 | - |
| Re-measurement of net defined benefit pension liability | 21 | <u>(1,569)</u> | <u>(1,569)</u> | <u>18,246</u> | <u>18,246</u> |
| Other Comprehensive income for the year | | <u>(2,472)</u> | <u>(1,569)</u> | <u>19,923</u> | <u>18,246</u> |
| Total Comprehensive income for the year | | <u>(10,614)</u> | <u>(5,813)</u> | <u>22,128</u> | <u>13,813</u> |
| Unrestricted comprehensive income for the year | | <u>(10,614)</u> | <u>(5,813)</u> | <u>22,128</u> | <u>13,813</u> |
| | | (10,614) | (5,813) | 22,128 | 13,813 |
| (Deficit)/surplus for the year attributable to the Corporation of the College | | <u>(8,142)</u> | <u>(4,244)</u> | <u>2,205</u> | <u>(4,433)</u> |
| Total Comprehensive Income for the year attributable to Corporation of the College | | <u>(2,472)</u> | <u>(1,569)</u> | <u>19,923</u> | <u>18,246</u> |

CONSOLIDATED AND COLLEGE BALANCE SHEETS AS AT 31 JULY 2023

| | Notes | Group 2023 £'000 | College 2023 £'000 | Group 2022 £'000 | College 2022 £'000 |
|--|-------|------------------------|--------------------------|------------------------|--------------------------|
| Fixed assets | | | | | |
| Intangible assets | 11 | 163 | 128 | 95 | - |
| Tangible assets | 12 | 63,822 | 63,571 | 56,219 | 55,836 |
| Investments | 13 | 2 | 299 | 2 | 297 |
| | | <u>63,987</u> | <u>63,998</u> | <u>56,316</u> | <u>56,133</u> |
| Current assets | | | | | |
| Stock | | 33 | 14 | 21 | 21 |
| Debtors | 14 | 17,185 | 12,883 | 24,029 | 3,336 |
| Cash at bank and in hand | | 9,510 | 4,477 | 9,281 | 8,220 |
| | | <u>26,728</u> | <u>17,374</u> | <u>33,331</u> | <u>11,577</u> |
| Current liabilities | | | | | |
| Creditors – amounts falling due within one year | 15 | (9,160) | (12,045) | (16,283) | (11,503) |
| Net current assets/(liabilities) | | <u>17,568</u> | <u>5,329</u> | <u>17,048</u> | <u>74</u> |
| Total assets less current liabilities | | <u>81,555</u> | <u>69,327</u> | <u>73,364</u> | <u>56,207</u> |
| Creditors – amounts falling due after more than one year | 17 | (51,749) | (51,749) | (34,342) | (34,342) |
| Provisions for liabilities | | | | | |
| Defined benefit pension scheme asset/(liability) | 21 | - | - | 1,736 | 1,736 |
| Other provisions | 18 | (1,063) | (968) | (1,401) | (1,178) |
| Total net assets | | <u>28,743</u> | <u>16,610</u> | <u>39,357</u> | <u>22,423</u> |
| Reserves | | | | | |
| Restricted reserves | | | | | |
| Income and expenditure reserve – endowment fund | | 80 | 80 | 80 | 80 |
| Unrestricted Reserves | | | | | |
| Income and expenditure reserve | | 25,658 | 13,525 | 36,227 | 19,293 |
| Revaluation reserve | | 3,005 | 3,005 | 3,050 | 3,050 |
| Attributable to the College Corporation and total unrestricted reserves | | <u>28,663</u> | <u>16,530</u> | <u>39,277</u> | <u>22,343</u> |
| Total reserves | | <u>28,743</u> | <u>16,610</u> | <u>39,357</u> | <u>22,423</u> |

The financial statements on pages 36 to 70 were approved and authorised for issue by the Corporation on 12 December 2023 and were signed on its behalf on 28 February 2024 by:

Ian Billyard

I Billyard
Chair

Mark Locking

M Locking
Accounting Officer

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 JULY 2023

| Group | Attributable to College Corporation | | | Total |
|---|-------------------------------------|--------------------------------|---------------------|--------------|
| | Endowment fund | Income and expenditure reserve | Revaluation reserve | |
| | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 August 2021 | 80 | 14,054 | 3,095 | 17,229 |
| Surplus for the year | - | 2,205 | - | 2,205 |
| Other comprehensive income | - | 19,923 | - | 19,923 |
| Transfers between revaluation and income and expenditure reserves | - | 45 | (45) | - |
| Total comprehensive income for the year | - | 22,173 | (45) | 22,128 |
| Balance at 31 July 2022 | 80 | 36,227 | 3,050 | 39,357 |
| Deficit for the year | - | (8,142) | - | (8,142) |
| Other comprehensive income | - | (2,472) | - | (2,472) |
| Transfers between revaluation and income and expenditure reserves | - | 45 | (45) | - |
| Total comprehensive income for the year | - | (10,569) | (45) | (10,614) |
| Balance at 31 July 2023 | 80 | 25,658 | 3,005 | 28,743 |
| College | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 August 2021 | 80 | 5,435 | 3,095 | 8,610 |
| Deficit for the year | - | (4,433) | - | (4,433) |
| Other comprehensive income | - | 18,246 | - | 18,246 |
| Transfers between revaluation and income and expenditure reserves | - | 45 | (45) | - |
| Total comprehensive income for the year | - | 13,858 | (45) | 13,813 |
| Balance at 31 July 2022 | 80 | 19,293 | 3,050 | 22,423 |
| Deficit for the year | - | (4,244) | - | (4,244) |
| Other comprehensive income | - | (1,569) | - | (1,569) |
| Transfers between revaluation and income expenditure reserves | - | 45 | (45) | - |
| Total comprehensive income for the year | - | (5,768) | (45) | (5,813) |
| Balance at 31 July 2023 | 80 | 13,525 | 3,005 | 16,610 |

