

Annual Reports and Financial Statements

For the year ended 31 July 2021



employer-led, producing a highly skilled and productive workforce

The
Lincoln College
Group

KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS

KEY MANAGEMENT PERSONNEL

Key management personnel are defined as Senior Postholders and were represented by the following in 2020-2021:

Gary Headland	Chief Executive Officer and Accounting Officer
Mark Locking	Managing Director (Education Training and Delivery)
James Foster	Managing Director (International and Commercial)
Tom Dannatt	Group Director (Finance 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
Chartered Accountants
St Phillips Point
Temple Row
Birmingham
West Midlands
B2 5AF

Internal auditors

Wylie and Bisset LLP
168 Bath Street
Glasgow
G2 47P

Bankers

National Westminster Bank Plc
Brayford Wharf North
Lincoln
LN1 1YW

Banque Saudi Fransi
Head Office
Riyadh 11554
Kingdom of Saudi Arabia

Solicitors

Eversheds LLP
1 Wood Street
London
EC2V 7WS

CONTENTS

	Page Number
Report of the Governing Body	3
Statement of Corporate Governance and Internal Control	20
Statement of Regularity, Propriety and Compliance with Funding Body Terms and Conditions of Funding	28
Statement of Responsibilities of the Members of the Corporation	29
Independent Auditor's Report to the Corporation of Lincoln College	30
Consolidated and College Statement of Comprehensive Income	33
Consolidated and College Balance Sheets as at 31 July 2021	34
Consolidated and College Statement of Changes in Reserves	35
Consolidated Statement of Cash Flows	36
Notes to the Financial Statements	37
Reporting Accountant's Assurance Report on Regularity	

REPORT OF THE GOVERNING BODY

The members present their report and the audited financial statements for the year ended 31 July 2021.

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 whose talented students, staff, governors and alumni ensure that it adds recognised social and economic value to its local communities by providing high quality education and training and making people exceptionally well prepared for work, potentially via higher education.

Covid-19

The Covid-19 pandemic continues to have a global impact on the world economy and on people's lives. As a result, the education sector in the UK and internationally has suffered in terms of learner experience and the added pressure from a business perspective that this has placed on finances. The College responded swiftly and effectively to these challenges as they initially unfolded, placing the health, safety and wellbeing of our staff, learners and wider stakeholders as our primary priority. The College has continued to successfully mitigate against the ongoing impact of Covid, adapting the approach to Learning, Teaching and Assessment as well as making dynamic changes to the physical environment and health and safety policies and practices.

Arrangements were put in place to adapt delivery and assessment models to mitigate against the impact of the restrictions imposed as a result of the pandemic, with the aim of providing the best level of education and training possible given the circumstances.

In terms of monitoring and responding to the financial impact, the College took measures to alleviate the net effect on the bottom line by reducing costs where necessary and optimising income potential under very challenging circumstances. Furlough cases were kept to an absolute minimum (catering and commercial employees) and the College communicated regularly with the Education and Skills Funding Agency, Membership Bodies, and key stakeholders to gain a strong understanding of the sector wide impact.

The restrictions on face-to-face delivery impacted Lincoln College's Commercial and International work as well as UK Education and training activities.

The College sought several sources of external assurance with regard to its response (and effectiveness) to the pandemic this year. This included an independent insurance company review and an Internal Audit assessment, both resulting in high levels of assurance.

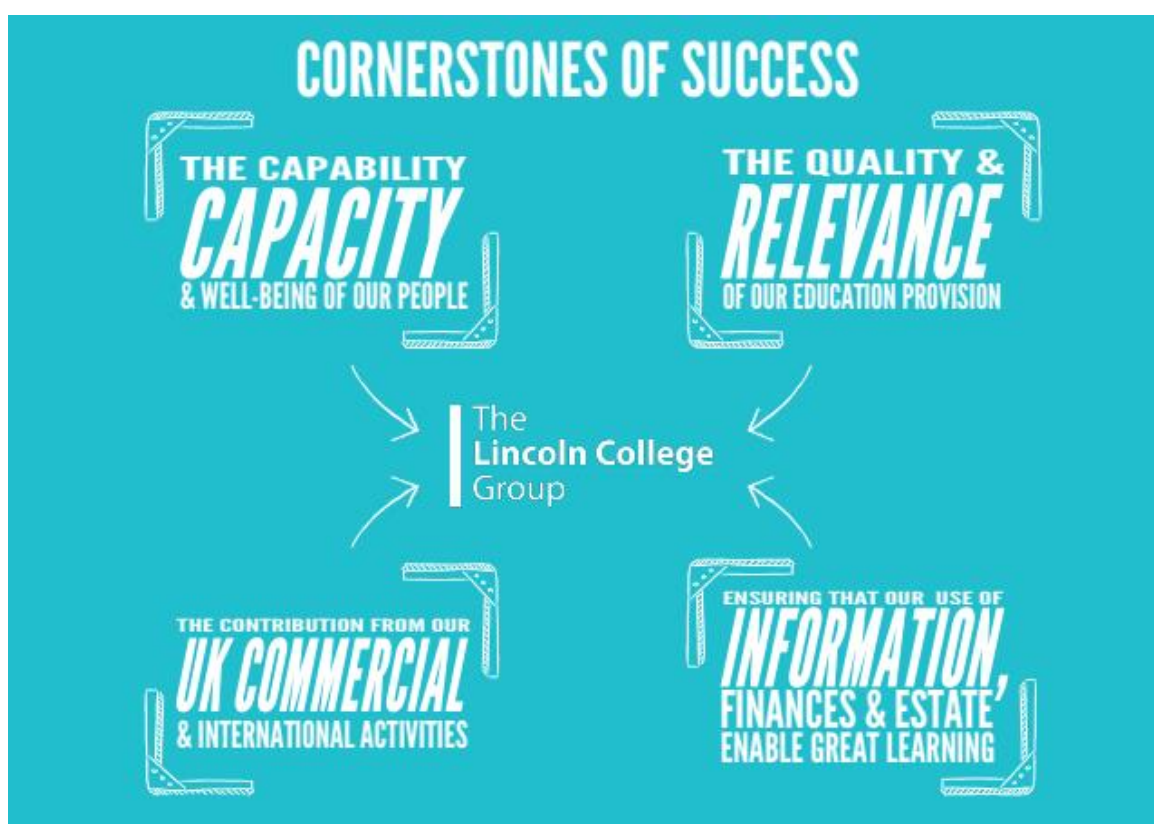
Further information on the impact of the pandemic, the College's response and the wider implications for capital projects, supplier relationships and commercial and overseas partnerships can be found in the relevant sections of this report.

REPORT OF THE GOVERNING BODY (CONTINUED)

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 Strategy 2019-2022 specifically identifies the following corner stones of success:



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

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

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

REPORT OF THE GOVERNING BODY (CONTINUED)

IMPLEMENTATION OF THE LINCOLN COLLEGE STRATEGY 2019-2022

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 objectives is tracked regularly at Executive Leadership Team Meetings, Board 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.

The Corporation engage with and track the progress of Strategic Objectives through several channels of communication and this is not limited to formal meetings of the Corporation and Committees. This includes regular engagement across all activities of the College and use of communication channels such as WorkPlace and Microsoft Teams where active engagement is encouraged. The Board of Corporation have live access to the Strategic Risk Register that is updated by the Executive Leadership Team as and when risk profiles change and opportunities arise. The Strategic Objectives Scorecard and High Level Risk register is made available and considered at each of the main committee meetings in addition to the full Board of Corporation reviews that are undertaken.

IMPLEMENTATION OF THE STRATEGY

The Executive Leadership Team have established an extremely effective Performance Management Framework and systems to ensure delivery of the Lincoln College Strategy 2019-2022 objectives.

The Quality and Relevance of Our Education Provision

Ofsted graded Lincoln College as Good for overall effectiveness in April 2018. The college self-assessed as Good for 2019/20 and the early outcomes for 2020/21 are for the same grading of Good, which will be finalised in January 2022. The Ofsted report in 2018 made it clear the college needed to sustain the improvements made which it has achieved with self-assessed grades of "Good" in all main categories.

Continued strong progress was achieved with the vast majority of key performance areas improving in 2020/21 with further challenging targets set for 2021/22. In the vast majority of areas, the college can demonstrate a sustained improving profile of outcomes. Under the EIF, and with the removal of GFE national rates for areas of provision, the almost exclusive use of qualification achievement rates has declined with the broader requirements of progress, destinations and the relevance of the curriculum becoming ever more important. A high-level summary of education and training successes are covered below;

- The College has sustained its trajectory of improvement, achieving a whole college achievement rate of 90.4% for classroom-based programmes. This represents a significant 5-year improvement trend of 16.6 percentage points since 2015/16. This is across both 16-18 and 19+ provision.
- The vast majority of "Head" areas exceeded their respective targets and previous year's performance. Importantly, online adult provision improved by over 11% on 2019/20 which positions adults overall back as "good" for its self-assessment.
- Tracking of intended destinations and their feedback into the intent of programmes was successfully built into curriculum planning for 2021/22 with good positive destinations achieved in 2020/21.

