Annual Reports and Financial Statements

For the year ended 31 July 2018

The
Lincoln College
Group

Employer-led, producing a highly skilled and productive workforce

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 2017-2018:

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

BOARD OF GOVERNORS

A full list of Governors is given on page 21 of these financial statements.

Clerk to the Corporation

Sarah Adams

PROFESSIONAL ADVISERS

Financial statements auditors and reporting accountants:
RSM UK Audit LLP
Two Humber Quays
Wellington Street West
Hull
HU1 2BN

Internal auditors
From 28 November 2017 to 31 July 2018
AuditOne
Kirkstone Villa
Lanchester Road Hospital
Durham
DH1 5RD

From 1 August 2017 to 28 November 2017
ICCA Education Training and Skills
46 The Priory
Queensway
Birmingham
B4 7LR

From 1 August 2018
Wylie and Bissett LLP
168 Bath Street
Glasgow
G2 47P

Bankers
National Westminster Bank Plc
Brayford Wharf North
Lincoln
LN1 1YW

Bank Saudi Fransi
Head Office
Riyadh 11554
Kingdom of Saudi Arabia

Solicitors
Eversheds LLP
1 Wood Street
London
EC2V 7WS

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REPORT OF THE GOVERNING BODY

The members present their report and the audited financial statements for the year ended 31 July 2018.

Legal Status

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

Mission

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

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

Public Benefit

Lincoln College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the Charity, are disclosed on page 21.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit. The delivery of public benefit is covered throughout the Report of the Governing Body. However, the Lincoln College Group Strategy 2016-2019 specifically identifies the following key ambitions:

- **Excellence in Education and Training**

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

- **Employer-focused Curriculum**

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

- **Higher Education and Skills Growth**

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

- **International and Commercial Development**

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

REPORT OF THE GOVERNING BODY (CONTINUED)

- **Collaborate for Strength**

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

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

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

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

IMPLEMENTATION OF THE LINCOLN COLLEGE GROUP STRATEGY 2016-2019

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

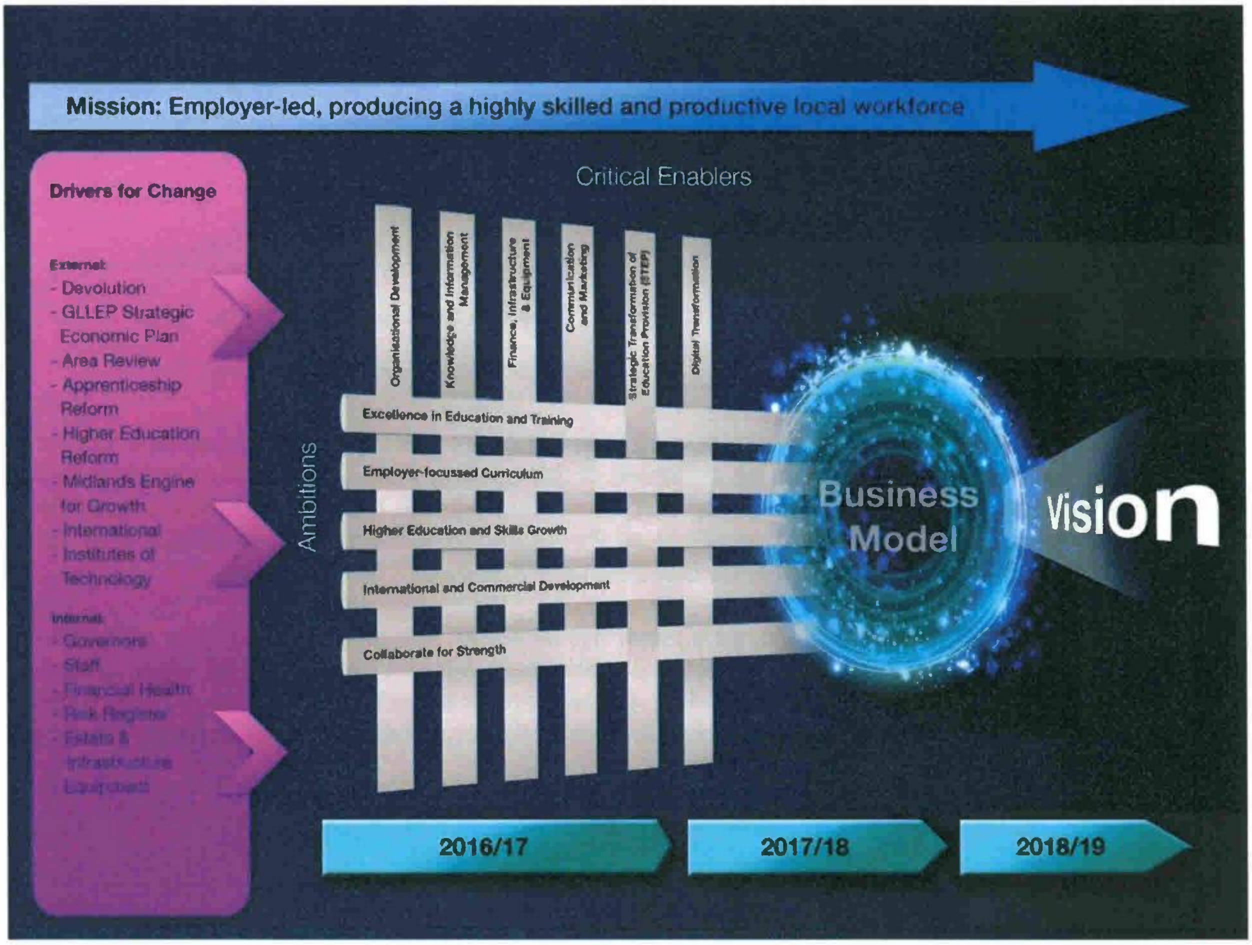
The Corporation regularly reviews progress against the Strategy, focusing on the future success of the College, its students and other key stakeholders. Progress against targets set for improvements in the quality of teaching and learning, student recruitment and participation and achieving and maintaining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

REPORT OF THE GOVERNING BODY (CONTINUED)

IMPLEMENTATION OF THE STRATEGY (continued)

The Executive Leadership Team have established an extremely effective Performance Management Framework and systems to ensure delivery of the Group Strategy 2016-2019 objectives.

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



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

Ambition 1: Excellence in Education and Training

Ofsted graded Lincoln College as Good for overall effectiveness in April 2018 from the previous grade of requires improvement. The report contains numerous judgements relating to significantly improved performance since the last inspection in May 2016. The report also made it clear the college needed to sustain the improvements made.

Continued strong progress was achieved with the vast majority of key performance areas improving against further challenging targets set for 2017/18 on top of the transformational improvement achieved in 2016/17.

REPORT OF THE GOVERNING BODY (CONTINUED)

IMPLEMENTATION OF THE STRATEGY (continued)

A high level summary of in-year performance and progress

	17/18	Variance on 16/17	Provider rate	GFE rate	16/17	15/16
CB Overall	**84.1%**	**+3.1%**	**81.9%**	**82.1%**	**81%**	**73.8%**
16-18	82.1%	+2.5%	80.5%	81.5%	79.6%	72.1%
19+	86.2%	+3.3%	83.5%	87.9%	82.9%	76.8%
Apps Overall	**65%fc**	**0%**	**68.3%**		**65%**	**51.9%**
College Overall	67.6%	+2.4%	68.3%		65.2%	62.5%
Subs Overall	61.6%	-1.9%	68.3%		63.5%	46.5%
Apps Timely	**56.8%**	**+6.1%**	**59.2%**		**50.7%**	**48.2%**
College Timely	62.1%	+8.9%	59.2%		53.2%	55%
Subs Timely	52.5%	+3.1%	59.2%		49.4%	44.1%
Higher Education	84%	+5.3%	85%		78.7%	N/A

- The college has sustained its trajectory of improvement, achieving a whole college achievement rate of 84.1%. This represents 3.1% improvement on top of the 7% increase achieved in 16/17. This puts the college above its current provider and GFE national rates for all values except for 19+ adults against the GFE benchmark.