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 JULY 2023**

| | Notes | 2023 £'000 | 2022 £'000 |
|---|-------|-----------------|----------------|
| Operating activities | | | |
| Cash generated from operations | 20 a) | 18,510 | 757 |
| Interest received | | 107 | 2 |
| Taxation paid | | (1,558) | (2,166) |
| Net cash from/(used in) operating activities | | <u>17,059</u> | <u>(1,407)</u> |
| Investing activities | | | |
| Purchase of intangible asset | | (128) | - |
| Disposal of tangible assets | | 8 | - |
| Purchase of tangible fixed assets | | (10,116) | (4,335) |
| | | <u>(10,236)</u> | <u>(4,335)</u> |
| Financing activities | | | |
| Interest paid | | (930) | (798) |
| Proceeds of new bank loans | | - | 1,000 |
| Repayments of borrowings | | (1,000) | (141) |
| Repayment of obligations under finance leases | | (217) | (228) |
| | | <u>(2,147)</u> | <u>(167)</u> |
| Increase/(decrease) in cash and cash equivalents in the year | | <u>4,676</u> | <u>(5,909)</u> |
| Cash and cash equivalents at beginning of the year | | 5,409 | 9,643 |
| Effect of foreign exchange rate movement | | (575) | 1,675 |
| Cash and cash equivalents at end of the year | | <u>9,510</u> | <u>5,409</u> |
| Relating to: | | | |
| Bank balances included in cash at bank and in hand | | 9,510 | 9,281 |
| Overdrafts included in Creditors: Amounts falling due within one year | | - | (3,872) |
| Cash and cash equivalents at end of the year | | <u>9,510</u> | <u>5,409</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 24. 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 (the F & HE SORP 2019), the College Accounts Direction for 2022 to 2023 and Regulatory Advice 9 Accounts Direction issued by the Office for Students 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 applied consistently 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 F & HE SORP, 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 13. 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. As noted in note 13 the share of profits in the joint venture is not included as the results are immaterial to the Group.

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

At the date of approving these financial statements, the Governors have considered the cashflow position of the College and wider group and have a reasonable expectation that they have adequate resources to continue in operational existence for the foreseeable future. The Governors have made their assessment in respect of the period of at least one year from the date of the issue of these financial statements and in making the assessment have considered the impact of the operations across all subsidiaries, including KSA.

As part of the Group's going concern assessment detailed cashflow projections have been prepared, including scenarios which model a range of potential outcomes, which show that the group can continue to manage its cashflow within its existing facilities. As the group is now part of the public sector any additional borrowing needed would be subject to agreement from the Department of Education. At the date of approval of these financial statements, there is no requirement for working capital facilities to support the ongoing operations of the group.

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 outside of permitted tolerance levels is adjusted for and reflected in the level of recurrent grant recognised in the Statement of Comprehensive income. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end.

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 Office for Students 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (continued)

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.

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 deficit/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, the effect of the asset ceiling 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.

The LCCPS assets are managed by the scheme trustees at scheme level, and the determination / allocation of assets to each individual employer in the scheme is managed by the scheme actuary. The assets are allocated to each employer for accounting purposes based on the valuation of the assets at the latest triennial valuation as adjusted for subsequent contributions received from the employer, asset returns and benefit payments made (either on a cash basis or actuarial basis).

The retirement benefit obligation recognised represents the deficit or surplus in the defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (continued)

Enhanced Pensions

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

Fixed asset investments

College

Interests in subsidiaries and joint ventures 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.

Intangible assets

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to the statement of comprehensive income on a straight-line basis over their useful lives.

Goodwill is capitalised and written off evenly over 3 - 5 years as in the opinion of the trustees, this represents the period over which the goodwill is expected to give rise to economic benefits.

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.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architect's certificates and other direct costs incurred to 31 July 2023. Cost includes professional fees and other directly attributable costs that are necessary to bring the property to operating condition. They are not depreciated until they are brought into use.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (continued)

Tangible fixed assets (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (continued)

Leased assets

Finance leases – as lessee

An asset and corresponding liability are recognised for leasing arrangements that transfer to the Group substantially all of the risks and rewards incidental to ownership. The amount capitalised is the fair value of the leased asset, or, if lower, the present value of the minimum lease payments payable during the lease term, both determined at inception of the lease. Lease payments are treated as consisting of capital elements. The interest is charged to comprehensive income so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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 an 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.

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 measured 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

A financial asset is derecognised only when the contractual rights to cash flows expire or are stated or substantially all the risks and rewards of ownership are transferred 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.

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.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (continued)

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.

Determining the existence of a minimum funding requirement for the Local Government Pension Scheme to be included in the asset ceiling in measuring and recognising a surplus in the scheme. This judgement is based on an assessment of the nature of the scheme as a statutory scheme and its inherent implied continuance as well as the operation of the primary and secondary contributions.

- Determined whether a deferred tax asset has been included as it is probable that future taxable profits will be available against which the temporary differences can be utilised.

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.

- 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 require 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.

- Lincolnshire County Council Pension Scheme

The present value of the Local Government Pension Scheme defined benefit obligation 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 21, will impact the carrying amount of the pension obligation. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2022 has been used by the actuary in valuing the pensions obligation at 31 July 2023. 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 obligation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 FUNDING BODY GRANTS

| | Year ended 31 July | | Year ended 31 July | |
|---|--------------------|---------------|--------------------|---------------|
| | 2023 | 2023 | 2022 | 2022 |
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Recurrent grants | | | | |
| Education and Skills Funding Agency – Adult | 3,514 | 3,514 | 3,465 | 3,465 |
| Education and Skills Funding Agency – 16 – 19 | 14,606 | 14,606 | 13,768 | 13,768 |
| Education and Skills Funding Agency Apprenticeships | 4,355 | 4,355 | 4,025 | 4,025 |
| Office for Students | 303 | 303 | 303 | 303 |
| Specific grants | | | | |
| Teacher Pension Scheme contribution grant | 716 | 716 | 595 | 595 |
| Releases of government capital grants | 625 | 625 | 586 | 586 |
| Other grants | 203 | 203 | 419 | 419 |
| Education and Skills Funding Agency – 16-19 Tuition Fund | 269 | 269 | 339 | 339 |
| Education and Skills Funding Agency – High Value Course Premium | 540 | 540 | 93 | 93 |
| Total | 25,131 | 25,131 | 23,593 | 23,593 |

Funding of £269k (2022: £282k) was received for the 16-19 Tuition Fund, costs of £269k (2022: £282k) have been incurred and £nil (2022: £nil) has been carried forward into 2022-2023. Funding of £540k (2022: £93k) was received for High Value Course Premium, this was fully spent during the year.