REPORT OF THE GOVERNING BODY (CONTINUED)

IMPLEMENTATION OF THE STRATEGY (CONTINUED)

The Quality and Relevance of Our Education Provision (continued)

- Despite the COVID crisis overall continuation of education was maintained and student outcomes continued to improve in the vast majority of areas. Although apprenticeship overall achievement rates declined slightly to 60% from last year, indications are that this is not as much as local competitors, with a national decline in performance rates due to furlough, breaks in learning and redundancies linked to the pandemic.
- Very importantly a detailed planning process, informed by EMSI analysis of the curriculum, has led to a greater relevance of programme provision to employers. This has seen the successful launch of a number of new specialist “colleges” such as the International Air and Space Training Institute (IASTI), Institute of Technology, Professional Skills Centre, year 2 of the Policing College and Pre-Join Policing Degree and Care College in Newark. There has also been continued expansion of numbers in online programmes for adults due to the lockdown and national crisis. IASTI and HEART (programmes focussing on hospitality, events, arts, retail and tourism) are both key elements of local Towns Funds bids in Newark and Lincoln. Aura, and The Drill, are new commercially run ventures within the retail and arts curriculum areas providing paid work and commercial work experience in the heart of Lincoln as part of the HEART programme.
- The College has improved its relevance to the community, students and employers shown by significant improvements in its satisfaction surveys for many groups of learners and a TEF ranking for Teaching and Learning that places it in the top 10% of HEIs nationally 3 years in a row. Significant investment in the UK Colleges through the International and Commercial Division of the College group allows the continued expansion of the specialist “Colleges” programme and has allowed further growth for a number of local priority needs. This approach to employer led programmes has resulted in the college winning “commended” status for its relevance to employers by the AoC Beacon Awards in October 2021.
- Significant growth in new starts for delivery of apprenticeships and adult programmes has seen the College’s local and levy payer “footprint” grow which aligns it closely with the national strategy for localisation with a move away from subcontracting.

Higher Education and Skills Growth

Key highlights for the year were the protection of the college’s strong continuation rate, despite the COVID crisis, and mitigation measures for practical subjects, and year 2 of the new Pre-Join Policing Degree in partnership with Derby University. The College continued to improve many of its TEF metrics. The National Student Survey put the College in the top 10% of all HE provisions nationally in relation to the quality of its learning, assessment and teaching for 3 years running.

International and Commercial Development

The College’s International and Commercial Directorate exists to generate revenues to invest in the Group’s wider education and training delivery. The Directorate performed very well during 2020/21, especially in the context of the Covid-19 pandemic and its wide-ranging impact across commercial ventures both in the UK and overseas. There was notable progress to diversify the breadth of commercial operations and to extend existing provision, including two exciting new projects in the UK. Lincoln College International (LLC) also performed well and has further cemented its position as a leading provider of education and training in the Kingdom of Saudi Arabia (KSA). Points of note across the Directorate were the transfer of the Drill Hall to the College, the acquisition of a leading consultancy business called Human Alchemy and securing contract extensions for two colleges in the KSA.

REPORT OF THE GOVERNING BODY (CONTINUED)

IMPLEMENTATION OF THE STRATEGY (CONTINUED)

International and Commercial Development (continued)

As stated above, a significant focus was to achieve the contract extensions in the KSA for both the Qatief Female International Technical College and the Riyadh Tourism & Hospitality International Technical College. The agreement reached enabled the colleges to restart teaching for a summer 2021 semester. We were delighted to see so many of our students return to their studies and to continue their academic journey.

The UK operations were bolstered by acquisitions which will make a financial contribution to the Group and also provide great opportunities to enhance links with education and training. Further afield our provision in China continues to perform well, with encouraging student recruitment despite the uncertainties caused by Covid-19. UK commercial income was affected by the pandemic, although it is bouncing back well, and this reflects the strength of our products and our focus throughout the pandemic on preserving strong relations with customers and staff.

The College had a successful year with bids to secure additional funding to help to transform the College and bring in much needed investment. This includes Towns Funding (via the Ministry of Housing, Communities and Local Government), College Collaboration Fund and the Strategic Development Fund (both via the Department for Education). Finally, apprenticeship sales remained resilient throughout the year and income levels are returning to pre-Covid levels.

International

Lincoln College International (LLC) performed well in 2020/21. The main strategic priority for the year was to secure new contracts for the two International Technical Colleges (ITCs), namely, Qatief Female College and the Riyadh Tourism and Hospitality College (T&H). The extensions were achieved, enabling students to return to lessons in 2021, initially via online lessons due to Covid restrictions. This means that we are now in our sixth year of operations at the Qatief Female College and the third year at the T&H College. During our tenure we have witnessed both colleges becoming a key part of the local community and cementing links with key employers. We remain confident that Lincoln College International will continue to provide high quality education and training to young Saudis and make a positive contribution to the achievement of the Saudi 2030 Vision.

Another important project was to achieve the rapid mobilisation of the Inspection Technology and Quality Assurance National Institute (ITQAN) in Al Juaima'h. This Strategic Partnership College is a collaboration with the energy provider, Saudi Aramco and the Colleges of Excellence. LCI won the contract to operate this College late in the 19/20 academic year, meaning that the timescales for mobilisation were tight. The mobilisation was a success, with the focus now on educational excellence and ensuring that we secure a contract extension beyond the Summer of 2022. Particular points of note during 20/21 were:

- The rapid move to a Covid compliant hybrid delivery model of face-to-face for practical work and remote sessions.
- The visit of His Excellency, the UK Ambassador to Saudi Arabia, Neil Crompton on 23rd February 2021. This provided a highly visible demonstration of the UK Government support for this institute.
- The successful Institutional Review which secured a provisional rating of 'Good' for the Institute. The feedback has been highly positive and reflects the outstanding efforts by all staff to mobilise and drive up the quality of delivery.
- Growth of student numbers during the year, including over 300 new recruits in Semester 2.
- The development of significant plans for the transformation of the institute into a best-in-class technical training organisation. This includes the creation of plans to redesign the curriculum offer and to introduce new quality assurance systems.

REPORT OF THE GOVERNING BODY (CONTINUED)

IMPLEMENTATION OF THE STRATEGY (CONTINUED)

International (continued)

Finally, in KSA, we completed the handover of the Riyadh Applied Engineering College following the end of our contract in the Summer of 2020. We were delighted to be custodians of this fantastic higher education college for four years and are immensely proud to have positively impacted on the lives of many students on their pathway to a rewarding career in the Kingdom.

Elsewhere the China education partnerships performed particularly well considering that we were not able to mobilise staff for in-country delivery. It led to significant innovation in remote teaching models to ensure that students could continue their learning on courses such as construction, business and accounting. Part of the reason for this success is the depth of our relationships with the Chinese partner colleges, thereby enabling a collaboration approach to resolve difficult challenges. The 2020 recruitment and enrolment of new students at the Guangdong Construction Polytechnic means that Lincoln College now works with four different Chinese partners, with the others being: The Sichuan College of Architectural Technology; Chengdu Polytechnic; and Chengdu College of Industry and Trade.

UK Commercial

In 2020 the College completed the transfer of ownership to become the sole trustee of the Lincoln Drill Hall. This iconic Lincoln theatre and entertainment venue ran into financial difficulties and closed during the Covid-19 pandemic. The College worked closely with the Lincoln Arts Trust and other stakeholders to find a way to create a viable future for the building. Following extensive dialogue, the College was delighted to agree to take over the leadership from the existing Trustees. This provides an exciting future for the venue with it due to reopen to the public in late 2021. The College is focusing heavily on the reopening of the building and is investing monies alongside £1 million from the Government's Towns Fund programme. The outcome will be an upgraded facility in the centre of Lincoln which will host the arts, the community and academic space for our students alongside work experience.

The College finalised the acquisition of Human Alchemy in March 2021. This adds significant capability to our leadership and management provision, thereby enhancing our offer to employers across the sub-region. Human Alchemy has built an excellent reputation for working with businesses to upskill their leadership teams to achieve extraordinary outcomes, for example, with the Greater Lincolnshire Local Enterprise Partnership. The acquisition provides an exciting addition to the College's portfolio of services and is housed in the new Lincoln Business Centre on Monks Road.

The Department for Work and Pensions Kickstart scheme has been a significant project during 2020/21. The scheme provides a fantastic opportunity for young people at risk of long-term unemployment to gain work and to receive additional training. Our Business Development team led the project, helping the College to become the region's largest provider of placements (both internally and to support other businesses). In 2020/21 we placed 146 people into roles (56 internal and 90 external) and will continue to support the scheme until the funding ends in March 2022.

During the year the College has successfully secured a number of pots of external funding to help to support its investment in infrastructure and educational innovation. This includes the Towns Fund, where the College was provisionally awarded monies to support: the Drill Hall Theatre and Arts Venue; the hugely innovative International Air and Space Training Institute (IASTI) in Newark; the Hospitality, Events, Arts, Retail and Tourism (HEART) institute in Lincoln; the Health and Well-being institute; and finally, a new Plumbing and Heating Training Centre in Newark. Work continues to finalise funding, with some reshaping of the projects to ensure project outcomes are deliverable.

REPORT OF THE GOVERNING BODY (CONTINUED)

IMPLEMENTATION OF THE STRATEGY (CONTINUED)

UK Commercial (continued)

The College's relationship with Lincoln City Football Club continues to grow and diversify. In early 2021 we finalised a long-term contract to supply the first team catering service at the training ground for the next season and beyond. This reflects the hard work of our catering team who have built a reputation for providing the club with a first-class service. The College's in-house catering service and Deans Sport and Leisure were both heavily affected by Covid-19 as footfall fell across our campuses. Some staff were placed on furlough in line with the Government guidance. Broader commercial ventures continue to perform well, this includes the Ascent linguistic support service, with further growth of our linguistic services expected during 2021/22.

Lastly, the College finished its education contract at the Morton Hall Immigration Removal Centre in 2021. This ceased due to the Ministry of Justice's decision to transition the site back into a prison. During our tenure we provided a consistently high standard of service, with particular praise from the Centre Manager and external inspectors. The staff were transferred smoothly to PeoplePlus in line with regulations.