- 7 of the 11 curriculum areas exceeded 16/17 actual performance for achievement rates. Pass rate is up significantly at 92.6% from 16/17 by 3.8%. 7 out of 11 areas are above their national provider rates. Construction achieved a 12.2% increase in performance on 16/17 to 7% above their relevant national rate. Also ENGTEC improved significantly on 16/17 by 6% to 4.7% above national rate.

- GCSE English and Mathematics examinations: 86% overall achievement (+2.2%) which was above target and the National Rate of 83%. Progress has improved on GCSE maths by 0.14 compared to 16/17 and both have seen significant increases in lower grade progress; 1 to 2 & 2 to 3 in English and maths. Functional Skills E&M improved significantly at the combined level and for each of English and maths separately comparative to 16/17 performance and to national rates.

- Overall Apprenticeship provision is forecast to remain static at 65% for 17/18 against a national rate of 68.3%. Whole college Timely has improved to 56.8% from 50.7% in 16/17. The national rate is 59.7%.

- College Timely achievement rate has improved significantly by 8.9% to 62.1% which is 2.9% above the national rate. Sub-contacted provision has also improved by 3.1% to 52.5%. College Overall achievement rate is forecast to improve by around 3% to 68.6% The college overall will be clear of Minimum Standards of Performance

- 4 out of 5 college lead areas are due to improve overall achievement rates against 16/17. All 5 college areas have improved on Timely rates compared to 16/17 with 4 out of 5 significantly above their national rates.

- The volume of high quality work experience improved significantly with 86% of study programme students completing some form of high quality work experience.

REPORT OF THE GOVERNING BODY (CONTINUED)

IMPLEMENTATION OF THE STRATEGY (continued)

Ambition 2: Employer-focussed curriculum

During 2017/18:

A detailed planning process informed by EMSI analysis of the curriculum has led to a growth in student numbers for the first time in 2 years with key innovations in the curriculum including sector leading "employer-led" programmes such as:

- The Made in Gainsborough engineering project at the Gainsborough Campus
- Two additional Air and Defence Career Colleges in Norfolk and Cambridgeshire
- Several new Career Degrees including new national validation for Open University Programmes
- A new online learning capability and platform

The college has improved its relevance to the community, students and employers shown by significant improvements in its satisfaction surveys which place it as the highest rated college in Lincolnshire for employer satisfaction, according to the ESFA's own reports.

The college has significantly grown its strategic partnership with the FTSE company Dixons-Carphone and expects to have over 200 apprentices in learning in 2019 along with further exciting opportunities with 2 more large national levy payers.

Ambition 3: Higher Education and Skills Growth

A key highlight was the award of TEF Silver for our HE provision in 2016/17. The college has just received its TEF metrics for 2017/18 which demonstrate strong improvement, meaning the college will be in a position to apply for TEF Gold in January 2019.

NSS overall satisfaction dropped to the national average in 2017/18 but very importantly puts the college in the top 10% of all HE provision nationally in relation to the quality of its learning, assessment and teaching. Following the Destination of Leavers from Higher education (DLHE) survey in January 2018 the headline figure for those in employment or full time study dropped whilst the average graduate earnings remained stable at £24,000.

During 2017-2018 we commenced teaching of:

- BSc Computer Science
- BA Musical Instrument Craft (pathways in Guitar, Piano, Violin and Woodwind)
- HNC Public Services

In addition, we re-validated the following courses with new University partners and have commenced delivering at the start of 2018-2019:

- BA Social Science
- BA Social Science (Criminology and Law)
- BSc Clinical Herbalism
- BSc Acupuncture
- FdSc Sports Therapy and Rehabilitation
- FdSc Sports Coaching, Education and Development

REPORT OF THE GOVERNING BODY (CONTINUED)

IMPLEMENTATION OF THE STRATEGY (continued)

Ambition 4: International and Commercial Development

2017-2018 was another highly successful year for our operations in the Kingdom of Saudi Arabia (KSA). Our delivery across our increasingly broad range of provision continues to strengthen, with highlights including:

- Qatief Female College remains at 100% occupancy, one of the largest and most successful colleges in KSA with over 2,000 students.
- Our two colleges are graded as Good and Outstanding (subject to final confirmation) under the Institutional Review Scheme.
- Attendance and retention rates at both colleges remain above benchmarks and national averages, for example, 99% retention from Associate Diploma to Diploma.
- At Qatief the pass rate for Associate Diploma is 72.5% and 83.5% for Diploma, one of the highest of comparable colleges.
- Strong community links and reputation due to our continual focus on respect and cultural awareness. The Qatief college has 100% student engagement in on-the-job training.
- Employment success rate of 80% at the Riyadh Applied Engineering College (AEC).
- External quality assurance reviews by KPMG rate the colleges as 'very compliant'.
- The Department for International Trade (DIT) recognises Lincoln as a 'flagship provider' of education and training services in KSA, with the UK Ambassador in KSA a regular attendee at graduation events.
- The roll-out of the Postgraduate Certificate of Academic Practice (PCAP) to staff in partnership with the University of Hull.
- The 5-year approval from the internationally recognised ZeVA accreditation body for the Applied Engineering degree at the AEC. This is coupled with registration with the Saudi Council of Engineers, allowing graduates to enter employment as an engineer/manager.
- The delivery of exciting new programmes to meet Saudi needs, for example:
  - The roll-out of cybersecurity courses for employers.
  - Driver awareness training for females, directly enhancing employment and independence.
  - The Industry leading Siemens Mechatronic Certification Programme to enhance electrical and engineering pathways.
  - The introduction of internationally recognised CISCO Certification as part of the IT degree.
- Phase 2 of our programme with the Ministry of Health is consistently achieving pass rates for English of over 90%.

Sichuan College of Architectural Technology (China)

- Graduation in June 2018 of over 250 construction students.
- Praise from President Li Hui regarding strength of partnership.
- City & Guilds accreditation for our modules.

Chengdu Polytechnic (China)

- Accountancy Programme continues to grow:
  - Our first graduation event for the initial group of 45 students.
  - Student outcomes good.
  - Recruitment numbers increased every year.
  - Accreditation and student pathways are priority areas.

- Opportunities to develop the partnership further:
  - Internships.
  - Study exchange.
  - Teacher training.
  - Potential new joint programme

REPORT OF THE GOVERNING BODY (CONTINUED)
IMPLEMENTATION OF THE STRATEGY (continued)

Other new partnership work began in China in 2017-18, including:

- The delivery of a new programme of construction management courses at the Liaoning Vocational College.
- The development of an e-commerce course with Chengdu Industry and Trade College.

Other international delivery:

- The signing of a Memorandum of Understanding with ElectroGrup in Romania to create a new engineering education and training programme in Cluj.
- The reapproval of the College's Tier 4 Visa licence to allow the UK based education and training of overseas students, including at our award winning Musical Instrument Craft College in Newark.