4 TUITION FEES AND EDUCATION CONTRACTS

| | Year ended 31 July | | Year ended 31 July | |
|---|--------------------|--------------|--------------------|--------------|
| | 2023 | 2023 | 2022 | 2022 |
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Tuition Fees (UK) | 3,511 | 3,511 | 3,789 | 3,789 |
| Education Contracts (Kingdom of Saudi Arabia) | 11,919 | - | 22,327 | - |
| Education Contracts (UK & China) | 1,866 | 1,866 | 1,295 | 1,295 |
| Total | 17,296 | 5,377 | 27,411 | 5,084 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 TUITION FEES AND EDUCATION CONTRACTS (CONTINUED)

Details of grant and fee income

| | Year ended 31 July | | Year ended 31 July | |
|--|-----------------------|---------|-----------------------|---------|
| | 2023 | 2023 | 2022 | 2022 |
| | Group | College | Group | College |
| | £000 | £000 | £000 | £000 |
| Grant income from the Office of Students | 303 | 303 | 303 | 303 |
| Grant income from other bodies | 24,828 | 24,828 | 23,290 | 23,290 |
| Total grants | 25,131 | 25,131 | 23,593 | 23,593 |
| Fee income from non-qualifying courses (exclusive of VAT) | 11,919 | - | 22,327 | - |
| Tuition fees and education contracts | 5,377 | 5,377 | 5,084 | 5,084 |
| Total grant and fee income | 42,427 | 30,508 | 51,004 | 28,677 |

5 OTHER INCOME

| | Year ended 31 July | | Year ended 31 July | |
|--|-----------------------|--------------|-----------------------|--------------|
| | 2023 | 2023 | 2022 | 2022 |
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Catering | 732 | 732 | 570 | 570 |
| Other income generating activities | 533 | 382 | 511 | 302 |
| Other grant income | 509 | 509 | 1,103 | 1,099 |
| Coronavirus Job Retention Scheme grant | - | - | 14 | 6 |
| Miscellaneous income | 1,683 | 2,951 | 494 | 2,916 |
| Fixed asset donations | - | - | 12 | 12 |
| Total | 3,457 | 4,574 | 2,704 | 4,905 |

The corporation furloughed some of the catering, business development, cleaning and sports facilities staff under the government's Coronavirus Job Retention Scheme. The funding received of £nil (2022: £14k) relates to staff costs which are included within the staff costs note below as appropriate.

Fixed asset donations includes equipment of £nil (2022: £12k). These assets have been included as freehold land and buildings or equipment additions within the tangible fixed assets (note 12).

6 INTEREST RECEIVABLE AND SIMILAR INCOME

| | Year ended 31 July | | Year ended 31 July | |
|---------------------------------------|--------------------|---------|--------------------|---------|
| | 2023 | 2023 | 2022 | 2022 |
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Gift aid distribution from subsidiary | - | - | - | 9 |
| Interest receivable | 65 | 64 | 2 | 2 |
| Net interest on defined pension | 42 | 42 | - | - |
| Foreign exchange gains | 346 | - | 42 | - |
| | 453 | 106 | 44 | 11 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION

The average number of persons (including key management personnel) employed by the College during the year, disclosed on an average headcount basis, was:

| | Year ended 31 July | | Year ended 31 July | |
|--------------------|--------------------|------------|--------------------|------------|
| | 2023 | 2023 | 2022 | 2022 |
| | Group | College | Group | College |
| | No. | No. | No. | No. |
| Teaching Staff | 278 | 278 | 274 | 267 |
| Non-Teaching Staff | 561 | 453 | 840 | 438 |
| | <u>839</u> | <u>731</u> | <u>1,114</u> | <u>705</u> |

Staff costs for the above persons:

| | Year ended 31 July | | Year ended 31 July | |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2023 | 2023 | 2022 | 2022 |
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Wages and salaries | 30,097 | 13,142 | 29,634 | 12,598 |
| Social security costs | 1,848 | 1,266 | 1,849 | 1,346 |
| Other pension costs | 3,075 | 2,833 | 3,902 | 3,691 |
| Payroll sub-total | <u>35,020</u> | <u>17,241</u> | <u>35,385</u> | <u>17,635</u> |
| Contracted out staffing services | 255 | 8,293 | 53 | 7,600 |
| | <u>35,275</u> | <u>25,534</u> | <u>35,438</u> | <u>25,235</u> |
| Restructuring - contractual | 205 | 205 | 68 | 68 |
| Total Staff Costs | <u><u>35,480</u></u> | <u><u>25,739</u></u> | <u><u>35,506</u></u> | <u><u>25,303</u></u> |

The staff restructuring costs were approved by the Corporation.