Learner Numbers and Funding

16-19 study programme learners totalled 2,618 (based on 2019-2020 enrolled learners under lagged funding) with associated income of £14m.

Adult Skills funding totalled £3.4m and the income earned from apprenticeships reached £3.7m.

Performance indicators

Key performance indicator	Lincoln College Consolidated results 2020-2021
Operating surplus	7.81%
Staff costs as % of income	65.83%
Adjusted current ratio	2.05
Borrowing as % of income	48.98%
Financial Health Score	Good

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 July 2021). The ESFA confirmed in October 2021 that the College had achieved the financial health grade of 'Outstanding' for 2019-2020. The College is anticipating a health grade of 'Good' in 2020-2021 and is forecasting 'Good' also for 2021-2022.

Financial Results

Headlines

The financial results for the year 2020/21 were strong (see below for the highlights). Despite the ongoing impact of Covid-19 the College ended the year with a set of results that provides further financial resilience and that has built on the previous years of strong financial performance. The College has moved into the (Self-Assessed) 'Good' Financial health Grade and begins 2021-22 from a position of strength. Many pipeline projects are being developed and progressed that aim to yield both capital and revenue investment into 2021-22 and beyond.

REPORT OF THE GOVERNING BODY (CONTINUED)

FINANCIAL POSITION (CONTINUED)

The Income and Expenditure results rank highly by sector benchmarks and liquidity levels are high with a year-end cash balance of £9.6m and adjusted cash days standing at 92. The College has a strong relationship with its bankers and UK Export Finance and continues to have in place contingency funding through a series of facilities to further bolster the cash holding. An overdraft facility of £4m was available throughout the year and the College successfully accessed the Government backed CLBILS scheme, providing further working capital of up to £5m as and when required. This provides flexibility to support the development of new opportunities and the ability to react to any potential adverse circumstances in the future.

The balance of good levels of working capital, ring-fenced long-finance capital and options to extend facilities brings further strength to the Group Balance Sheet.

Several capital projects were paused during 2019/20 due to the restrictions placed on the College as a result of the Covid-19 pandemic. This was due to the availability of labour through construction companies and supply chain blockages that reduced the availability of construction materials. Any sources of funding that originally applied to those projects remained available, and all projects have restarted with negotiated final delivery dates. This allows the movement of funds from cash to fixed asset investment and enables the draw-down of externally sourced funding.

The College began the most comprehensive capital programme in its history during 2020/21, with over £10m of 'live' or recently completed projects underway. The College was in a position to provide match-funding for a number of projects during 2020/21 and this facilitated access to significant external capital funding from the Towns' Fund, the GLLEP and the ESFA.

For 2020-2021 the Lincoln College Group ended the year with an operating surplus of £2.38m (2019/20 deficit of £0.35m).

Total income for the year amounted to £44.1m (2019/20 £59.8m) relating to continuing operations with £23.3m (2019/20 £20.7m) from funding bodies, £16.3m (2019/20 £37.0m) from tuition fees and education contracts and £4.1m (2019/20 £1.9m) from other income. The College group has accumulated reserves of £17.2m (2019/20 £11.1m) including pension deficits and a year-end cash balance of £9.6m (2019/20 £10.5m).

Tangible fixed assets additions during the year amounted to £7.7m, this was split between land and buildings £4.3m, assets under construction of £2.2m and equipment £1.2m. This represented a significant increase on prior years and was further bolstered by the acquisition of the Drill Hall with an asset transfer value of £2.4m

Cash inflow from operating activities was £6.3m (2019/20 outflow £3.5m), with a decrease in cash in the year of £0.6m (2019/20 £9.3m).

In these financial statements the College has recognised:

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

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

100% ownership of Deans 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)

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 2020/21 consolidated Group Financial Statements.

100% ownership of Human Alchemy, an in-year acquisition of a former privately owned management training consultancy.

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

Monitoring the financial impact of Covid-19

The College established a system of reporting the financial impact of Covid-19 as soon as it became possible to estimate the effects with any level of reliability. The Monthly Management Accounts continued to incorporate a separate section showing potential and confirmed in-year income downturns, additional expenditure (for example provision of PPE, consumables and additional cleaning) and the impact on capital projects.

Regular updates of this information were provided to the ESFA and were shared with other providers in the spirit of cooperation and to ensure lessons learned could be trapped and acted upon.

The estimated loss of income since March 2020 amounts to £3.3m with additional exceptional expenditure of £400k.

The one-off net income (below the line) in respect of the Ravendale project was not crystallised during 2020-21. There remains a strong will on behalf of the wider project stakeholders (Developers, Sports Governing Bodies, Community Groups etc.) to deliver the project. However, the planning process remains ongoing and is yet to be determined at the time of publication of the Financial Statements.

Once the planning determination has been formally received, the College will continue to pursue the project in line with its original plans. However, a number of alternative options are also being developed to bring this underutilised sports facility and associated land into use should they be required.

Financial Objectives

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

- Securing Financial Health Grade of at least 'Good' across the life of the plan.
- Generating an EBITDA to cover financial commitments and continued significant capital investment.
- Maintain sufficient levels of working capital via. own reserves and agreed facilities.
- Remain within negotiated bank covenants where applicable.
- Continued implementation of the five-year capital programme and investment into the college estate.

REPORT OF THE GOVERNING BODY (CONTINUED)

FINANCIAL POSITION (CONTINUED)

- Control of the key drivers;
 - **Performance**
 - **Liquidity**
 - **Gearing**
- deploy resources into opportunities for growth and multiply efforts in those areas of the business that yield a positive financial contribution.

A formal review of current financial performance in year (2020-21) will now take place to assess the outturns to July 2021 and to inform the CFFR due to be filed with the ESFA 31 December 2021.

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 December 2020). All other borrowing requires the authorisation of the Corporation.

Formal Treasury Management reports are produced twice per year for consideration by the Finance Committee. However, reference to the Groups Treasury Management activities is a regular feature of the Group monthly management accounts. Treasury Management reports throughout 2020/21 confirmed full compliance with TM policy with no deviation from standard practices and no breaches of covenant.

Cash flows and liquidity

The Group had a cash outflow of £0.6m during 2020-2021. Significant working capital facilities have been secured for potential future use and is a further indicator of a strong working relationship with the College bankers. Recently achieving several years of EBITDA in excess of national benchmarks, significant levels of loan repayments, including the full and final settlement of borrowing in the Kingdom of Saudi Arabia in 2019/20, and planned for continued strong financial results secures the financial future of the College whilst protecting the restricted reserve for specific targeted investment.

Support linked to Covid-19 from the ESFA included £423k funded via core funding throughout the year.

Reserves policy

The Group has an implied reserves policy by virtue of the targets and key assumptions detailed in the financial plan (2020-2021), and clearly recognises the importance of reserves in maintaining the overall financial stability for the Group, ensuring that there are adequate reserves to support the College's core activities.

The College Group reserves include £80k held as restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at £14.1m (2020: £7.9m).

Financial health

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

[FR= Financial Record / FP = Financial Plan]	2015/16 FR	2016/17 FR	2017/18 FR	2018/19 FR	2019/20 FR	2020/21 FP	2021/22 FP	2022/23 FP
Financial Health Grade (Moderated)	Satisfactory	Good	Good	Good	Outstanding	Good	Good	Good
Financial Health Grade (Automated)	Inadequate	Good	Good	Good	Outstanding	Good	Good	Good
Total Points	30	180	180	220	240	210	TBC	TBC

REPORT OF THE GOVERNING BODY (CONTINUED)

FUTURE DEVELOPMENTS

In line with the Lincoln College Strategy 2019-2022 the core objectives include the following;

- Delivery of the 2021/22 budget, securing a financial health grade of at least “Good” – current self-assessment of ‘Good’
- Delivery of a 5-year capital programme related to infrastructure, IT and classroom-based equipment, particularly in response to the current pandemic situation and increased online and blended delivery models
- Completion of the partial sale and extensive redevelopment of the Ravendale sports facility, as reported earlier this remains a target with alternative strategies being developed as a contingency
- Delivery of the comprehensive UK property strategy completed in 2020
- Undertake a third annual College review in order to test and improve our Self-Assessment Review (SAR) and provide opportunities to develop staff and governors
- Implement the Institute of Technology (IoT) and Gibney capital projects to deliver the first programmes during 2021 with completion of the infrastructure phase in 2021/22
- Continue to deliver the ‘Determined to Lead’ leadership programme for all leaders
- The Board continue with ‘Determined to Govern’ and have undertaken the Role of the Chair training during the year
- The Board is focusing on Governor Development and Succession Planning
- Introduce a new framework for the recruitment, selection, induction and development of new leaders
- To secure longer term contracts at our existing KSA Colleges, to explore opportunities for new contracts and to continue to seek other business development opportunities both in the UK and overseas.

Newark Towns Fund Projects

The College is leading two projects incorporated into the Newark Town Investment Plan and supporting two others. This plan has now received Towns Funding from central government and is being implemented.

Firstly, having successfully delivered the Construction College in Lincoln and Gainsborough, the College has expanded the concept to Newark with a construction Centre of Excellence featuring plumbing, gas training and expanded bricklaying facilities. These facilities have successfully met the needs of the local employment market, whilst increasing aspiration for the youth of Newark and providing skills for the local workplace. The first cohort of students and apprentices started training in September 2021 with the facility at full operating capability by September 2022.

Secondly, the College is leading the development of the first International Air and Space Training Institute (IASTI). Focused initially on aviation engineering, airfield operations and pilot training, it will eventually cover all areas of the industry, including aligned areas such as logistics, cyber and space. This innovative new institution will combine further, higher and industry training to raise aspiration locally and deliver employment ready staff to the air and space sectors.