Ambition 5: Collaborate for Strength

- A strong Federation has been formed with the Grimsby Institute Group (GIG), including the creation of a Joint Venture company - Greater Lincolnshire Apprenticeships Limited

- Other collaboration models have been developed with GIG to:
    - improve academic performance; and
    - create opportunities for mutually beneficial international and UK commercial activity.

- Also, a new commercial partnership with University of Hull in KSA is now in place
- Full engagement with the development of the Lincoln Institute of Technology bid
- Many other collaboration models are being developed with a variety of partners, building on partnerships such as those arising from the Midlands Engine Export Champion Initiative, and events such as those managed recently by the Lincoln College Group involving the Department of International Trade and the China British Business Council.

REPORT OF THE GOVERNING BODY (CONTINUED)

LEARNER NUMBERS AND FUNDING

In 2017-2018 the College has delivered activity that has produced £19,979,000 in funding body main allocation funding.

The College had approximately 13,000 learners enrolled on its programmes. Of these 3,019 were learners aged 16 to 18 and over 9,000 were adult learners.

The total number of 16-19 ESFA funded learners in 2017-2018 was 2,684. Income received of £12,796,000 was lagged based on 2016-2017 student numbers.

The number of funded Adult Non-Apprenticeship learners in 2017-2018 was 3,554 and income from Other Adult Skills totalled £2,776,000.

The total number of 16-18 apprentices for 2017-2018 was 816.

The total number of adult apprentices in learning for 2017-2018 was 2,904. Subject to final reconciliation, the income earned from adult apprenticeships for 2017-2018 was £3,897,000.

The total number of higher education learners in 2017-2018 was 437 with Higher Education fee income totalling £2,433,000 and HEFCE funding income of £321,000.

Performance indicators

Key performance indicator	Sector benchmark	Lincoln College Group result 2017/18
Operating surplus	3-5%	3%
Staff costs as % of income	< 65%	65%
Adjusted current ratio	>1:1	0.63
Borrowing as % of income	<40%	35%
Financial Health Score		Good

REPORT OF THE GOVERNING BODY (CONTINUED)

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 in May 2018). The ESFA confirmed on 15th October 2018 that the college had achieved the following financial health grades;

2017/18 'Good' based on the latest outturn forecast year
2018/19 'Good' based on the current budget year.

The College has also received official confirmation from the ESFA that it does not trigger any of the early intervention triggers (as updated in 2018).

Financial Results

Headlines

For 2017-2018 the Lincoln College Group ended the year with an operating surplus of £1.65m (2016/17 £2.93m surplus).

Total income for the year amounted to £57m (2016/17 £56.9m) relating to continuing operations, with £20m (2016/17 £24.09m) from funding bodies, £35.95m (2016/17 £31.33m) from tuition fees and education contracts, and £1.10m (2016/17 £1.48m) other income.

Headlines
During the year the proportion of ESFA funding to total income was 34.5%.

The College Group has accumulated reserves of £23.18m (2016/17 £16.16m) excluding pension deficit, and cash balances of £6.3m (2016/17 £0.44m).

Tangible fixed asset additions during the year amounted to £0.83m, this was split between land and buildings £0.01m and equipment £0.82m.

Cash inflow from operating activities was £5.95m (2016/17 inflow £0.27m), with a increase in cash in the year of £3.6m.

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

In these financial statements the College has recognised:

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

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

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

REPORT OF THE GOVERNING BODY (CONTINUED)

FINANCIAL POSITION (continued)

Financial Results (continued)

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.

50% ownership of the assets and trading results of the Joint Venture Partnership, Greater Lincolnshire Apprenticeships Limited with the Grimsby Institute Group (GIG). The financial results of Greater Lincolnshire Apprenticeships Limited were not material for incorporation into the 2017/18 consolidated Group Financial Statements.

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

Going Concern

- The UK finance team produce a 24 month rolling cashflow that forecasts the cash position to July 2020. This is updated each month to take account of actual results and is adjusted to reflect the current known risks around forward cashflows.
- The monthly management accounts are extensive and provide detailed analysis and context around each funding stream and all pay and non-pay cost classifications. Monthly management accounts are produced to a strict timetable, and, following detailed reviews with all budget holders and the Executive Leadership Team place great focus on the quality of forecast outturns and action plans to address any variance from budget.
- The Group has the ability to repay debts as they fall due and has in place sufficient working capital facilities with its bankers and other providers of finance to ensure an appropriate level of working capital headroom is available.
- The UK term loan of £5.6m, although represented as at balance sheet date to be due within one year (due to the technical status of the borrowing at that time), has now been successfully renegotiated over a term of 15 years with NatWest bank.
- The Ofsted judgement in April 2018 of 'Good', a 3% increase in 16-18 students at the start of 2018/19, the successful renegotiation of the long-term debt, low levels of gearing against benchmark GFE colleges and a very positive independent business review (carried out by RSM) of the colleges core financial planning assumptions for 2017/18 to 2019/20 all support the Board and Executive Leadership Teams judgement that the college remains a strong going concern.

Financial Objectives

The strategic financial objectives of the College for 2018-2020 (in line with the approved Two Year Finance Plan) are detailed below;

- achieve an operating surplus on the income and expenditure account throughout the life of the plan in excess of the sector benchmark of > 3% of total income.
- achieve a Group EBITDA greater than 9% of total income
- improving working capital and raising the current ratio to greater than 1.5 by 2019-2020
- ensure that payroll expenditure is controlled at a level that is appropriate for a wide range of delivery models, and in line with the delivery of the Group Strategic Plan
- deploy resources into opportunities for growth, and multiply efforts in those areas of the business that yield a positive financial contribution

REPORT OF THE GOVERNING BODY (CONTINUED)

Treasury policies and objectives

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

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer in line with financial regulations (fully updated and approved in October 2018). 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 are a regular feature of the Group monthly management accounts.

Cash flows and liquidity

The Group had a cash inflow of £3.6m during 2017-2018. The size of the Group's borrowing and its approach to interest rates were calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. A comprehensive strategic debt management review was commissioned during 2017-2018 by an external consultancy firm specialising in education finance. The review concluded that the Group, due to its low gearing and recent levels of debt repayments, is well placed to seek additional finance should this be required. The Group repaid loan finance of almost £4m during the year 2017-2018. The recent independent review of the Colleges core financial planning assumptions was very positive and underpinned the negotiations to refinance the existing term debt of £5.6m with NatWest. The outcome of this report also provides a basis for going out to the market to benchmark pricing and facilities with other banks via a tender to be managed by the Colleges external consultants.

Reserves policy

The Group has an implied reserves policy by virtue of the targets and key assumptions detailed in the financial plans (2018-2020), and clearly recognises the importance of reserves in the overall financial stability for the Group, ensuring that there are adequate reserves to support the College's core activities.

The College Group reserves include £80k held as restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at £19.87m (2017: £12.81m).

REPORT OF THE GOVERNING BODY (CONTINUED)

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

Financial Health Grade: Year ending 31 July				
	2016	2017	2018	2019
Lincoln College	Satisfactory	Satisfactory	Good	Good

FUTURE DEVELOPMENTS

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

- **Ambition 1:**
  - Consolidate and sustain improvements in performance following the Ofsted 'Good' assessment in April 2018.
- **Ambition 2:**
  - Create a clear and compelling vision for Newark College.
  - Create a clear and compelling vision for Gainsborough College.
  - Progress with the Lincoln Institute of Technology (IoT) opportunity.
  - Using available GLLEP funding, develop the Gibney project
- **Ambition 4:**
  - Continue to grow our operations in KSA and China.
  - Pursue a range of commercial opportunities (already well developed in some cases)
  - Explore UK growth by acquisition.
  - Explore the potential for inward investment in our international business.
- **Ambition 5:**
  - Open two additional Air & Defence Career Colleges (A&DCC).
  - Continue to build Greater Lincolnshire Apprenticeships Limited.
  - Continue to develop FE Sector partnership opportunities.