The group paid £205,000 severance payments in the year, disclosed in the following bands:

| | |
|-------------------|---|
| £0- £25,000 | 8 |
| £25,001 - £50,000 | 3 |

Severance payments include contractual payments, statutory payments and special staff severance payments. Special staff severance payments are amounts paid to employees outside of statutory and contractual requirements

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, the Managing Directors and the Group Director of Finance and Commercial. 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

| | 2023 | 2022 |
|--|-------------|-------------|
| | No. | No. |
| The number of key management personnel including the Accounting Officer was: | <u>3</u> | <u>4</u> |

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 | |
|----------------------|---------------------------------|-------------|--------------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| | No. | No. | No. | No. |
| £60,001 to £65,000 | - | - | 7 | 3 |
| £65,001 to £70,000 | - | - | 2 | 2 |
| £80,001 to £85,000 | - | - | 1 | - |
| £85,001 to £90,000 | - | - | 2 | 2 |
| £95,001 to £100,000 | - | - | 2 | 2 |
| £135,001 to £140,000 | 1 | - | - | - |
| £145,001 to £150,000 | 1 | 2 | - | - |
| £180,001 to £185,000 | - | 1 | - | - |
| £195,001 to £200,000 | - | 1 | - | - |
| £205,001 to £210,000 | 1 | - | - | - |
| | <u>3</u> | <u>4</u> | <u>14</u> | <u>9</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

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

| | 2023 | 2022 |
|-------------------------|-------------------|-------------------|
| | £'000 | £'000 |
| Salaries | 387 | 494 |
| Other benefits | 121 | 182 |
| | <u>508</u> | <u>676</u> |
| Pension contributions | 67 | 84 |
| Total emoluments | <u>575</u> | <u>760</u> |

There were no amounts due to key management personnel that were waived in the year, two of the key management personnel had salary sacrifice arrangements in place.

In addition to the above is national insurance amounting to £59,000 (2022: £55,000)

The total emoluments include amounts payable to the Accounting Officer only (who was the highest paid of key management personnel 1 Aug 2022 to 31 March 2023) of:

| | 2023 | 2022 |
|---|-------------------|-------------------|
| | £'000 | £'000 |
| Salary | 173 | 167 |
| Additional discretionary payments in respect of Lincoln College (International) LLC | 25 | 27 |
| Performance related pay at the discretion of the Appraisal and Remuneration Committee | - | - |
| Other benefits | 12 | 5 |
| | <u>210</u> | <u>199</u> |
| Pension contributions | 21 | 14 |
| Total | <u>231</u> | <u>213</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

Emoluments for Senior Postholders are reviewed and decided by the Remuneration Committee of the Board of Corporation. The Senior Postholders do not participate in any discussion or decision related to their emoluments.

The relationship between the accounting officer’s emoluments, expressed as a multiple of all other employees based on full-time equivalents, is set out below for both basic salary and total remuneration and excludes agency worker. This is calculated from the total pay costs excluding: enhanced pension, pension adjustments, contracted out staffing costs, restructuring, social security and employer pension contributions for the basic salary cost and, including employer pension contribution for the total remuneration costs.

| Accounting Officer | 2023 | 2022 |
|--|-------------|-------------|
| | No | No |
| Basic salary as a multiple of median basic salary of staff | 8.58 | 8.71 |
| Total remuneration as a multiple of median total remuneration of staff | 8.78 | 9.50 |

Interim Accounting Officer for the period 1 April 2023 to 31 July 2023 (based on the actuals paid over the 2 roles occupied (MD and CEO) in the year).

| | 2023 | 2022 |
|--|-------------|-------------|
| | No | No |
| Basic salary as a multiple of median basic salary of staff | - | 6.61 |
| Total remuneration as a multiple of median total remuneration of staff | - | 7.61 |

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 £443 to 4 Governors (2022: £842 to 4 Governors). 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 (2022: None).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 OTHER OPERATING EXPENSES

| | Year ended 31 July | | Year ended 31 July | |
|--------------------|--------------------|---------------|--------------------|--------------|
| | 2023 | 2023 | 2022 | 2022 |
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Teaching Costs | 2,600 | 2,600 | 2,722 | 2,722 |
| Non-Teaching Costs | 6,146 | 4,543 | 5,712 | 4,750 |
| Premises Costs | 5,811 | 3,478 | 3,923 | 2,031 |
| Total | 14,557 | 10,621 | 12,357 | 9,503 |

(Deficit)/surplus before taxation is stated after charging:

| | Year ended 31 July | | Year ended 31 July | |
|---|--------------------|---------|--------------------|---------|
| | 2023 | 2023 | 2022 | 2022 |
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Auditors remuneration, excluding VAT | | | | |
| - Financial statements audit | 34 | 34 | 23 | 23 |
| - Financial statement audit of subsidiaries | 26 | - | 58 | - |
| - Other services provided by financial statements auditors: | | | | |
| services – regularity | 5 | 5 | 5 | 5 |
| other assurance services | 21 | 21 | 13 | 13 |
| accounting & taxation | 41 | 11 | 18 | 6 |
| advisory services | - | - | 19 | 15 |
| Internal audit | 19 | 19 | 15 | 15 |
| Operating lease rentals | 307 | 302 | 241 | 237 |

Included within expenditure are the following transactions, individual transactions exceeding £5,000 are identified separately:

| | Total | Individual items above £5,000 | |
|--|--------------|-------------------------------|--------------|
| | £'000 | Amount | Reason |
| | £'000 | £'000 | |
| Compensation payments | 205 | 30 | Ex-Gratia |
| | | 23 | Ex- Gratia |
| | | 9 | Settlement |
| Write off and losses | 13 | 7 | Bad debt |
| Guarantees, letters of comfort and indemnities | 1,097 | 1,097 | Subsidiaries |
| | 1,315 | 1,166 | |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 OTHER OPERATING EXPENSES (continued)

Write offs and losses

The college/college group has written off one debt in the year. The value of this was £7,000. This related to a debt which resulted from a student leaving the country and the college not being able to contact them. Legal advice was sought.

Guarantees, letters of comfort and indemnities

The college/college group has three letters of comfort which were approved by the Department of Education. These are in relation to three subsidiaries; Lincoln Academy Limited, The Old Bakery Lincoln Limited and The Drill Hall Lincoln Ltd. The liabilities total £1,447,000 for the three subsidiaries.

Compensation payments and ex-gratia payments

The college/college group made a total of 3 payments to the value of £62,000 during the period.