REPORT OF THE GOVERNING BODY (CONTINUED)

FUTURE DEVELOPMENTS (CONTINUED)

Thus, it is transformative in its ability to regenerate a town by locating a facility normally found at an airport or airfield into the middle of Newark; right where people need it to be incorporating the latest training techniques and equipment in a bespoke new facility funded by the Towns Fund.

The first cohort of students have already started their level 3 programmes in interim facilities from September 2021. The main building is scheduled to come online in 2023 incorporating higher education and a wider array of further education programmes.

The College has also signed a MoU with the Newark YMCA to provide training at their new facility, which is scheduled to open in May 2022 now that they have been allocated Towns Funding. The College is working closely with the YMCA to maximise the social value of this new facility for all aspects of the community.

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

Finally, the Board of Corporation undertook strategic assessment and scenario planning throughout the summer and early autumn which culminated in the setting of four strategic priorities including the exploration of a potential merger with Activate Learning, a large college group situated in Berkshire, Surrey and Oxfordshire. To that end, Lincoln College Group and Activate Learning have jointly commissioned due diligence to be undertaken with external support from Eversheds and BDO to identify the likely benefits and risks of a potential Type B merger. Importantly, students would be at the heart of every decision made in relation to the potential merger as would a strong focus on the local context and character of colleges and the need to ensure that colleges are highly relevant to the communities and employers they serve. The due diligence analysis would be reported to a newly-formed Joint Merger Working Group early in 2022 for a subsequent decision by both Boards of Corporation on whether or not to progress to the next stage in the process.

Environmental

The College has the aspiration to launch a Sustainable, Green College in 2021. This would have three aspects; firstly, to adopt some of the UN Sustainable Development Goals into the College's strategy to inculcate sustainable climate emergency action into all aspects of college life; secondly, the College would provide a focus for specific training offering opportunities for business, youth and adults to qualify in specific sustainable areas; and finally, new staff would be able to advise and assist wider curriculum areas in developing sustainability aspects to their curriculum.

A launch of a comprehensive sustainability policy occurred during 2021 to underpin the above aspiration.

STAFF AND STUDENT INVOLVEMENT

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

Lincoln College Group continues to move forward in terms of communication and engagement. The Group operates Workplace by Facebook, giving all staff a mobile data solution to internal communications, enabling them to communicate in groups across projects and to broadcast on an organisation-wide basis via text, video and live-streaming.

REPORT OF THE GOVERNING BODY (CONTINUED)

RESOURCES

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

Financial

The College Group has £17.2m (2019/20 £11.1m) of net assets (including £15.6m (2019/20 £18.5m) pension liability) at the Balance Sheet date.

People

The College Group employs 968 people of whom 336 in note 7 are teaching staff.

Key financial assets

The College has a fixed asset base amounting to £54m and cash reserves of £9.6m as at the year-end 2020/21.

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

EVENTS AFTER THE REPORTING PERIOD

There were no post balance sheet events.

PRINCIPAL RISKS AND UNCERTAINTIES

Reputation

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

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

Throughout the year the Colleges systems of financial management and control continued to remain strong despite the interruption to normal working patterns and the shift towards a much greater level of on-line working. Procurement practices continued in line with Financial Regulations and a series of Internal Audit assignments resulted in high levels of assurance for both financial and non-financial areas of the College's business.

REPORT OF THE GOVERNING BODY (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Reputation (continued)

The Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented, and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. The Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College. The Annual Report of the Risk Management Group highlights the work of the Group throughout the year and during 2020/21 there has been a clear focus on ensuring risks, mitigating factors and associated impacts are clearly and transparently reported.

The Risk management Group was highly effective during 2020/21, developing a new framework for Risk Management, including a Board Assurance Framework and the first stages of an approach to recording a formal Risk Appetite at a high level.

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

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

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

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

STAKEHOLDER RELATIONSHIPS

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

- Staff and Students
- Local, Regional and National Employers
- Funding Bodies
- FE Commissioner
- Local Authorities
- The Local Community
- The Local Enterprise 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.

REPORT OF THE GOVERNING BODY (CONTINUED)

EQUALITY AND DIVERSITY

The College is committed to ensuring equality of opportunity for all who learn and work here. The College's Equality and Diversity Policy is reviewed on a planned basis and updated as required. 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 and diversity issues in respect of its decisions, policies, procedures and practices.

The College first committed to the 'Mindful Employer' initiative in May 2010 to assist the mental health and wellbeing of staff. The college's next review will take place in May 2023.

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

The College is a 'Disability Confident Employer' and has committed to the principles and objectives of the standard having undertaken a successful review in September 2019 (valid to September 2022). The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post.

DISABILITY STATEMENT

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

- a) The College has a range of specialist equipment which the College can make available for use by students. Where specific equipment is required, we would look to purchase/hire this on an individual basis.
- b) The College publishes its Admissions Policy. Within this policy there is a specific section on support of SEND students. Students have the opportunity to appeal against decisions made within the admissions policy.
- c) The College employs a Head of Student Services and Supported Education who is a qualified SENCO, a dedicated SEND Manager and a number of Assessment and Support Co-ordinators. There are a number of Learning Support Assistants who can provide a variety of support for learning.
- d) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- e) Students are advised on the variety of pastoral support that is available at open evenings, induction and information is also available within the college prospectus and website.
- f) The College employs an Equality and Diversity Officer to support the College working towards the three aims of the general equality duty; eliminate unlawful discrimination, advance equality of opportunity and foster good relations.

REPORT OF THE GOVERNING BODY (CONTINUED)

EQUALITY AND DIVERSITY (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.

Numbers of employees who were relevant trade union representatives for the period	FTE employee number
7	6.4

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

Total cost of facility time	£24,285
Percentage of pay spent on facility time	0.10%
Percentage of total hours spent on paid facility time	18.6%

GOING CONCERN

The College remains a strong going concern.

The impact of Covid-19 continued to be successfully mitigated during 2020/21 through a series of measures including reduction in expenditure linked to drops in commercial revenues, adapting delivery models in line with Government Guidance relating to social distancing and accessing available funding and working capital facilities.

The below are further examples to support this statement:

- The UK finance team produce a 24-month rolling cashflow that forecasts the cash position from current period actuals to 24 months ahead. 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.
- Following the recent introduction of the new ESFA financial reporting template (CFFR) the College produces integrated forecasts for a 3-year period.
- The Group has the ability to repay debts as they fall due and has in place strong levels of working capital. The College as at 31 July 2021 has no facilities or term debt in the Kingdom of Saudi Arabia.
- The long-term finance transaction undertaken during 2018/19 significantly increased the College's resilience, evidenced by a strong improvement to current ratio and high levels of forecast cash days.
- The College will continue to utilise its available reserves across a range of projects that improve the condition of the UK estate, invest in resources to further improve the learner experience and to invest in innovation in order to achieve a return on investment.

REPORT OF THE GOVERNING BODY (CONTINUED)

GOING CONCERN (CONTINUED)

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.

The financial impact of Covid-19 has been fully incorporated into the financial results for 2020/21 and taken account of in both the outturn forecasts for 2021/22 and the longer-term financial planning template submitted to the ESFA in July 2021.

Control measures were put in place at the beginning of the pandemic to identify the financial impact and any mitigating action that could be taken as a result, this extended to inclusion of this information in the Monthly Management Accounts and ad hoc reports to the Education and Skills Agency.

The College has accessed sources of support throughout the year including access to the Furlough Scheme and additional working capital via the CLBILS loan scheme.

The College overdraft and CLBILS revolving credit facility do not have covenants attached.

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future, being at least the period of the cashflow forecasts to 31 July 2023. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

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 14 December 2021 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 2020 to 31 July 2021 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 2018 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. In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2021. We have not adopted and therefore do not apply the UK Corporate Governance Code 2018. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

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

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

THE CORPORATION

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

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

Governor	Date of Appointment	Term of Office: (Years)	Date of Completion	Status of Appointment/ Membership	Committees Served	Attendance
Mr H Beeken	1 Sept 2015	4		Independent	Corporation	7 out of 7
	1 Sept 2019	3			Chair: P&Q	8 out of 8
Mr I Billyard	1 Sept 2019	1		Independent	Higher Education	3 out of 3
	1 Jan 2021	3			Perf and Quality	8 out of 8
Mrs P Bratby	25 March 2019	3		Elected Support Staff	Higher Education	3 out of 3
					Corporation	7 out of 7
Mr T Calvert	31 Oct 2017	3		Independent	Finance	4 out of 6
	31 Oct 2020	3			Chair: Rem/Appr	5 out of 5
Miss A Conyard	23 Oct 2020	3		Independent	Corporation	4 out of 6
					Perf & Quality	6 out of 7
Mr N Everatt	31 Oct 2017	4	25 Jan 2021	Independent	Corporation	2 out of 4
					Perf and Quality	1 out of 3
Mrs H Fluck	11 Dec 2016	3	24 Feb 2021	Elected Academic Staff	Higher Education	0 out of 1
	11 Dec 2019	3			Rem/Appraisal	0 out of 1
Mr T Godson	1 Sept 2019	4		Independent	Corporation	2 out of 4
					Perf and Quality	0 out of 4
Mrs L Goodier	23 Oct 2020	3		Independent	Higher Education	0 out of 1
					Corporation	5 out of 7
Mr D Graham	1 Sept 2015	4		Independent	Chair: Audit	5 out of 5
	1 Sept 2019	4			Corporation	5 out of 6
Mr G Headland	4 Aug 2014	Ex Officio		CEO/ Accounting Officer	Audit	4 out of 4
					Perf and Quality	3 out of 7
Mrs N Heap	8 Jan 2020	1	18 August 2021	HE Student	Chair: HE	2 out of 3
					Corporation	7 out of 7
Mr S Justice	7 April 2021	3		Elected Academic Staff	Finance	6 out of 6
					Perf and Quality	4 out of 8
Mrs D Lister	1 Sept 2016	4		Independent	Higher Education	3 out of 3
					Corporation	2 out of 2
Mr N Lyons	1 Feb 2013	4		Independent	Audit	1 out of 1
	1 Feb 2017	4			Corporation	2 out of 2
Mr T McKenzie	23 Oct 2020	3		Independent	Chair: Finance	6 out of 6
					Perf & Quality	6 out of 7
Mr J Pinchbeck	1 Sept 2011	3		Independent (Chair)	Rem/Appraisal	5 out of 5
	1 Sept 2014	4			Corporation	7 out of 7
Mr M Platts	1 Sept 2018	2		Independent	Finance	6 out of 6
	1 Sept 2020	3			Rem/Appraisal	5 out of 5
Mr P Price	23 Oct 2020	3		Independent	Corporation	4 out of 6
					Perf & Quality	6 out of 7
Miss S Trafford	18 Jan 2021		31 July 2021	Apprentice Student	Corporation	7 out of 7
					Perf & Quality	5 out of 6
Miss C Watson	23 Oct 2020	3		Independent	Finance	5 out of 6
					Perf & Quality	5 out of 7
Mr D Wilkinson	1 Sept 2016	4		Independent	Corporation	4 out of 7
	1 Sept 2020	3			Finance	3 out of 6