STAFF AND STUDENT INVOLVEMENT

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

Lincoln College Group continues to move forward in terms of communication and engagement. The Group has introduced Workplace by Facebook during 2017/18, giving all staff a mobile data solution to internal communications, enabling them to communicate in groups across projects and to broadcast on an organisation-wide basis via text, video and live-streaming. This progressive, democratised communication has empowered all staff to own their communications and has replaced cruder tools like all staff email and document-based briefing regimes.

REPORT OF THE GOVERNING BODY (CONTINUED)

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

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

RESOURCES

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

Financial
The College Group has £23.2m of net assets (including £5.2m pension liability) at the Balance Sheet date.

People
The College Group employs 840 people (expressed as full time equivalents) of whom 481 in note 7 are teaching staff.

Events after the reporting period

There were no post balance sheet events, other than the positive development that the NatWest term loan of £6m was successfully negotiated and confirmed in December 2018. This was agreed on a 15 year profile with a negotiation point built in during 2020.

PRINCIPAL RISKS AND UNCERTAINTIES

Reputation

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

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

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

A risk register is maintained at the Group level which is continually monitored by the Audit Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. An annual report on Risk is also considered by the Board of Corporation of Lincoln College.

REPORT OF THE GOVERNING BODY (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Reputation (continued)

In terms of the effectiveness of the policies and processes to manage, report on, and mitigate risks, the College instructed its internal auditors to carry out a review during 2017/18. The review of the Risk Management Framework concluded:

'Governance, risk management and control arrangements provide a good level of assurance that the risks identified are managed effectively. A high level of compliance with the control framework was found to be taking place. Minor remedial action is required.'

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

Government Funding

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

These risks are mitigated in a number of ways:

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

Tuition Fees and Employer Provision

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

This risk is mitigated in a number of ways:

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

REPORT OF THE GOVERNING BODY (CONTINUED)

Financial viability

The Group's current financial health grade is classified as 'Good' as described above, with planned for grades of 'Good' over the life of the Financial Plan. Access to an appropriate level of working capital remains critical to ongoing financial viability. This is currently managed by maintaining an intercompany position between the Colleges UK and international businesses, as well as through access to working capital facilities (during 2017/18 of up to £8m) provided by NatWest. The College also has access when required to an additional £5m of working capital facilities.

Business Continuity

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

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

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

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 Partnership
- 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 EMPLOYMENT OF DISABLED PEOPLE

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

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

REPORT OF THE GOVERNING BODY (CONTINUED)

EQUALITY AND EMPLOYMENT OF DISABLED PEOPLE (continued)

The College is a 'Disability Confident Employer' and has committed to the principles and objectives of the standard having undertaken a successful review in September 2017 (valid to September 2019). The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

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

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

DISABILITY STATEMENT

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

a) In conjunction with the E&D Working Group, the facilities department have created a database denoting all accessibility to teaching spaces across the 3 UK sites. This information will be used to improve accessibility issues across a 3-5 year period. Furthermore, the College is represented on the DisabledGo website, giving clear accessibility information to current and potential students across the 3 UK campus sites.

b) The College has a range of specialist equipment, such as radio aids, mobile hoists, Dictaphones, alpha-smart etc. which the College can make available for use by students. Where specific equipment is required we would look to purchase/hire this on an individual basis.

c) The College publishes its Admissions Policy. Within this policy there is a specific section on support of SEND students. Students have the opportunity to appeal against decisions made within the admissions policy.

d) The College employs a dedicated Special Educational Needs Co-ordinator and there are a number of student support assistants who can provide a variety of support for learning.

e) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.

f) Students are advised on the variety of pastoral support that is available at open evenings, induction and information is also available within the college prospectus, website and on Moodle.

REPORT OF THE GOVERNING BODY (CONTINUED)

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. The data below is for the period 1 April 2017 – 31 March 2018:

Numbers of employees who were relevant trade union representatives for the period	FTE employee number
7	6.5

Percentage of time	Number of employees
0%	0
1-50%	7
51-99%	0
100%	0

Total cost of facility time	£24,000
Total pay bill	£22m
Percentage of total bill spent on facility time	0.11%

Time spent on paid trade union activities as a percentage of total paid facility time	14.3%

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 18 December 2018 and signed on its behalf by:

Signature: ....

James Pinchbeck - Chair

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2017 to 31 July 2018 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i) In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii) In full accordance with the guidance to Colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code"); and
iii) Having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Foundation Code. We have not adopted and therefore do not apply the UK Corporate Governance Code 2016. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2018. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 15 December 2015.

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

THE CORPORATION

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

	Date of Appointment	Term of Office: Years	Date of Completion	Status of Appointment/ Membership	Committees Served	Attendance
Mr R Arbon	22 Aug 2016	1		Elected Student President	Corporation Perf and Quality	3 out of 5 1 out of 4
Mr H Beeken	1 Sept 2015	4		Independent	Corporation Perf and Quality	5 out of 7 6 out of 6
Miss A Bembridge	12 Oct 2017	1		Elected Student VP FE	Corporation	3 out of 6
Mr T Calvert	31 Oct 2017	3		Independent	Corporation Finance	5 out of 6 4 out of 5
Mr N Cudmore	23 May 2012 28 May 2016	4 3		Independent	Chair: Audit Corporation	4 out of 4 5 out of 7
Mr N Everatt	31 Oct 2017	4		Independent	Corporation Perf and Quality	6 out of 6 4 out of 5
Mrs H Fluck	11 Dec 2016	3		Elected Academic Staff	Corporation Perf and Quality	6 out of 7 3 out of 6
Mr D Graham	1 Sept 2015	4		Independent	Corporation Audit Perf and Quality Search	6 out of 7 3 out of 4 5 out of 6 0 out of 1
Mr G Headland	4 Aug 2014	Ex Officio		CEO/ Accounting Officer	Corporation Finance Search	7 out of 7 5 out of 6 0 out of 2
Mr P Horner	1 Sept 2012 1 Sept 2015	3 4		Independent	Audit Corporation	4 out of 4 4 out of 7
Mrs D Lister	1 Sept 2016	4		Independent	Maternity Sabbatical Year taken	
Mr N Lyons	1 Feb 2013 1 Feb 2017	4 4		Independent	Finance Corporation Perf and Quality Rem/Appraisal	6 out of 6 5 out of 7 5 out of 6 3 out of 4
Mr E Naeem	12 Oct 2017	1		Elected Student VP HE	Corporation Finance	5 out of 6 4 out of 5
Mr J Pinchbeck	1 Sept 2011 1 Sept 2014	3 4		Independent	Corporation Finance Search Rem/Appraisal	7 out of 7 6 out of 6 2 out of 2 4 out of 4
Mr M Platts	1 Sept 2017	4		Independent	Corporation Finance	5 out of 7 4 out of 6
Mr M Simpson	1 Sept 2017	3		Independent	Corporation Perf and Quality	5 out of 7 6 out of 6
Mr M Speed	1 Sept 2016	4		Independent	Corporation Audit Search	3 out of 7 2 out of 4 2 out of 2
Mr D Wilkinson	1 Sept 2016	4		Independent	Corporation Finance Rem/Appraisal	4 out of 7 4 out of 6 3 out of 4
Ms S Yates	22 Oct 2015	3		Elected Support Staff	Corporation Audit	7 out of 7 4 out of 4

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

THE CORPORATION *(continued)*

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets seven times a year.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Audit, Finance, Performance and Quality, Remuneration and Search. 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.