9 INTEREST AND OTHER FINANCE COSTS

| | Year ended 31 July | | Year ended 31 July | |
|---|--------------------|------------|--------------------|------------|
| | 2023 | 2023 | 2022 | 2022 |
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| On bank loans, overdrafts and other loans | 628 | 625 | 569 | 569 |
| Bond guarantee | 260 | - | 229 | - |
| Net interest on defined pension liability (note 21) | - | - | 293 | 293 |
| | <u>888</u> | <u>625</u> | <u>1,091</u> | <u>862</u> |

10 TAXATION

| | Year ended 31 July | | Year ended 31 July | |
|---|--------------------|-----------|--------------------|-----------|
| | 2023 | 2023 | 2022 | 2022 |
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| UK Corporation Tax | 92 | 86 | 84 | 84 |
| Kingdom of Saudi Arabia Corporation Tax | 451 | - | (931) | - |
| Kingdom of Saudi Arabia Withholding Tax | 426 | - | 942 | - |
| | <u>969</u> | <u>86</u> | <u>95</u> | <u>84</u> |

The group has settled historical tax positions resulting in a release of previously accrued liabilities of £2,496k and a negative charge for the previous accounting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 INTANGIBLE FIXED ASSETS (GROUP)

| | Goodwill £'000 |
|--|---------------------------|
| Cost or valuation | |
| At 1 August 2022 | 180 |
| Additions | 128 |
| At 31 July 2023 | <u>308</u> |
| Amortisation | |
| At 1 August 2022 | 85 |
| Charge for year | 60 |
| At 31 July 2023 | <u>145</u> |
| Carrying amount at 31 July 2023 | <u>163</u> |
| Carrying amount at 31 July 2022 | <u>95</u> |

11 INTANGIBLE FIXED ASSETS (COLLEGE)

| | Goodwill £'000 |
|--|---------------------------|
| Cost or valuation | |
| At 1 August 2022 | - |
| Additions | 128 |
| At 31 July 2023 | <u>128</u> |
| Amortisation | |
| At 1 August 2022 | - |
| Charge for year | - |
| At 31 July 2023 | <u>-</u> |
| Carrying amount at 31 July 2023 | <u>128</u> |
| Carrying amount at 31 July 2022 | <u>-</u> |

The addition of £128,000 in the group and college relates to the goodwill on the purchase of the Old Bakery, Burton Road, Lincoln.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 TANGIBLE FIXED ASSETS (GROUP)

| | Freehold land and buildings £'000 | Assets under construction £'000 | Equipment £'000 | Total £'000 |
|--|---|--|--------------------|----------------|
| Cost or valuation | | | | |
| At 1 August 2022 | 66,819 | 598 | 26,423 | 93,840 |
| Additions | 1,840 | 6,032 | 2,244 | 10,116 |
| Disposals | - | - | (11) | (11) |
| Exchange rate | - | - | 10 | 10 |
| Transfer | 43 | (45) | 2 | - |
| At 31 July 2023 | <u>68,702</u> | <u>6,585</u> | <u>28,668</u> | <u>103,955</u> |
| Depreciation | | | | |
| At 1 August 2022 | 15,893 | - | 21,728 | 37,621 |
| Charge for year | 1,213 | - | 1,312 | 2,525 |
| On disposals | - | - | (5) | (5) |
| Exchange rate | - | - | (8) | (8) |
| At 31 July 2023 | <u>17,106</u> | <u>-</u> | <u>23,027</u> | <u>40,133</u> |
| Carrying amount at 31 July 2023 | <u>51,596</u> | <u>6,585</u> | <u>5,641</u> | <u>63,822</u> |
| Carrying amount at 31 July 2022 | <u>50,926</u> | <u>598</u> | <u>4,695</u> | <u>56,219</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 TANGIBLE FIXED ASSETS (COLLEGE)

| | Freehold land and buildings £'000 | Assets under construction £'000 | Equipment £'000 | Total £'000 |
|--|--|--|--------------------|----------------|
| Cost or valuation | | | | |
| At 1 August 2022 | 66,819 | 598 | 22,904 | 90,321 |
| Additions | 1,840 | 6,032 | 2,230 | 10,102 |
| Disposals | - | - | (11) | (11) |
| Transfer | 43 | (45) | 2 | - |
| At 31 July 2023 | <u>68,702</u> | <u>6,585</u> | <u>25,125</u> | <u>100,412</u> |
| Depreciation | | | | |
| At 1 August 2022 | 15,893 | - | 18,592 | 34,485 |
| Charge for year | 1,213 | - | 1,148 | 2,361 |
| On disposals | - | - | (5) | (5) |
| At 31 July 2023 | <u>17,106</u> | <u>-</u> | <u>19,735</u> | <u>36,841</u> |
| Carrying amount at 31 July 2023 | <u>51,596</u> | <u>6,585</u> | <u>5,390</u> | <u>63,571</u> |
| Carrying amount at 31 July 2022 | <u>50,926</u> | <u>598</u> | <u>4,312</u> | <u>55,836</u> |

Group and College

Land and buildings includes land of £7.42m (2022 £7.42m) which is not depreciated.

Land and buildings includes inherited land valued at £7.42m (2022 £7.42m) on 1 August 2014 (the transition date to FRS102) that is not depreciated. This was included at deemed cost. The valuation was performed by Lambert Smith Hampton, an independent valuer, on a fair value basis. If inherited land and buildings had not been revalued they would have been included at the following amounts:

| | £'000 |
|--------------------------------------|------------|
| Cost | NIL |
| Aggregate depreciation based on cost | <u>NIL</u> |
| Carrying amount based on cost | <u>NIL</u> |

The net book value of freehold land and buildings includes an amount of £31.7m (2022 £32.5m) in respect of assets held under finance leases.

Additions to freehold land and buildings and equipment includes £nil (2022 £nil) and £nil (2022: £12k) of non-exchange transactions which are at fair value for the right to use. The corresponding entry is credited to other income in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 INVESTMENTS

| | Year ended 31 July | | Year ended 31 July | |
|-----------------------------------|--------------------|------------|--------------------|----------------|
| | 2023 | 2023 | 2022 | 2022 |
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Investment in works of art | 2 | 2 | 2 | 2 |
| Investment in subsidiaries | - | 297 | - | 295 |
| | <u>2</u> | <u>299</u> | <u>2</u> | <u>297</u> |
| Cost or valuation | | | Group | College |
| At 1 August 2022 and 31 July 2023 | | | £'000 | £'000 |
| | | | 2 | 299 |

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% |
| Human Alchemy Limited | England | Business consultancy | 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 |
| The Drill Hall Lincoln Ltd* | England | Performing Arts | Ordinary 100% |
| The Old Bakery Lincoln Limited* | England | Licensed restaurant | Ordinary 100% |

* 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).