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, Higher Education, Remuneration and Search, Training and Development. Minutes of standing committees, except those deemed to be confidential by the Corporation, are available on the College's website (www.lincolncollege.ac.uk) or from the Clerk to the Corporation at:

Lincoln College
Monks Road
Lincoln
LN2 5HQ

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

All Governors and the Clerk are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad hoc basis.

The Corporation has a strong and independent non-executive element, and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

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

The Board of Corporation and Committee have continued with 'business as usual' during the Covid Pandemic with meetings moving to virtual platforms, i.e., MS Teams.

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)

APPOINTMENTS TO THE CORPORATION (CONTINUED)

During 2020/21, as part of Determined to Govern and the commitment and intent for a more diverse Board five new Members were appointed which included two qualified accountants.

CORPORATION PERFORMANCE

The Governors complete annual self-assessments, registers of interest and skills audits. As part of this Committee membership was restructured for the academic year 2019/20. The Board also carried out a formal review of Board Effectiveness which resulted in the performance being assessed as good or excellent in all areas covered. The results of the Board Effectiveness process included Group working on the responses at a training event held in September 2021. Continuing the move to 'Extraordinary Governance', committee membership has been amended for the 2021/22 academic year. Three weeks have been sent aside for Quality Improvement Events which has Governor involvement and input in learning walks and engaging with students. Cross-committee attendance, and engagement at events continues and is reporting on throughout the year. The Chair of Search has analysed the Skills Audits returns and reported his findings to the Board of Corporation. Five new Independent Governors were appointed in October 2020 which has augmented the Committee memberships.

REMUNERATION COMMITTEE

Throughout the year ending 31 July 2021, the College's Remuneration Committee comprised four members of the Corporation and the Chair of Lincoln College (International) LLC Board of Directors. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and Senior Post Holders in addition to consideration of an all staff pay award. The College has adopted the AoC's Senior Staff Remuneration Code and responded to the consultation on changes in November 2018.

Details of remuneration for the year ended 31 July 2021 are set out in Note 7 to the financial statements.

FINANCE COMMITTEE

The Finance Committee comprises 7 members of the Corporation (including the Accounting Officer and Chair). The Committee met six times during the year.

The Corporation has delegated the Finance Committee:

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

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.

The Audit Committee met 5 times in the year to 31 July 2021. The members of the committee and their attendance records are shown below:

Name	Attendance
Mr T Godson	5 out of 5
Mrs L Goodier	4 out of 4
Mr D Graham	5 out of 5
Mrs D Lister	1 out of 1
Mr P Price	4 out of 4

INTERNAL CONTROL

Scope of Responsibility

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

The Corporation has delegated the day-to-day responsibility to the Accounting Officer for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the conditions of funding between Lincoln College and the funding body. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

INTERNAL CONTROL (CONTINUED)

The Purpose of the System of Internal Control

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

The system of internal control is based on an 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 2021 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls and arrangements for compliance with legal and regulatory matters including those relating to the regularity and propriety of the use of public funding that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2021 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)

INTERNAL CONTROL (CONTINUED)

Statement from the Audit Committee

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

The specific areas of work undertaken by the Audit Committee in 2020/21 and up to the date of the approval of the financial statements are:

Risk/System	Audit Area
Other	Curriculum Planning
Other	In-House Catering Provision
Financial Systems	Overall Financial Controls
Other	Health and Safety
Other	Adult Education Offering
Other	Cost of Delivery
Required	Follow-up Review

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

Review of effectiveness

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

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

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

The Accounting Officer and Senior Management Team receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Accounting Officer, Senior Management Team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2021 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the Senior Management Team and internal audit and taking account of events since 31 July 2021.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

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

Approved by order of the members of the Corporation on 14 December 2021 and signed on its behalf by:



Signature:
James Pinchbeck – Chair



Signature:
Gary Headland – Accounting Officer

STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE

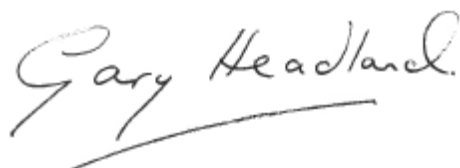
The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's grant funding agreements and contracts with the ESFA. As part of our consideration, 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 or any other public funder.

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



Signature:
G Headland – Accounting Officer

Date: **14 December 2021**

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the Corporation's conditions of funding with the ESFA and any relevant funding bodies, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *Statement of Recommended Practice – Accounting for Further and Higher Education F & HE SORP* and with the *College Accounts Direction 2020 to 2021* issued by the ESFA, and which give a true and fair view of the state of affairs of the Corporation 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
- assess whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the Corporation will continue in operation.


The Corporation is also required to prepare a 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 Corporation.

The Corporation is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the Corporation and 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 Corporation and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the Corporation 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 and any other public funds are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the ESFA or any public funder. 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 Corporation's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 14 December 2021 and signed on its behalf by:

Signature: 
.....
J Pinchbeck – Chair

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF LINCOLN COLLEGE

Opinion

We have audited the financial statements of Lincoln College (the "College") and its subsidiaries (the "Group") for the year ended 31 July 2021 which comprise the consolidated and College statement 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 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 2021 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

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

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

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

Other information

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information contained within the Report and Financial Statements. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

In our opinion, in all material respects:

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

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 2020 to 2021 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

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

- the College's grant and fee income, as disclosed in the note 3 to the financial statements, has been materially misstated.
- the College's expenditure on access and participation activities for the financial year has been materially misstated.

Responsibilities of the Corporation of Lincoln College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 29 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.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF LINCOLN COLLEGE (CONTINUED)**The extent to which the audit was considered capable of detecting irregularities, including fraud (continued)**

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

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

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

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

The Group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates.

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 4 November 2021. 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
St Philips Point
Temple Row
Birmingham
West Midlands
B2 5AF

23 December 2021

**CONSOLIDATED AND COLLEGE STATEMENT OF COMPREHENSIVE
INCOME FOR THE YEAR ENDED 31 JULY 2021**

	Notes	2021		2020	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	3	23,297	23,297	20,662	20,662
Tuition fees and education contracts	4	16,298	4,885	36,996	5,329
Other income	5	4,100	6,573	1,959	4,412
Interest receivable and similar income	6	454	18	214	101
Total income		44,149	34,773	59,831	30,504
EXPENDITURE					
Staff costs	7	29,063	24,922	40,168	23,677
Other operating expenses	8	8,170	8,058	12,217	8,452
Amortisation	11	25	-	-	-
Depreciation	12	2,304	2,120	2,238	1,905
Interest and other finance costs	9	1,137	831	1,047	733
Total expenditure		40,699	35,931	55,670	34,767
Surplus/(deficit) before other gains and losses		3,450	(1,158)	4,161	(4,263)
Loss on disposal of tangible fixed assets		-	-	(17)	-
Surplus/(deficit) before tax		3,450	(1,158)	4,144	(4,263)
Taxation	10	(1,073)	-	(4,497)	-
Surplus/(deficit) for the year		2,377	(1,158)	(353)	(4,263)
Exchange rate movements		(253)	-	(182)	-
Re-measurement of net defined benefit pension liability	21	3,963	3,963	(8,823)	(8,823)
Other Comprehensive income for the year		3,710	3,963	(9,005)	(8,823)
Total Comprehensive income for the year		6,087	2,805	(9,358)	(13,086)
Unrestricted comprehensive income for the year		6,087	2,805	(9,358)	(13,086)
		6,087	2,805	(9,358)	(13,086)
Surplus/(deficit) for the year attributable to the Corporation of the College		2,377	(1,158)	(353)	(4,263)
Total Comprehensive Income for the year attributable to Corporation of the College		3,710	3,963	(9,358)	(13,086)

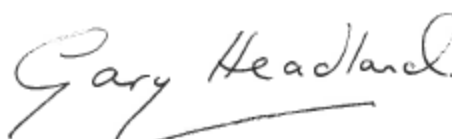
CONSOLIDATED AND COLLEGE BALANCE SHEETS AS AT 31 JULY 2021