APPOINTMENTS TO THE CORPORATION

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

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

CORPORATION PERFORMANCE

The Governors complete annual self-assessments, registers of interest and skills audits. The Chair (James Pinchbeck) met with all Governors in July to carry out annual appraisals based on the self-assessments. As part of this Committee membership was restructured for the academic year 2018/19. The issues raised during the sessions are to form a plan to move to 'excellence in governance', which is being put together by the Chair and Clerk. The induction for new Governors has been strengthened to include the feedback discussed. The Chair of Search has analysed the Skills Audits returns and reported his findings to the Board of Corporation. The findings will be used to focus future Governor recruitment.

REMUNERATION COMMITTEE

Throughout the year ending 31 July 2018, the College's Remuneration Committee comprised three members of the Corporation, the Chair of Lincoln College (International) LLC Board of Directors and an independent Lay Governor. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and Senior Post Holders.

Details of remuneration for the year ended 31 July 2018 are set out in Note 7 to the financial statements.

AUDIT COMMITTEE

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

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

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

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

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

INTERNAL CONTROL

Scope of responsibility

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

INTERNAL CONTROL (Continued)

The Corporation has delegated the day-to-day responsibility to the Accounting Officer for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Lincoln College and the funding 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 2018 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

Review of effectiveness

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

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

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

The Accounting Officer and Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Accounting Officer, Senior Management Team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the audit committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the Senior Management Team and internal audit and taking account of events since 31 July 2018.

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

GOING CONCERN

- The Group enjoys a strong working relationship with its bankers and other providers of finance. This involves the sharing of key financial information and forecasts, including sensitivity analysis to model a range of (risk based) financial outcomes.
- As at the balance sheet date the term loan (£5.6m) with NatWest was under negotiation. This was subsequently completed in December 2018.

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

Approved by order of the members of the Corporation on 18/12 2018 and signed on its behalf by:

Signature: ....

James Pinchbeck - Chair

Signature: ....

Gary Headland - Accounting Officer

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

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

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

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

Signature: ....
J Pinchbeck – Chair
18 Dec **2018**

Signature: ....
G Headland - Accounting Officer
18 Dec **2018**

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the College's Financial Memorandum with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction* 2017 to 2018 issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

The Corporation is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the relevant legislation 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 assets of the College and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the members of the Corporation on 18 Dec 2018 and signed on its behalf by:

Signature: ....
J Pinchbeck - Chair

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF LINCOLN COLLEGE

We have audited the financial statements of Lincoln College (the "College") and its subsidiaries (the "Group") for the year ended 31 July 2018 which comprise the consolidated and college statements of comprehensive income, the consolidated and college balance sheets, the consolidated and college statements of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2018 and of the Group's surplus and the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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

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

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

Other information

The 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. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2017 to 2018 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.

Responsibilities of the Corporation of Lincoln College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 27, 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 the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the Group or the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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 24 July 2017. 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
Two Humber Quays
Wellington Street West
HULL
HU1 2BN

Date 19/12/2018

CONSOLIDATED AND COLLEGE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2018

	Notes	2018 Group £'000	2018 College £'000	2017 Group £'000	2017 College £'000
INCOME					
Funding body grants	3	19,979	19,979	24,091	24,091
Tuition fees and education contracts	4	35,950	5,789	31,337	5,620
Other income	5	1,105	2,961	1,475	2,980
Interest receivable and similar income	6	-	-	35	259
Total income		57,034	28,729	56,938	32,950
EXPENDITURE					
Staff costs	7	37,459	22,564	34,852	21,637
Other operating expenses	8	12,893	8,283	14,977	9,192
Depreciation	11	2,496	1,940	2,415	1,867
Interest and other finance costs	9	1,226	513	622	498
Total expenditure		54,074	33,300	52,866	33,194
Surplus/(deficit) before other gains and losses		2,960	(4,571)	4,072	(244)
Surplus/(deficit) before tax		2,960	(4,571)	4,072	(244)
Taxation	10	(1,306)	-	(1,140)	-
Surplus/(deficit) for the year		1,654	(4,571)	2,932	(244)
Exchange rate movements		104	-	(200)	-
Re-measurement of net defined benefit pension liability		5,260	5,260	3,220	3,220
Other Comprehensive income for the year		5,364	5,260	3,020	3,220
Total Comprehensive Income for the year		7,018	689	5,952	2,976
Restricted comprehensive income for the year		-	-	-	-
Unrestricted comprehensive income for the year		7,018	689	5,952	2,976
		7,018	689	5,952	2,976
Surplus/(deficit) for the year attributable to the Corporation of the College		1,654	(4,571)	2,932	(244)
Total Comprehensive Income for the year attributable to Corporation of the College		7,018	689	5,952	2,976

CONSOLIDATED AND COLLEGE BALANCE SHEETS AS AT 31 JULY 2018

	Notes	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Fixed assets					
Tangible assets	11	50,837	49,238	52,536	50,601
Investments	12	2	2	2	2
		50,839	49,240	52,538	50,603
Current assets					
Debtors	13	10,312	2,966	9,924	7,898
Cash at bank and in hand		6,287	6,033	441	70
		16,599	8,999	10,365	7,968
Current liabilities					
Creditors – amounts falling due within one year	14	(27,299)	(19,274)	(16,792)	(9,597)
Net current liabilities		(10,700)	(10,275)	(6,427)	(1,629)
Total assets less current liabilities		40,139	38,965	46,111	48,974
Creditors – amounts falling due after more than one year	15	(10,349)	(8,055)	(18,460)	(13,874)
Provisions for liabilities					
Defined benefit pension scheme	20	(5,166)	(5,166)	(9,931)	(9,931)
Other provisions	16	(1,442)	(1,442)	(1,556)	(1,556)
Total net assets		23,182	24,302	16,164	23,613
Reserves					
Restricted reserves					
Income and expenditure reserve – endowment fund		80	80	80	80
Unrestricted Reserves					
Income and expenditure reserve		19,872	20,992	12,809	20,258
Revaluation reserve		3,230	3,230	3,275	3,275
Attributable to the College Corporation and total unrestricted reserves		23,102	24,222	16,084	23,533
Total reserves		23,182	24,302	16,164	23,613

The financial statements on pages 30 to 57 were approved and authorised for issue by the Corporation on 18 Dec 2018 and were signed on its behalf on that date by:

J Pinchbeck
Chair

G Headland
Accounting Officer

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 JULY 2018

	Attributable to College Corporation			
	Endowment fund	Income and expenditure reserve	Revaluation reserve	Total
Group	£'000	£'000	£'000	£'000
Balance at 1 August 2016	80	6,812	3,320	10,212
Surplus for the year	-	2,932	-	2,932
Other comprehensive income	-	3,020	-	3,020
Transfers between revaluation and income and expenditure reserves	-	45	(45)	-
Total comprehensive income for the year	-	5,997	(45)	5,952
Balance at 31 July 2017	80	12,809	3,275	16,164
Surplus for the year	-	1,654	-	1,654
Other comprehensive income	-	5,364	-	5,364
Total comprehensive income for the year	-	7,018	-	7,018
Transfers between revaluation and income and expenditure reserves	-	45	(45)	-
Balance at 31 July 2018	80	19,872	3,230	23,182