The Old Bakery Lincoln Limited was incorporated on 14 October 2022 and commenced trading on this date.

The registered office of the subsidiary companies is Monks Road, Lincoln, LN2 5HQ except for Lincoln College International LLC which has a registered office of 10 Al Aflaj, 16827, Saudi Arabia.

In addition the group owned 50% of Greater Lincolnshire Apprenticeships Limited, a company incorporated in England and Wales. The principal activity is that of a training provider. The College's share of the results of Greater Lincolnshire Apprenticeships Limited have not been included in the financial statements as they are immaterial for the purpose of giving a true and fair view. There have been no transactions in the year, therefore the results have not been consolidated as these are considered to not be material to the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 DEBTORS

| | Group 2023 £'000 | College 2023 £'000 | Group 2022 £'000 | College 2022 £'000 |
|---|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|
| Amounts falling due within one year: | | | | |
| Trade debtors | 525 | 458 | 11,001 | 713 |
| Amounts owed by subsidiary undertakings | - | 1,033 | - | 469 |
| Amounts owed by jointly controlled entities | 2 | 2 | 2 | 2 |
| Other debtors | 9,823 | 9,597 | 1,232 | 537 |
| Prepayments and accrued income | 6,835 | 1,793 | 11,794 | 1,615 |
| Total | <u>17,185</u> | <u>12,883</u> | <u>24,029</u> | <u>3,336</u> |

Trade debtors are stated after a doubtful debt provision of £27k (2022 £40k).

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group 2023 £'000 | College 2023 £'000 | Group 2022 £'000 | College 2022 £'000 |
|---|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|
| Bank loans and overdrafts | - | - | 4,872 | 4,872 |
| Obligations under finance leases | 212 | 212 | 222 | 222 |
| Trade creditors | 1,782 | 1,162 | 1,564 | 753 |
| Amounts owed to subsidiary undertakings | - | 6,848 | - | 1,620 |
| Corporation tax Kingdom of Saudi Arabia | 2,041 | - | 2,630 | - |
| Other taxation and social security | 705 | 487 | 1,239 | 317 |
| Other creditors | 1,530 | 526 | 2,877 | 879 |
| Accruals | 2,036 | 1,997 | 2,121 | 2,114 |
| Deferred income (Note 16) | 41 | - | 32 | - |
| Government capital grants | 777 | 777 | 618 | 618 |
| Amounts owed to ESFA | - | - | 101 | 101 |
| Amounts owed to HEFCE | 36 | 36 | 7 | 7 |
| Total | <u>9,160</u> | <u>12,045</u> | <u>16,283</u> | <u>11,503</u> |

16 Deferred income – Group

Deferred income comprises advance ticket sales for performances at the Drill Hall Lincoln that are scheduled for after 31 July 2023.

| | 2023 £'000 | 2022 £'000 |
|--------------------------------|-----------------------|-----------------------|
| Balance at 1 August 2022 | 32 | - |
| Amount released | (32) | - |
| Amount deferred in year | 41 | 32 |
| Balance at 31 July 2023 | <u>41</u> | <u>32</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

| | Group 2023 £'000 | College 2023 £'000 | Group 2022 £'000 | College 2022 £'000 |
|----------------------------------|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|
| Obligations under finance leases | 20,829 | 20,829 | 21,036 | 21,036 |
| Government capital grants | 30,920 | 30,920 | 13,306 | 13,306 |
| Total | <u>51,749</u> | <u>51,749</u> | <u>34,342</u> | <u>34,342</u> |

Finance leases:

The total future minimum lease payments for the Group and College are payable:

| | 2023 £'000 | 2022 £'000 |
|----------------------------|-----------------------|-----------------------|
| In one year or less | 212 | 222 |
| Between one and five years | 917 | 953 |
| In five years or more | 19,912 | 20,083 |
| Total | <u>21,041</u> | <u>21,258</u> |

Finance leases are in respect of the land and buildings held under a sale and leaseback arrangement and are secured on the assets to which they relate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 PROVISIONS FOR LIABILITIES AND CHARGES

| GROUP | Enhanced Pension £'000 | Dilapidation provision £'000 | Total £'000 |
|---|---------------------------------------|---|------------------------|
| At 1 August 2022 | 1,178 | 223 | 1,401 |
| Amounts utilised | (103) | - | (103) |
| Additions in the year charged to income and expenditure account | (107) | - | (107) |
| Reversed in the year | - | (128) | (128) |
| At 31 July 2023 | 968 | 95 | 1,063 |

| COLLEGE | Enhanced Pension £'000 |
|---|---------------------------------------|
| At 1 August 2022 | 1,178 |
| Amounts utilised | (103) |
| Additions in the year charged to income and expenditure account | (107) |
| At 31 July 2023 | 968 |

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:

| | 2023 | 2022 |
|-----------------|-------------|-------------|
| Discount rate | 5.0% | 3.3% |
| Price Inflation | 2.8% | 2.9% |

The dilapidation provision relates to an estimate of costs the group will incur in respect of restoring leased property no longer occupied by the group to its original condition at the date of inception of the lease.