	Notes	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Fixed assets					
Intangible assets	11	155	-	-	-
Tangible assets	12	54,308	53,813	48,886	48,227
Investments	13	2	297	2	2
		<u>54,465</u>	<u>54,110</u>	<u>48,888</u>	<u>48,229</u>
Current assets					
Stock		11	11		
Debtors	15	15,428	3,113	18,659	2,701
Cash at bank and in hand		9,643	9,535	10,470	10,146
		<u>25,082</u>	<u>12,659</u>	<u>29,129</u>	<u>12,847</u>
Current liabilities					
Creditors – amounts falling due within one year	16	(13,705)	(9,769)	(16,555)	(5,174)
		<u>11,377</u>	<u>2,890</u>	<u>12,574</u>	<u>7,673</u>
Net current assets					
		<u>65,842</u>	<u>57,000</u>	<u>61,462</u>	<u>55,902</u>
Total assets less current liabilities					
Creditors – amounts falling due after more than one year	17	(31,395)	(31,395)	(30,098)	(30,098)
Provisions for liabilities					
Defined benefit pension scheme	21	(15,559)	(15,559)	(18,486)	(18,486)
Other provisions	18	(1,659)	(1,436)	(1,736)	(1,513)
		<u>17,229</u>	<u>8,610</u>	<u>11,142</u>	<u>5,805</u>
Total net assets					
Reserves					
Restricted reserves					
Income and expenditure reserve – endowment fund		80	80	80	80
Unrestricted Reserves					
Income and expenditure reserve		14,054	5,435	7,922	2,585
Revaluation reserve		3,095	3,095	3,140	3,140
		<u>17,149</u>	<u>8,530</u>	<u>11,062</u>	<u>5,725</u>
Attributable to the College Corporation and total unrestricted reserves					
		<u>17,229</u>	<u>8,610</u>	<u>11,142</u>	<u>5,805</u>
Total reserves					

The financial statements on pages 33 to 64 were approved and authorised for issue by the Corporation on 14 December 2021 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 2021

	Attributable to College Corporation			Total
	Endowment fund	Income and expenditure reserve	Revaluation reserve	
Group	£'000	£'000	£'000	£'000
Balance at 1 August 2019	80	17,235	3,185	20,500
Deficit for the year	-	(353)	-	(353)
Other comprehensive income	-	(9,005)	-	(9,005)
Transfers between revaluation and income and expenditure reserves	-	45	(45)	-
Total comprehensive income for the year	-	(9,313)	(45)	(9,358)
Balance at 31 July 2020	80	7,922	3,140	11,142
Surplus for the year	-	2,377	-	2,377
Other comprehensive income	-	3,710	-	3,710
Transfers between revaluation and income and expenditure reserves	-	45	(45)	-
Total comprehensive income for the year	-	6,132	(45)	6,087
Balance at 31 July 2021	80	14,054	3,095	17,229
	Endowment fund	Income and expenditure reserve	Revaluation reserve	Total
College	£'000	£'000	£'000	£'000
Balance at 1 August 2019	80	15,626	3,185	18,891
Deficit for the year	-	(4,263)	-	(4,263)
Other comprehensive income	-	(8,823)	-	(8,823)
Transfers between revaluation and income and expenditure reserves	-	45	(45)	-
Total comprehensive income for the year	-	(13,041)	(45)	(13,086)
Balance at 31 July 2020	80	2,585	3,140	5,805
Deficit for the year	-	(1,158)	-	(1,158)
Other comprehensive income	-	3,963	-	3,963
Transfers between revaluation and income expenditure reserves	-	45	(45)	-
Total comprehensive income for the year	-	2,850	(45)	2,805
Balance at 31 July 2021	80	5,435	3,095	8,610

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
 31 JULY 2021**

	Notes	2021 £'000	2020 £'000
Operating activities			
Cash generated from/(used in) from operations	20 a)	7,118	(1,940)
Interest received		18	56
Taxation paid		(1,261)	(1,607)
Net cash from/(used in) operating activities		<u>5,875</u>	<u>(3,491)</u>
Investing activities			
Purchase of subsidiaries (net of cash acquired)		(60)	-
Purchase of tangible fixed assets		(5,328)	(2,029)
		<u>(5,388)</u>	<u>(2,029)</u>
Financing activities			
Interest paid		(1,137)	(842)
Repayments of borrowings		(364)	(2,947)
		<u>(1,501)</u>	<u>(3,789)</u>
Decrease in cash and cash equivalents in the year		<u>(1,014)</u>	<u>(9,309)</u>
Cash and cash equivalents at beginning of the year		10,470	19,723
Effect of foreign exchange rate movement		187	56
Cash and cash equivalents at end of the year		<u>9,643</u>	<u>10,470</u>
Relating to:			
Bank balances included in cash at bank and in hand		9,643	10,470
Overdrafts included in Creditors: Amounts falling due within one year		-	-
Cash and cash equivalents at end of the year		<u>9,643</u>	<u>10,470</u>

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

General information

Lincoln College is a corporation established under the Further and Higher Education Act 1992 as an English general College of further education. The address of the College's principal place of business is given on page 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 (the F & HE SORP 2019), the College Accounts Direction for 2020 to 2021 and Regulatory Advice 9 Accounts Direction issued by the Office for Students and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102) under the historical cost convention. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

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

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

Reduced disclosures

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, as set out in Note 13. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or sold are consolidated using the purchase method for the periods from or to the date that control passes. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. As noted in note 13 the share of profits in the joint venture is not included as the results are immaterial to the group.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (continued)

Going concern

- 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 2023 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.
- The Group has the ability to repay debts as they fall due and has in place strong levels of working capital and cash reserves of £9.6m as at 31 July 2021.

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, being at least the period of the cashflow forecasts to 31 July 2023 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 Office for Students represents the funding allocations attributable to the current financial year and is recognised when received or receivable.

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

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

Other income

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

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

Retirement benefits

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (continued)

Retirement benefits (continued)

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

Short term Employment benefits

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

Enhanced Pensions

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

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 impairment losses or reversals of impairment losses are recognised immediately in comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (continued)

Intangible assets

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

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

Tangible fixed assets

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

Land and buildings

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

Equipment

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

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

Finance leases – as lessee

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

Operating leases – as lessee

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

Operating leases – as lessor

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

Cash and cash equivalents

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

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

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

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

A financial asset is derecognised only when the contractual rights to cash flows expire or are stated or substantially all the risks and rewards of ownership are 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 21, 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 2019 has been used by the actuary in valuing the pensions liability at 31 July 2021. 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	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency – Adult	3,449	3,449	3,280	3,280
Education and Skills Funding Agency – 16 – 19	14,077	14,077	12,079	12,079
Education and Skills Funding Agency Apprenticeships	3,682	3,682	4,108	4,108
Office for Students	401	401	307	307
Specific grants				
Teacher Pension Scheme contribution grant	663	663	612	612
Releases of government capital grants	488	488	273	273
Other grants	114	114	3	3
Education and Skills Funding Agency - 16-19 Tuition Fund	303	303	-	-
Education and Skills Funding Agency - High Value Course Premium	86	86	-	-
Education and Skills Funding Agency - COVID specific Grant	34	34	-	-
Total	<u>23,297</u>	<u>23,297</u>	<u>20,662</u>	<u>20,662</u>

The corporation has been eligible to claim additional funding in year from government support schemes in response the coronavirus outbreak.

Funding of £363k was received for the 16-19 Tuition Fund, costs of £303k have been incurred and £60k has been carried forward into 2021-2022. Funding of £86k was received for High Value Course Premium, this was fully spent during the year. Funding of £34k was received in relation to the COVID specific grant, the college incurred costs over and above this grant in year.

4 TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Tuition Fees (UK)	3,688	3,688	4,279	4,279
Education Contracts (Kingdom of Saudi Arabia)	11,413	-	31,667	-
Education Contracts (UK & China)	1,197	1,197	1,050	1,050
Total	<u>16,298</u>	<u>4,885</u>	<u>36,996</u>	<u>5,329</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 TUITION FEES AND EDUCATION CONTRACTS (CONTINUED)

Details of grant and fee income

	Year ended 31 July		Year ended 31 July	
	2021 Group £000	2021 College £000	2020 Group £000	2020 College £000
Grant income from the Office of Students	401	401	307	307
Grant income from other bodies	22,896	22,896	21,406	21,406
Total grants	<u>23,297</u>	<u>23,297</u>	<u>21,713</u>	<u>21,713</u>
Fee income from non-qualifying courses (exclusive of VAT)	11,413	-	31,667	-
Overseas tuition fees	4,885	4,885	4,278	4,278
Total grant and fee income	<u>39,595</u>	<u>28,182</u>	<u>57,658</u>	<u>25,991</u>

5 OTHER INCOME

	Year ended 31 July		Year ended 31 July	
	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
Catering	215	215	353	353
Other income generating activities	189	89	366	180
Other grant income	807	807	725	725
Coronavirus Job Retention Scheme grant	203	78	156	67
Miscellaneous income	286	2,984	359	3,087
Fixed assets donations	<u>2,400</u>	<u>2,400</u>	<u>-</u>	<u>-</u>
Total	<u>4,100</u>	<u>6,573</u>	<u>1,959</u>	<u>4,412</u>

The corporation furloughed some of the catering, business development, cleaning and sports facilities staff under the government's Coronavirus Job Retention Scheme. The funding received of £203,000 (2020: £156,000) relates to staff costs which are included within the staff costs note below as appropriate.