	Endowment fund	Income and expenditure reserve	Revaluation reserve	Total
College	£'000	£'000	£'000	£'000
Balance at 1 August 2016	80	17,237	3,320	20,637
Deficit for the year	-	(244)	-	(244)
Other comprehensive income	-	3,220	-	3,220
Transfers between revaluation and income and expenditure reserves	-	45	(45)	-
Total comprehensive income for the year	-	3,021	(45)	2,976
Balance at 31 July 2017	80	20,258	3,275	23,613
Deficit for the year	-	(4,571)	-	(4,571)
Other comprehensive income	-	5,260	-	5,260
Total comprehensive income for the year	-	689	-	689
Transfers between revaluation and income expenditure reserves	-	45	(45)	-
Balance at 31 July 2018	80	20,992	3,230	24,302

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2018

	Notes	2018 £'000	2017 £'000
Operating activities			
Cash generated from operations	19	6,416	267
Taxation paid		(472)	-
Net cash from operating activities		5,944	267
Investing activities			
Investment income		-	1
Purchase of tangible fixed assets		(829)	(1,599)
		(829)	(1,598)
Financing activities			
Interest paid		(946)	(313)
Proceeds of new borrowings		3,898	2,984
Repayments of borrowings		(4,508)	(3,454)
		(1,556)	(783)
Increase/decrease in cash and cash equivalents in the year		3,559	(2,114)
Cash and cash equivalents at beginning of the year		(935)	1,388
Effect of foreign exchange rate movement		136	(209)
Cash and cash equivalents at end of the year		2,760	(935)
Relating to:			
Bank balances included in cash at bank and in hand		6,287	441
Overdrafts included in Creditors: Amounts falling due within one year		(3,527)	(1,376)
Cash and cash equivalents at end of the year		2,760	(935)

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 22. The nature of the College's operations are set out in the Report of the Governing Body.

Basis of accounting

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2017 to 2018 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 applied to all the years presented, unless otherwise stated.

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

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

Reduced disclosures

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

Basis of consolidation

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

- The Group has the ability to repay its debts as they fall due and is well placed to secure good value for money in terms of future interest rates (and arrangement fees) by drawing on the services of external treasury management advisors. Detailed cashflow projections and scenarios are prepared to model a range of potential outcomes. These are prepared to the end of financial year 2021 and give the Executive Leadership and Board the confidence that the College remains a going concern and has sufficient resilience to cope with a range of potential downside results.

- A Treasury Management Policy is in place and is regularly reviewed by the finance committee and both interim and final treasury management reports show full compliance with banking covenants, schemes of delegation and best practice.

- Notes 14 and 15 shows the loan finance that is due within and beyond one year. The Group has sufficient income generation and capital restructuring ability to ensure these are met as they fall due.

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

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

Recognition of income

Grants – government and non-government

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (continued)

Grants – government and non-government (continued)

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

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

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

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

Other income

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (continued)

Retirement benefits

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of valuations using a projected unit method. The TPS is a multi-employer scheme but sufficient information is not available to use defined benefit accounting and therefore it is accounted for as a defined contribution scheme, with the amount charge to the statement of comprehensive income is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

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

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. The cost of any unused holiday entitlement the College expects to pay in future periods is recognised in the period the employees' services are rendered.

Enhanced Pensions

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (continued)

Fixed asset investments

College

Interests in subsidiaries 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.

Tangible fixed assets

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

Land and buildings

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

Equipment

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

Depreciation and residual values

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (continued)

Impairments of fixed assets

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

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

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

Borrowing costs

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

Leased assets

Operating leases – as lessee

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

Operating leases – as lessor

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

Cash and cash equivalents

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 **ACCOUNTING POLICIES (continued)**

Financial Instruments

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

Financial assets and liabilities

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

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

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

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

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

Foreign currency translation

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (continued)

Taxation

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

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

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

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.

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.

- 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 Lincolnshire County Council Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 FUNDING BODY GRANTS

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - Adult	2,776	2,776	3,173	3,173
Education and Skills Funding Agency - 16 - 19	12,796	12,796	14,998	14,998
Education and Skills Funding Agency Apprenticeships	3,897	3,897	5,210	5,210
Higher Education Funding Council/OFS	321	321	360	360
Specific grants				
Releases of government capital grants	189	189	233	233
Other grants	-	-	117	117
Total	19,979	19,979	24,091	24,091

4 TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Tuition Fees (UK)	4,473	4,473	4,790	4,790
Education Contracts (Kingdom of Saudi Arabia)	30,161	-	25,717	-
Education Contracts (UK & China)	1,316	1,316	830	830
Total	35,950	5,789	31,337	5,620

5 OTHER INCOME

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering	62	62	68	68
Other income generating activities	447	169	611	253
Other grant income	430	430	578	578
Miscellaneous income	166	2,300	218	2,081
Total	1,105	2,961	1,475	2,980

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Interest on bank deposits	-	-	1	1
Gift aid distribution from subsidiary	-	-	-	258
Foreign exchange gains	-	-	34	-
	-	-	35	259

7 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION

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

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	No.	No.	No.	No.
Teaching Staff	481	247	417	243
Non-Teaching Staff	359	325	383	321
	840	572	800	564

Staff costs for the above persons:

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Wages and salaries	32,263	12,594	29,511	12,493
Social security costs	1,524	1,161	1,456	1,446
Other pension costs	3,065	2,909	2,884	2,879
Payroll sub-total	36,852	16,664	33,851	16,818
Contracted out staffing services	472	5,765	1,001	4,819
	37,324	22,429	34,852	21,637
Restructuring - contractual	34	34	-	-
- non contractual	101	101	-	-
Total Staff Costs	37,459	22,564	34,852	21,637

The staff restructuring costs were approved by the Corporation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Management Team which comprises the Chief Executive Officer and the Managing Directors. Staff costs include compensation paid to key management personnel for loss of office.

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

	2018 No.	2017 No.
The number of key management personnel including the Accounting Officer was:	3	3

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	
	2018 No.	2017 No.	2018 No.	2017 No.
£60,000 to £70,000	-	-	1	2
£70,001 to £80,000	-	-	3	-
£90,001 to £100,000	-	1	1	1
£100,001 to £110,000	1	-	-	-
£110,001 to £120,000	1	-	-	-
£120,001 to £130,000	-	1	-	-
£210,001 to £220,000	1	1	-	-
	3	3	4	3

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

	2018 £'000	2017 £'000
Salaries	443	425
Benefits in kind	12	12
National Insurance	65	55
	520	492
Pension contributions	20	18
Total emoluments	540	510

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

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

	2018 £'000	2017 £'000
Salaries	199	199
Benefits in kind	28	8
National Insurance	32	29
	259	236
Pension contributions	10	9
Total	269	245

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 £258 : 3 governors (2017 £1,401; 2 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 (2017: None).