19 DEFERRED TAX

The major deferred tax assets not recognised by the group are:

| | Group 2023 £'000 | Group 2022 £'000 |
|------------|---------------------------------|---------------------------------|
| Tax losses | 138 | 307 |
| | 138 | 307 |

Deferred tax is not recognised as the recovery against future taxable profits is uncertain.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 (a) NOTES TO CASH FLOW STATEMENT

| | 2023 | 2022 |
|---|---------------|--------------|
| | £'000 | £'000 |
| (Deficit)/surplus after tax for the year | (8,142) | 2,205 |
| Adjustment for: | | |
| Taxation | 969 | 95 |
| Tangible fixed assets donated | - | (12) |
| Amortisation | 60 | 60 |
| Depreciation | 2,525 | 2,438 |
| Interest payable | 888 | 1,091 |
| Investment income | (453) | (44) |
| (Profit) on sale of fixed assets | (2) | - |
| (Decrease) in provisions | (338) | (258) |
| Pensions costs less contributions payable | 133 | 567 |
| | <hr/> | <hr/> |
| Operating cash flow before movements in working capital | (4,360) | 6,142 |
| Increase in stock | (12) | (10) |
| Decrease/(increase) in debtors | 6,844 | (8,601) |
| Increase in creditors | 16,038 | 3,226 |
| | <hr/> | <hr/> |
| Cash generated from operations | 18,510 | 757 |

(b) Analysis of changes in net debt

| | At 1 | | Exchange | |
|--|-----------------|--------------|------------------|-------------------|
| | August | Cash | rate | At 31 July |
| | 2022 | flows | movements | 2023 |
| | £000 | £000 | £000 | £000 |
| Cash | 9,281 | (346) | 575 | 9,510 |
| Bank overdrafts | (3,872) | 3,872 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 5,409 | 3,526 | 575 | 9,510 |
| Bank loans falling due within one year | (1,000) | 1,000 | - | - |
| Finance lease obligations | (21,258) | 217 | - | (21,041) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total net debt | (16,849) | 4,743 | 575 | (11,531) |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 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 2023 £'000 | College 2023 £'000 | Group 2022 £'000 | College 2022 £'000 |
|--|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|
| Teachers' Pension Scheme: contributions paid | 1,823 | 1,823 | 1,807 | 1,807 |
| Lincolnshire County Council Pension Scheme | | | | |
| Contributions paid excluding deficit contributions | 942 | 942 | 1,214 | 1,214 |
| FRS 102 (28) charge | 133 | 133 | 567 | 567 |
| Charge to the Statement of Comprehensive Income | 1,075 | 1,075 | 1,781 | 1,781 |
| Payments to other schemes | 284 | 42 | 461 | 250 |
| Enhanced pension charge to Statement of Comprehensive Income | (107) | (107) | (147) | (147) |
| Total Pension Cost for Year within staff costs | 3,075 | 2,833 | 3,902 | 3,691 |

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 2020 and of the LGPS 31 March 2022.

Contributions amounting to £56,000 (2022: £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. 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.

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.

The latest actuarial valuation was carried out as at 31 March 2020 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2023 and the Employer Contribution Rate was assessed using agreed assumptions in line with the Directions and was accepted at the original assessed rate as there was no cost control mechanism breach.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 RETIREMENT BENEFITS (CONTINUED)

Valuation of the Teachers' Pension Scheme

The valuation report was published on 26 October 2023. The key results of the valuation are:

- Total scheme liabilities for service (the capital sum needed at 31 March 2020 to meet the stream of future cash flows in respect of benefits earned) of £262 billion.
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £222 billion.
- Notional past service deficit of £39.8 billion (2016: £22 billion).
- Discount rate is 1.7% in excess of CPI (2016 2.4% in excess of CPI (this change has had the greatest financial significance))

The pension costs paid to TPS in the year amounted to £1,811,745.
The next valuation result is due to be implemented from 1 April 2024.

As a result of the valuation, new employer contribution rates have been set at 28.6% of pensionable pay from 1 April 2024 until 31 March 2027 (compared to 23.68% under the previous valuation including a 0.08% administration levy). DfE agreed to pay a Teachers Pensions employer contribution grant to cover the additional costs during the 2021-22 academic year, and currently through to July 2024.

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 2023 were £1,167,000 of which employer's contributions totalled £942,000, employees' contributions totalled £225,000, a deficit payment of £280,000 and strain costs of £67,000. The agreed contribution rates for future years are 24.50% for employers and range from 5.50% to 9.90% for employees, depending on salary. In addition there are deficit payments due of £278,000 for the year ended 31 March 2023.

The current valuation does not reflect the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension ('GMP') equalisation between men and women which is required as a result of the removal of the Additional State Pension. Methodologies for a long-term solution are still being investigated by the Government as set out in the published (January 2018) outcome of the Government Consultation 'Indexation and Equalisation of GMP in Public Sector Pensions Schemes' and therefore the expected impact cannot be reliably estimated and consequently no provision/liability has been recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 RETIREMENT BENEFITS (CONTINUED)

Local Government Pension Scheme (continued)

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2022 updated to 31 July 2023 by a qualified independent actuary.

| | At 31 July 2023 | At 31 July 2022 |
|--------------------------------------|--------------------------------|--------------------------------|
| Rate of increase in salaries | 3.85% | 3.05% |
| Future pensions increases | 2.85% | 2.75% |
| Discount rate | 5.15% | 3.40% |
| Inflation assumption (CPI) | 2.85% | 2.75% |
| Commutation of pensions to lump sums | 50% | 50% |

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

| | At 31 July 2023 Years | At 31 July 2022 Years |
|-----------------------------|--|--|
| <i>Retiring today</i> | | |
| Males | 19.5 | 21.2 |
| Females | 22.6 | 23.7 |
| <i>Retiring in 20 years</i> | | |
| Males | 20.7 | 22.1 |
| Females | 24.0 | 25.1 |

The College's share of the assets in the plan at the balance sheet date were:

| | Fair Value at 31 July 2023 £'000 | Fair value at 31 July 2022 £'000 |
|--|---|---|
| Equity instruments | 30,856 | 40,486 |
| Debt instruments | 7,016 | 6,833 |
| Property | 4,139 | 7,099 |
| Cash/temporary investments | 1,889 | 1,684 |
| Infrastructure | 2,102 | - |
| Absolute return fund | 9,943 | - |
| Total fair value of plan assets | 55,945 | 56,102 |
| Actual return on plan assets | 1,355 | 1,910 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 RETIREMENT BENEFITS (CONTINUED)