Fixed asset donations includes freehold land and buildings gifted to the College with a fair value for the right to use of £2,400k (2020: £nil). These assets have been included as freehold land and buildings additions within the tangible fixed assets (note 12).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Gift aid distribution from subsidiary	-	-	-	45
Interest receivable	18	18	56	56
Foreign exchange gains	436	-	158	-
	<u>454</u>	<u>18</u>	<u>214</u>	<u>101</u>

7 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION

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

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	No.	No.	No.	No.
Teaching Staff	336	287	619	298
Non-Teaching Staff	632	449	569	458
	<u>968</u>	<u>736</u>	<u>1,188</u>	<u>756</u>

Staff costs for the above persons:

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Wages and salaries	23,250	13,088	34,713	12,705
Social security costs	1,729	1,306	1,548	1,166
Other pension costs	3,827	3,635	3,786	3,621
Payroll sub-total	<u>28,806</u>	<u>18,029</u>	<u>40,047</u>	<u>17,492</u>
Contracted out staffing services	252	6,888	114	6,178
	<u>29,058</u>	<u>24,917</u>	<u>40,161</u>	<u>23,670</u>
Restructuring - contractual	5	5	7	7
Total Staff Costs	<u>29,063</u>	<u>24,922</u>	<u>40,168</u>	<u>23,677</u>

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, the Managing Directors and the Group Director of Finance and Commercial. Staff costs include compensation paid to key management personnel for loss of office.

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

	2021	2020
	No.	No.
The number of key management personnel including the Accounting Officer was:	<u>4</u>	<u>3</u>

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

	Key management personnel		Other staff	
	2021	2020	2021	2020
	No.	No.	No.	No.
£50,000 to £55,000	-	-	6	-
£55,001 to £60,000	-	-	2	-
£60,001 to £65,000	-	-	1	1
£65,001 to £70,000	-	-	-	2
£70,001 to £75,000	-	-	1	-
£75,001 to £80,000	-	-	1	-
£80,001 to £85,000	-	-	3	3
£90,001 to £95,000	-	-	1	1
£120,001 to £125,000	-	-	-	1
£130,001 to £135,000	2	1	-	-
£170,001 to £175,000	1	1	-	-
£265,001 to £270,000	1	1	-	-
	<u>4</u>	<u>3</u>	<u>15</u>	<u>8</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

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

	2021	2020
	£'000	£'000
Salaries	522	425
Benefits in kind	181	146
	<u>703</u>	<u>571</u>
Pension contributions	49	42
Total emoluments	<u>752</u>	<u>613</u>

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

In addition to the above is national insurance amounting to £42,000 (2020: £38,000)

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

	2021	2020
	£'000	£'000
Salary	199	199
Additional discretionary payments in respect of Lincoln College International	40	40
Performance related pay at the discretion of the Appraisal and Remuneration Committee	20	20
Benefits in kind	8	8
	<u>267</u>	<u>267</u>
Pension contributions	21	20
Total	<u>288</u>	<u>287</u>

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

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

	2021	2020
	No	No
Basic salary as a multiple of median basic salary of staff	8.02	8.10
Total remuneration as a multiple of median total remuneration of staff	9.94	10.04

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

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 £nil, (2020 £336; 4 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor Meetings and events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2020: None).

8 OTHER OPERATING EXPENSES

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching Costs	2,131	2,131	2,590	2,351
Non-Teaching Costs	4,071	4,195	6,799	4,272
Premises Costs	1,968	1,732	2,828	1,829
Total	8,170	8,058	12,217	8,452

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

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Auditors remuneration, excluding VAT				
- Financial statements audit	23	23	29	29
- Financial statement audit of subsidiaries	55	-	49	-
- Other services provided by financial statements auditors:				
audit related assurance services – regularity	4	4	4	4
other assurance services	6	6	1	1
accounting & taxation	27	5	13	13
advisory services	15	2	13	13
Internal audit	41	41	18	18
Loss on disposal of tangible fixed assets	-	-	17	-
Operating lease rentals	241	236	120	104

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 INTEREST AND OTHER FINANCE COSTS

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans	551	551	528	528
Bond guarantee	306	-	314	-
Net interest on defined pension liability (note 21)	280	280	205	205
	<u>1,137</u>	<u>831</u>	<u>1,047</u>	<u>733</u>

10 TAXATION – GROUP

	2021	2020
	£'000	£'000
UK Corporation Tax	-	-
Kingdom of Saudi Arabia Corporation Tax	558	2,152
Kingdom of Saudi Arabia Withholding Tax	515	2,345
	<u>1,073</u>	<u>4,497</u>

The tax liabilities included in 2020 are subject to appeal.

11 INTANGIBLE FIXED ASSETS (GROUP)

	Goodwill
	£'000
Cost or valuation	
At 1 August 2020	-
Addition on acquisition of subsidiary	180
At 31 July 2021	<u>180</u>
Amortisation	
At 1 August 2020	-
Charge for year	25
At 31 July 2021	<u>25</u>
Carrying amount at 31 July 2021	<u>155</u>
Carrying amount at 31 July 2020	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 TANGIBLE FIXED ASSETS (GROUP)

	Freehold land and buildings £'000	Leasehold improvements £'000	Assets under construction £'000	Equipment £'000	Total £'000
Cost or valuation					
At 1 August 2020	58,158	163	-	23,650	81,971
Additions	4,328	-	2,174	1,226	7,728
Disposals	-	(163)	-	(121)	(284)
Exchange rate	-	-	-	(92)	(92)
Transfer	(17)	-	17	-	-
At 31 July 2021	<u>62,469</u>	<u>-</u>	<u>2,191</u>	<u>24,663</u>	<u>89,323</u>
Depreciation					
At 1 August 2020	13,697	163	-	19,225	33,085
Charge for year	1,033	-	-	1,271	2,304
Eliminated in respect of disposals	-	(163)	-	(121)	(284)
Exchange rate	-	-	-	(90)	(90)
At 31 July 2021	<u>14,730</u>	<u>-</u>	<u>-</u>	<u>20,285</u>	<u>35,015</u>
Carrying amount at 31 July 2021	<u>47,739</u>	<u>-</u>	<u>2,191</u>	<u>4,378</u>	<u>54,308</u>
Carrying amount at 31 July 2020	<u>44,461</u>	<u>-</u>	<u>-</u>	<u>4,425</u>	<u>48,886</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 TANGIBLE FIXED ASSETS (COLLEGE)

	Freehold land and buildings £'000	Assets under construction £'000	Equipment £'000	Total £'000
Cost or valuation				
At 1 August 2020	58,158	-	20,177	78,335
Additions	4,328	2,174	1,204	7,706
Disposals	-	-	(17)	(17)
Transfer	(17)	17	-	-
At 31 July 2021	<u>62,469</u>	<u>2,191</u>	<u>21,364</u>	<u>86,024</u>
Depreciation				
At 1 August 2020	13,697	-	16,411	30,108
Charge for year	1,033	-	1,087	2,120
Eliminated in respect of disposals	-	-	(17)	(17)
At 31 July 2021	<u>14,730</u>	<u>-</u>	<u>17,481</u>	<u>32,211</u>
Carrying amount at 31 July 2021	<u>47,739</u>	<u>2,191</u>	<u>3,883</u>	<u>53,813</u>
Carrying amount at 31 July 2020	<u>44,461</u>	<u>-</u>	<u>3,766</u>	<u>48,227</u>

Group and College

Land and buildings includes land of £7.42m (2020 £7.42m) which is not depreciated.

Land and buildings includes land valued at £7.42m (2020 £7.42m) on 1 August 2014 (the transition date to FRS102) that is not depreciated. This was included at deemed cost. The valuation was performed by Lambert Smith Hampton, an independent valuer, on a fair value basis.

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

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

The net book value of freehold land and buildings includes an amount of £33,283k (2020 £34,060k) in respect of assets held under finance leases.

Additions to freehold land and buildings include £2,400k (2020 £nil) of non-exchange transactions which are at fair value for the right to use. The corresponding entry is credited to other income in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 INVESTMENTS

	Year ended 31 July		Year ended 31 July	
	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
Investment in works of art	2	2	2	2
Investment in subsidiaries	-	295	-	-
	<u>2</u>	<u>297</u>	<u>2</u>	<u>2</u>

	Group £'000	College £'000
Cost or valuation		
At 1 August 2020	2	2
Addition on acquisition of subsidiary	-	295
At 31 July 2021	<u>2</u>	<u>297</u>

Disclosure of subsidiary companies

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

* 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 company was incorporated on 22 July 2019. There have been no transactions in the year, therefore the results have not been consolidated as these are considered to not be material to the group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 ACQUISITIONS

On 2 March 2021 the College acquired 100% of the issued share capital of Human Alchemy Limited for a consideration of £295k. Human Alchemy Limited is registered in England and Wales and its principal activity is business consultancy.