8 OTHER OPERATING EXPENSES

	Year ended 31 July 2018 Group £'000	2018 College £'000	Year ended 31 July 2017 Group £'000	2017 College £'000
Teaching Costs	3,916	3,620	4,761	4,491
Non-Teaching Costs	4,414	2,986	5,532	2,965
Premises Costs	4,563	1,677	4,684	1,736
Total	12,893	8,283	14,977	9,192

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

	Year ended 31 July 2018 Group £'000	2018 College £'000	Year ended 31 July 2017 Group £'000	2017 College £'000
Auditors remuneration				
- Financial statements audit	22	22	32	32
- Financial statement audit of subsidiaries	76	-	66	-
- Other services provided by financial statements auditors:				
audit related assurance services - regularity	5	5	5	5
other assurance services	1	1	1	1
accounting & taxation	16	16	4	4
advisory services	3	3	2	2
Internal audit	6	6	23	23
Losses on disposal of tangible fixed assets	-	-	17	17
Operating lease rentals	122	122	122	122

NOTES TO THE ACCOUNTS (CONTINUED)

9 INTEREST AND OTHER FINANCE COSTS

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans	233	233	189	189
Bond guarantee	508	-	124	-
Net interest on defined pension liability (note 20)	280	280	309	309
Foreign exchange losses	205	-	-	-
	1,226	513	622	498

10 TAXATION - GROUP

	2018	2017
	£'000	£'000
UK Corporation Tax	14	-
KSA Corporation Tax	869	838
KSA Withholding Tax	423	302
	1,306	1,140

11 TANGIBLE FIXED ASSETS (GROUP)

	Freehold land and buildings £'000	Leasehold improvements £'000	Equipment £'000	Total £'000
Cost or valuation				
At 1 August 2017	57,491	163	21,034	78,688
Additions	14	-	815	829
Disposals	-	-	(6)	(6)
Exchange rate	-	-	(15)	(15)
At 31 July 2018	57,505	163	21,828	79,496
Depreciation				
At 1 August 2017	10,696	120	15,336	26,152
Charge for year	1,002	16	1,478	2,496
Eliminated in respect of disposals	-	-	(6)	(6)
Exchange rate	-	-	17	17
At 31 July 2018	11,698	136	16,825	28,659
Carrying amount at 31 July 2018	45,807	27	5,003	50,837
Carrying amount at 31 July 2017	46,795	43	5,698	52,536

NOTES TO THE ACCOUNTS (CONTINUED)

11 TANGIBLE FIXED ASSETS (COLLEGE)

	Freehold land and buildings £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2017	57,491	17,471	74,962
Additions	14	563	577
Disposals	-	(6)	(6)
At 31 July 2018	57,505	18,028	75,533
Depreciation			
At 1 August 2017	10,696	13,665	24,361
Charge for year	1,002	938	1,940
Eliminated in respect of disposals	-	(6)	(6)
At 31 July 2018	11,698	14,597	26,295
Carrying amount at 31 July 2018	45,807	3,431	49,238
Carrying amount at 31 July 2017	46,795	3,806	50,601

Group and College

Land and buildings includes land of £7.42m (2017 £7.42m) which is not depreciated.

Land and buildings includes land valued at £7.42m (2017 £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 valued they would have been included at the following amounts:

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
Carrying amount based on cost	Nil

NOTES TO THE ACCOUNTS (CONTINUED)

12 INVESTMENTS

	Group and College Investment in works of art
	£'000
Balance at 1 August 2017 and Balance at 31 July 2018	2

Disclosure of subsidiary companies

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

* Subsidiary companies of Lincoln College Commercial Holdings Limited.

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

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. The profits for the year ended 31 July 2018 was £37,264 and capital and reserves were £3,365.

13 DEBTORS

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Amounts falling due within one year:				
Trade debtors	3,302	490	5,731	377
Amounts owed by subsidiary undertakings	-	656	-	4,333
Amounts owed by jointly controlled entities	38	38	-	-
Other debtors	243	243	254	242
Amounts owed from ESFA	332	332	-	-
Prepayments and accrued income	6,397	1,207	3,939	2,946
Total	10,312	2,966	9,924	7,898

Trade debtors are stated after a doubtful debt provision of £32,311 (2017 £50,000).

NOTES TO THE ACCOUNTS (CONTINUED)

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Bank loans and overdrafts	15,396	13,102	4,630	2,337
Non bank loans	1,617	1,617	2,928	2,420
Trade creditors	2,402	1,114	1,791	781
Amounts owed to subsidiary undertakings	-	84	-	47
Corporation tax KSA	1,647	-	813	-
Other taxation and social security	403	384	408	408
Other creditors	766	720	887	827
Accruals	4,296	1,481	4,284	1,726
Government capital grants	220	220	221	221
Amounts owed to the funding body-ESFA	552	552	830	830
Total	27,299	19,274	16,792	9,597

15 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Bank loans	2,294	-	10,068	5,482
Non bank loans	423	423	564	564
Other creditors	-	-	7	7
Government capital grants	7,632	7,632	7,821	7,821
Total	10,349	8,055	18,460	13,874

Bank loans totalling £9,575,232 (£2,601,563 at 1.75% above LIBOR, £999,600 at 1.85% over base rate, £2,075,084 at 2.4% over base rate and £3,898,985 at 2.2% above LIBOR) are repayable by instalments falling due between 1 August 2018 and 31 July 2019 and are secured on a portion of the freehold land and buildings of the College. In the Kingdom of Saudi Arabia there is a Murabaha Facility Agreement for the amount of 22,569,626 Saudi Arabian Riyals (£4,469,233) at a margin of 0.75% with a maturity date of 31 August 2020.

Lincoln College had a historic loan of £5.6m with NatWest which was due to expire on 31 July 2018. Negotiations with NatWest to complete the loan re-financing commenced in November 2017, and included detailed discussions about nature of the covenants against the loan which we were inappropriate as they were out of alignment with the evolving structure of Lincoln College and all of its subsidiary companies.

The negotiation was fairly lengthy as it needed to ensure that it achieved the right outcomes with the appropriate levels of confidence for NatWest and acceptable repayment terms and interest rate pricing for Lincoln College. Lincoln College continue to have a strong relationship with NatWest. It is clear however that NatWest, like many other banking institutions, is taking a closer interest in the financial health of UK further education colleges, due largely to a decade of under-funding for the sector and the introduction of the insolvency regime; this accounted for the rather protracted approval process by NatWest.

Although the loan was successfully refinanced during in the first term of the 2018/19 academic year, it was not possible to achieve this before 31 July 2018 and so the bank loans of the College have been reclassified as creditors falling due within one year, leading to a significant weakening of the current ratio and a technical breach of bank covenant with NatWest Bank. Throughout the process the Board and Leadership Team maintained a high level of confidence that the re-financing would be achieved. Very close communication between the college finance team and the NatWest Relationship Manager and Credit Risk personnel played a strong part in delivering the final outcome of a restructured loan on terms agreeable to both parties.

NOTES TO THE ACCOUNTS (CONTINUED)

15 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR (CONTINUED)

At 31 July 2018, the bank loans of the College have been reclassified as creditors falling due within one year. The reclassification is due to the breach of bank covenants with NatWest Bank against which the bank has declined to provide a formal waiver.

The non-bank loan includes an interest free loan repayable over 5 years.