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

| | 2023 | 2022 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Current service cost | (1,151) | (1,781) |
| Past service cost | (76) | (91) |
| Net interest on the net defined benefit pension liability | 72 | (255) |
| Administration expenses | (30) | (38) |
| Total | <u>(1,185)</u> | <u>(2,165)</u> |

Amounts recognised in other comprehensive income

| | | |
|---|---------------|---------------|
| Re-measurement of net defined benefit pension liability | <u>13,891</u> | <u>18,246</u> |
|---|---------------|---------------|

| | | |
|--|---------------|---------------|
| Amounts recognised in other Comprehensive Income | <u>13,891</u> | <u>18,246</u> |
|--|---------------|---------------|

| | 2023 | 2022 |
|--|--------------|--------------|
| | £'000 | £'000 |

Changes in the present value of defined benefit obligations

| | | |
|---|---------------|---------------|
| Defined benefit obligations at start of period | 54,366 | 69,674 |
| Current service cost | 1,075 | 1,781 |
| Past service cost | 76 | 91 |
| Interest cost | 1,824 | 1,176 |
| Contributions by scheme participants | 225 | 230 |
| Actuarial losses | (15,229) | (17,257) |
| Benefits paid | (1,852) | (1,329) |
| Defined benefit obligations at end of period | <u>40,485</u> | <u>54,366</u> |

Changes in fair value of plan assets

| | 2023 | 2022 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Fair value of plan assets at start of period | 56,102 | 54,115 |
| Interest income | 1,896 | 921 |
| Return on plan assets (excluding net interest on the net defined benefit liability) | (571) | 951 |
| Other actuarial gains/(losses) | (797) | - |
| Employer contributions | 942 | 1,214 |
| Contributions by scheme participants | 225 | 230 |
| Benefits paid | (1,852) | (1,329) |
| Fair value of plan assets at end of period | <u>55,945</u> | <u>56,102</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 RETIREMENT BENEFITS (CONTINUED)

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

| | 2023 £'000 | 2022 £'000 |
|---------------------------------------|---------------|---------------|
| Fair value of plan assets | 55,945 | 56,102 |
| Present value of plan liabilities | (40,433) | (54,302) |
| Present value of unfunded liabilities | (52) | (64) |
| Net asset | 15,460 | 1,736 |
| Restriction to level of asset ceiling | (15,460) | - |
| Net pensions asset/(liability) | - | 1,736 |

The value of the college's share of net assets has been restricted due to the effect of the asset ceiling being the maximum value of the present of the economic benefits available in the form of the unconditional right to reduced contributions from the plan. A corresponding charge has been made to other comprehensive income in the period.

22 CAPITAL COMMITMENTS (GROUP AND COLLEGE)

| | 2023 £'000 | 2022 £'000 |
|---------------------------------------|---------------|---------------|
| Commitments contracted for at 31 July | - | 101 |

23 FINANCIAL COMMITMENTS (GROUP AND COLLEGE)

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

| | Group 2023 £'000 | College 2023 £'000 | Group 2022 £'000 | College 2022 £'000 |
|---|------------------------|--------------------------|------------------------|--------------------------|
| Payments due | | | | |
| Not later than one year | 264 | 260 | 225 | 220 |
| Later than one year and not later than five years | - | - | 535 | 533 |
| Total lease payments due | 264 | 260 | 760 | 753 |

24 RELATED PARTY TRANSACTIONS

Key management compensation disclosure is given in note 7.

Transactions with subsidiary

During the year the College purchased goods of £8,038,000 (2022: £7,634,000) from its subsidiary and sold goods and services of £2,700,000 (2022: £2,700,000) to its subsidiary. There were amounts £6,848,000 (2022: £1,620,000) owed to the subsidiary and £1,033,000 (2022: £469,000) owed by the subsidiary at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 CONTINGENT ASSET/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 (SAR 57.43m) Saudi Arabian Riyals (£12.71m) as at 31 July 2023.

Since the year end the number of bonds for KSA have been reduced to 2; SAR 23.58m (ITQAN) and SAR 11.6m (ADI). The bond for SAR 15.75m was released on 6 February 2024.

The group has delivered training in KSA during the year and expects to receive fees of £4.3m following the agreement of a formal contract between the group and the Centre of Excellence in KSA. In the absence of an agreed contract the income has not been recognised in these accounts but the contract and settlement is expected in the current financial year.

26 ACCESS AND PARTICIPATION EXPENDITURE – GROUP AND COLLEGE

| | 2023 | 2022 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Access investment | 76,788 | 73,319 |
| Financial support provided to students | 138,000 | 130,345 |
| Support for disabled students | 10,064 | - |
| Research and evaluation related to access and participation | 50,518 | 48,400 |
| Total access and participation expenditure | <u>275,370</u> | <u>252,064</u> |

The College's access and participation plan is available on the College's website at www.lincolncollege.ac.uk.

27 POST BALANCE SHEET EVENT

A loan for £3.15m from the DfE for the purchase of capital equipment for the new ASI building was approved after the year end.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF LINCOLN COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 28 July 2023 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA") or those of any other public funder, to obtain limited assurance about whether the expenditure disbursed and income received by Lincoln College during the period 1 August 2022 to 31 July 2023 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 2022 to 31 July 2023 have 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 (the Code) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder.

We have complied with the independence and other ethical requirements of the FRC's Ethical Standard and the ethical pronouncements of the ICAEW. We also apply International Standard on Quality Management (UK) 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements and accordingly maintain comprehensive systems of continuing quality management.

Responsibilities of Corporation of Lincoln College for regularity

The Corporation of Lincoln College is responsible, under the grant funding agreements and contracts with the ESFA 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 are 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 Code.

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 2022 to 31 July 2023 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF LINCOLN COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY (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 grant funding agreements and contracts with the ESFA and those of any other public funder 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.

Use of our report

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

RSM UK Audit LLP

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29 February 2024