Human Alchemy Limited has been accounted for using the acquisition method of accounting. At 2 March 2021, the assets and liabilities of Human Alchemy Limited were consolidated at their fair values to the Group, as set out below:

	Book value £'000	Fair value £'000
Debtors	40	40
Cash and cash equivalents	114	114
Trade and other payables	<u>(39)</u>	<u>(39)</u>
Total identifiable net assets	<u>115</u>	<u>115</u>
Goodwill		<u>180</u>
Total consideration		<u><u>295</u></u>

The consideration was satisfied by:

Cash	175
Deferred consideration	<u>120</u>
	<u><u>295</u></u>

Contribution by the acquired business for the reporting period included in the consolidated statement of comprehensive income since acquisition:

	£'000
Turnover	1
Loss after tax	<u>(33)</u>

15 DEBTORS

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Amounts falling due within one year:				
Trade debtors	4,886	1,158	12,112	602
Amounts owed by subsidiary undertakings	-	93	-	117
Amounts owed by jointly controlled entities	2	2	2	2
Other debtors	265	252	277	268
Prepayments and accrued income	<u>10,275</u>	<u>1,608</u>	<u>6,268</u>	<u>1,712</u>
Total	<u><u>15,428</u></u>	<u><u>3,113</u></u>	<u><u>18,659</u></u>	<u><u>2,701</u></u>

Trade debtors are stated after a doubtful debt provision of £39,771 (2020 £14,814).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group	College	Group	College
	2021	2021	2020	2020
	£'000	£'000	£'000	£'000
Non bank loans	141	141	141	141
Obligations under finance leases	232	232	231	231
Trade creditors	2,330	1,871	2,107	948
Amounts owed to subsidiary undertakings	-	2,898	-	597
Corporation tax Kingdom of Saudi Arabia	5,441	-	5,629	-
Other taxation and social security	356	303	1,670	380
Other creditors	1,813	948	967	863
Accruals	2,854	2,838	5,253	1,457
Government capital grants	531	531	452	452
Amounts owed to ESFA	-	-	105	105
Amounts owed to HEFCE	7	7	-	-
Total	<u>13,705</u>	<u>9,769</u>	<u>16,555</u>	<u>5,174</u>

17 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Group	College	Group	College
	2021	2021	2020	2020
	£'000	£'000	£'000	£'000
Non bank loans	-	-	141	141
Obligations under finance leases	21,254	21,254	21,478	21,478
Government capital grants	10,141	10,141	8,479	8,479
Total	<u>31,395</u>	<u>31,395</u>	<u>30,098</u>	<u>30,098</u>

Finance leases:

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

	2021	2020
	£'000	£'000
In one year or less	232	231
Between one and five years	991	985
In five years or more	20,263	20,493
Total	<u>21,486</u>	<u>21,709</u>

Finance leases are in respect of the land and buildings held under a sale and leaseback arrangement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 PROVISIONS FOR LIABILITIES AND CHARGES

GROUP	Enhanced Pension £'000	Dilapidation provision £'000	Total £'000
At 1 August 2020	1,513	223	1,736
Amounts utilised	(114)	-	(114)
Additions in the year charged to income and expenditure account	37	-	37
At 31 July 2021	1,436	223	1,659

COMPANY	Enhanced Pension £'000
At 1 August 2020	1,513
Amounts utilised	(114)
Additions in the year charged to income and expenditure account	37
At 31 July 2021	1,436

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:

	2021	2020
Discount rate	1.6%	1.3%
Price Inflation	2.6%	2.2%

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

19 DEFERRED TAX

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

	Group 2021 £'000	Group 2020 £'000
Tax losses	307	1,088
Other timing differences	-	-
	307	1,088

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 (a) NOTES TO CASH FLOW STATEMENT

	2021	2020
	£'000	£'000
Surplus/(deficit) after tax for the year	2,377	(353)
Adjustment for:		
Taxation	1,073	4,497
Tangible fixed assets donated	(2,400)	-
Amortisation	25	-
Depreciation	2,304	2,238
Interest payable	1,137	1,047
Investment income	(454)	(214)
Loss on sale of fixed assets	-	17
(Decrease)/increase in provisions	(77)	261
Pensions costs less contributions payable	527	334
	<hr/>	<hr/>
Operating cash flow before movements in working capital	4,512	7,827
Increase in stock	(11)	-
Decrease/(increase) in debtors	3,231	(11,467)
(Increase)/decrease in creditors	(614)	1,700
	<hr/>	<hr/>
Cash generated from operations	7,118	(1,940)

(b) Analysis of changes in net debt

	At 1		Exchange	
	August	Cash	rate	At 31 July
	2020	flows	movements	2021
	£000	£000	£000	£000
Cash	10,470	(1,259)	432	9,643
Loans falling due within one year	(141)	-	-	(141)
Loans falling due after more than one year	(141)	141	-	-
Finance lease obligations	(21,709)	223	-	(21,486)
	<hr/>	<hr/>	<hr/>	<hr/>
Total net debt	(11,521)	(895)	432	(11,984)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 RETIREMENT BENEFITS

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

Total pension cost for the year	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Teachers' Pension Scheme: contributions paid	1,814	1,814	1,712	1,712
Lincolnshire County Council Pension Scheme				
Contributions paid excluding deficit contributions	1,212	1,212	1,297	1,297
FRS 102 (28) charge	527	527	330	330
Charge to the Statement of Comprehensive Income	1,739	1,739	1,627	1,627
Payments to other schemes	237	45	209	44
Enhanced pension charge to Statement of Comprehensive Income	37	37	152	152
Total Pension Cost for Year within staff costs	3,827	3,635	3,700	3,535

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 2016 and of the LGPS 31 March 2019. The next LGPS valuation is scheduled for March 2022 and the Leadership and Board will keep this under review to measure the potential longer-term impact this may have.

Contributions amounting to £318,000 (2020: £315,000) were payable to the scheme at 31 July and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer. The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme on as a defined benefit plan so it is accounted for as a defined contribution plan.

Valuation of the Teachers' Pension Scheme

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

The latest actuarial valuation was carried out as at 31 March 2016 and in accordance with The Public Service Pensions (Valuation and Employer Cost Cap) Directions 2014 accept it has been prepared following the Government's decision to pause the operation of the cost control mechanisms at the time when legal challenges were still pending.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 RETIREMENT BENEFITS (Continued)

Valuation of the Teachers' Pension Scheme

The valuation report was published in April 2019. 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 £218 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £196 billion
- Notional past service deficit of £22 billion
- Discount rate is 2.4% in excess of CPI.

The pension costs paid to TPS in the year amounted to £1,814,000.
The next valuation result is due to be implemented from 1 April 2023.

As a result of the valuation, from new employer contributions rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 23.68% during 2019/20). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020-21 academic year, and currently through to March 2022.

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 2021 were £1,451k of which employer's contributions totalled £973k, employees' contributions totalled £239k, a deficit payment of £266k and strain costs of £nil. 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 £270,996 for the year ended 31 March 2021.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 RETIREMENT BENEFITS (CONTINUED)

Local Government Pension Scheme (continued)

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2021 by a qualified independent actuary.

	At 31 July 2021	At 31 July 2020
Rate of increase in salaries	2.9%	1.5%
Future pensions increases	2.6%	1.9%
Discount rate	1.7%	1.4%
Inflation assumption (CPI)	2.6%	1.9%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2021 Years	At 31 July 2020 Years
<i>Retiring today</i>		
Males	21.2	21.4
Females	23.6	23.7
<i>Retiring in 20 years</i>		
Males	22.0	22.4
Females	25.0	25.2

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

	Fair Value at 31 July 2021 £'000	Fair value at 31 July 2020 £'000
Equity instruments	38,720	30,478
Debt instruments	7,617	9,412
Property	5,565	4,482
Cash	2,213	448
Total fair value of plan assets	54,115	44,820
Actual return on plan assets	9,182	(4,382)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 RETIREMENT BENEFITS (CONTINUED)

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

	2021 £'000	2020 £'000
Fair value of plan assets	54,115	44,820
Present value of plan liabilities	(69,600)	(63,223)
Present value of unfunded liabilities	(74)	(83)
Net pensions liability	(15,559)	(18,486)

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

	2021 £'000	2020 £'000
Current service cost	(1,739)	(1,627)
Past service cost	(229)	(4)
Net interest on the net defined benefit pension liability	(251)	(205)
Administration expenses	(29)	-
Total	(2,248)	(1,836)

Amounts recognised in other comprehensive income

Re-measurement of net defined benefit pension liability	3,963	(8,823)
---	-------	---------

Amounts recognised in other Comprehensive Income

	3,963	(8,823)
--	-------	---------

	2021 £'000	2020 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	63,306	58,000
Current service cost	1,739	1,627
Past service cost	229	4
Interest cost	879	1,286
Contributions by scheme participants	239	243
Actuarial losses	4,591	3,360
Benefits paid	(1,309)	(1,214)
Defined benefit obligations at end of period	69,674	63,306

Changes in fair value of plan assets

	2021 £'000	2020 £'000
Fair value of plan assets at start of period	44,820	48,876
Interest income	628	1,081
Return on plan assets (excluding net interest on the net defined benefit liability)	8,525	(5,463)
Employer contributions	1,212	1,297
Contributions by scheme participants	239	243
Benefits paid	(1,309)	(1,214)
Fair value of plan assets at end of period	54,115	44,820

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 CAPITAL COMMITMENTS (GROUP AND COLLEGE)

	2021 £'000	2020 £'000
Commitments contracted for at 31 July	<u>229</u>	<u>126</u>

23 FINANCIAL COMMITMENTS (GROUP AND COLLEGE)

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

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Payments due				
Not later than one year	232	227	98	93
Later than one year and not later than five years	<u>592</u>	<u>581</u>	<u>196</u>	<u>185</u>
Total lease payments due	<u>824</u>	<u>808</u>	<u>294</u>	<u>278</u>

24 ACCESS AND PARTICIPATION EXPENDITURE (GROUP AND COLLEGE)

	2021 £'000	2020 £'000
Access investment	73	297
Financial support provided to students	122	66
Support for disabled students	9	9
Research and evaluation related to access and participation	46	-
	<u>250</u>	<u>372</u>

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

25 RELATED PARTY TRANSACTIONS

Key management compensation disclosure is given in note 7.

26 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 1,599,000 Saudi Arabian Riyals (£307,000) as at 31 July 2021.

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

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 4 November 2021 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA") or any other public funder, to obtain limited assurance about whether the expenditure disbursed and income received by Lincoln College during the period 1 August 2020 to 31 July 2021 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 2020 to 31 July 2021 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

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

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

Reporting accountant's responsibilities for reporting on regularity

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

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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

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 2020 to 31 July 2021 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

RSM UK AUDIT LLP

Chartered Accountants
St Philips Point
Temple Row
Birmingham
West Midlands
B2 5AF

Date 23 December 2021