Bank loans and overdrafts are repayable as follows:

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
In one year or less	15,396	13,102	4,630	2,337
Between one and two years	2,294	-	7,352	5,482
Between two and five years	-	-	2,716	-
Total	**17,690**	**13,102**	**14,698**	**7,819**

16 PROVISIONS FOR LIABILITIES AND CHARGES

	Group and College Enhanced Pension £'000
At 1 August 2017	1,556
Amounts utilised	(115)
Additions in the year charged to income and expenditure account	1
At 31 July 2018	1,442

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:

	2018	2017
Discount rate	2.3%	2.3%
Price Inflation	1.3%	1.3%

17 DEFERRED TAX

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

	Group 2018 £'000
Tax losses	1,096
Other timing differences	202
	1,298

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

NOTES TO THE ACCOUNTS (CONTINUED)

18 FINANCIAL INSTRUMENTS

The Group has the following financial instruments:

	2018 £'000	2017 £'000
Financial assets		
Financial assets measured at fair value through profit or loss	-	-
Debt instruments measured at amortised cost:		
Trade debtors	3,302	5,731
Accrued income	5,152	2,831
Total	8,454	8,562

	2018 £'000	2017 £'000
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	-	-
Financial liabilities measured at amortised cost:		
Trade creditors	2,402	1,791
Bank loans and overdrafts	17,690	14,698
Other loans	2,040	3,492
Accruals	4,296	4,090
Other creditors	766	882
Total	27,194	24,953

19 NOTES TO CASH FLOW STATEMENT

	2018 £'000	2017 £'000
Surplus after tax for the year	1,654	2,932
Adjustment for:		
Taxation	1,306	1,140
Depreciation	2,496	2,415
Investment income	-	(1)
Interest payable	1,226	622
Loss on sale of fixed assets	-	17
Decrease in provisions	(114)	(110)
Pensions costs less contributions payable	214	(35)
Operating cash flow before movements in working capital	6,782	6,980
Increase in debtors	(388)	(7,168)
Increase in creditors	22	455
Cash generated from operations	6,416	267

NOTES TO THE ACCOUNTS (CONTINUED)

20 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 2018 £'000**	**College 2018 £'000**	**Group 2017 £'000**	**College 2017 £'000**
Teachers' Pension Scheme: contributions paid	1,289	1,289	1,331	1,331
Lincolnshire County Council Pension Scheme				
Contributions paid excluding deficit contributions	1,447	1,447	966	966
FRS 102 (28) charge	172	172	462	462
Charge to the Statement of Comprehensive Income	1,619	1,619	1,428	1,428
Payments to other schemes	156	-	117	112
Enhanced pension charge to Statement of Comprehensive Income	1	1	8	8
Total Pension Cost for Year within staff costs	3,065	2,909	2,884	2,879

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016. The next valuation is scheduled for March 2019 and the Leadership and Board will keep this under review to measure the potential longer-term impact this may have.

Contributions amounting to £250,000 (2017: £288,000) were payable to the scheme at 31 July and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

Valuation of the Teachers' Pension Scheme

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

NOTES TO THE ACCOUNTS (CONTINUED)

20 RETIREMENT BENEFITS (CONTINUED)

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

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

The employer contribution rate was 14.1% until 1 September 2015, when it increased to 16.48% (including a 0.08% administration fees). The next valuation of the TPS is currently underway based on March 2017 dates whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the year amounted to £1,289,000.

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

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:
https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

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 2018 were £1,707,000, of which employer's contributions totalled £953,000 and employees' contributions totalled £267,000 deficit payment of £439,000 and strain costs of £48,000. The agreed contribution rates for future years are 22.3% for employers and range from 5.5% to 7.5% for employees, depending on salary. In addition there are deficit payments due of £446,000 for the year ended 31 March 2019 and £457,000 for the year ended 31 March 2020.

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 ACCOUNTS (CONTINUED)

20 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 2016 updated to 31 July 2018 by a qualified independent actuary.

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	1.8%*	2.1%*
Future pensions increases	2.2%	2.3%
Discount rate	2.9%	2.8%
Inflation assumption (CPI)	2.4%	2.4%
Commutation of pensions to lump sums	50%	50%

*In 2018 salary increase of 0% until 31 July 2020 followed by adjusted CPI of 2.2% thereafter.

In 2017 salary increase of 1% for 3 years and then CPI thereafter.

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

	At 31 July 2018 Years	At 31 July 2017 Years
Retiring today		
Males	22.1	22.1
Females	24.4	24.4
Retiring in 20 years		
Males	24.1	24.1
Females	26.6	26.6

	Fair Value at 31 July 2018 £'000	Fair value at 31 July 2017 £'000
Equity instruments	32,832	31,430
Debt instruments	6,746	4,835
Property	4,947	3,627
Cash	450	403
Total fair value of plan assets	44,975	40,295
Actual return on plan assets	3,955	4,110

NOTES TO THE ACCOUNTS (CONTINUED)

20 RETIREMENT BENEFITS (CONTINUED)

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

	2018	2017
	£'000	£'000
Fair value of plan assets	44,975	40,295
Present value of plan liabilities	(50,055)	(50,137)
Present value of unfunded liabilities	(86)	(89)
Net pensions liability	(5,166)	(9,931)

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

	2018	2017
	£'000	£'000
Current service cost	(1,619)	(1,428)
Net interest on the net defined benefit pension liability	(280)	(309)
Benefit changes, (loss) on curtailment and (loss) in settlement	(43)	-
Total	(1,942)	(1,737)

Amounts recognised in other comprehensive income		
Re-measurement of net defined benefit pension liability	5,260	3,220
Amounts recognised in other Comprehensive Income	5,260	3,220

	2018	2017
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	50,226	49,820
Current service cost	1,619	1,428
Interest cost	1,418	1,203
Contributions by scheme participants	267	266
Return on plan assets (excluding net interest on the net defined benefit liability)	(2,443)	(1,471)
Benefits paid	(989)	(1,020)
Plan introductions, changes, curtailments and settlements	43	-
Defined benefit obligations at end of period	50,141	50,226
Changes in fair value of plan assets		
Fair value of plan assets at start of period	40,295	36,943
Interest income	1,138	894
Actuarial gain	2,817	1,749
Employer contributions	1,447	1,463
Contributions by scheme participants	267	266
Benefits paid	(989)	(1,020)
Fair value of plan assets at end of period	44,975	40,295

NOTES TO THE ACCOUNTS (CONTINUED)

21 CAPITAL COMMITMENTS (GROUP AND COLLEGE)

	2018 £'000	2017 £'000
Commitments contracted for at 31 July	260	44

22 FINANCIAL COMMITMENTS (GROUP AND COLLEGE)

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

	2018 £'000	2017 £'000
Payments due		
Not later than one year	104	136
Later than one year and not later than five years	223	54
Total lease payments due	327	190

The group as lessor

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

	2018 £'000	2017 £'000
Amounts receivable		
Less than one year	18	18
Between one and five years	4	22
Total lease payments due	22	40

23 RELATED PARTY TRANSACTIONS

Lincoln College was the sponsor of The Lincoln College Academy Trust. During the year the College provided support services for The Lincoln College Academy Trust totalling £nil (2017 £146,000). The amounts outstanding at year end were £nil (2017 £nil) for The Lincoln College Academy Trust.

Key management compensation disclosure is given in note 7.

24 CONTINGENT LIABILITY

The College has a guarantee in respect of Lincoln College International LLC with National Westminster Bank, provided by the Secretary of State acting by the Export Credits Guarantee Department, for 49,750,000 Saudi Arabian Riyals (£10,114,893) as at 31 July 2018.

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

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 24 July 2017 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Lincoln College during the period 1 August 2017 to 31 July 2018 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 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

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

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

Responsibilities of Corporation of Lincoln College for regularity

The Corporation of Lincoln College is responsible, under the 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 is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The corporation of Lincoln College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the ACoP.

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.

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

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 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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 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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Date 19/12/2018