

**Petroc**  
**Annual report**  
**for the year ended**  
**31 July 2015**

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## **Report of the members of the Corporation for the year ended 31 July 2015**

The members present their report and the audited financial statements for the year ended 31 July 2015.

### **Corporation**

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the activities of a College. In August 2008, North Devon College merged with East Devon College and, with effect from 23 September 2009, the Secretary of State for the Department for Business Innovation and Skills formally approved the change of name of the Corporation and College to Petroc. The College is an Exempt Charity for the purposes of the Charities Act 2011.

### **Public Value/Benefit Statement**

The College aims to lead our community in learning, enterprise and skills; equipping it for the future, economically, socially and culturally. Our Vision is to raise aspirations, realise potential and support success.

In achieving our Mission and Vision we will be:

- Forward thinking
- Inclusive
- Friendly

To meet our communities' needs, and the College's aspirations, our aims and objectives, as outlined in our Strategic Plan, have been designed to deliver outcomes which will meet the identified skills needs of business, communities and individuals across our area to achieve sustainable economic growth; create high quality jobs; and improve quality of life.

In line with strategic economic plans for the wider area, we will continue to contribute towards creating a responsive environment where businesses and individuals can reach their potential through working together to ensure they have the skills to capitalise on our area's distinctive assets.

To achieve this we aim to forge effective dialogue and relationships with all stakeholders to plan our delivery to meet the needs of our communities and to ensure that information on the activities and aspirations of the College is made widely available and reported on annually to our communities.

### **Implementation of Strategic Plan**

In 2015 the College adopted a Strategic Plan for the period 2015-2020:

#### **To meet our learners' needs, we need to:**

- Equip our communities with skills for growth; economically, socially and culturally
- Deliver excellence in providing inspiring learning and personal development opportunities which meet the needs of our businesses, communities and individuals

### **Financial Objectives**

The College's financial objectives are to:

- Maintain and improve financial health through growing income streams, whilst reducing costs through improved efficiency
- Increase resilience of income streams through diversification of activity and exploring new markets for existing activity (International/European/other)

## **Finances**

The College reported an operating deficit of £234,000 (2014: deficit of £587,000) after accounting for a net gain following the surrender of an exceptional onerous lease of £32,000 (2014: loss £193,000) and losses on disposals of £82,000 (2014: £53,000). This includes FRS17 pension adjustments of £602,000 (2014: £675,000) and exceptional redundancy costs incurred of £818,000 (2014: £287,000).

The Balance Sheet reflects an actuarial loss of £2,030,000 (2014: gain £2,722,000) on pension scheme assets in respect of FRS17. The unusually high debtors figure includes a capital prepayment of £3,627,000 in respect of the unused balance of the Advanced Payment Bond; a corresponding entry in respect of capital grant income in advance accounts for the increase in creditors.

Cash and Investment balances have decreased by £695,000 due largely as a result of capital grant expenditure.

Looking forward, the College has prepared a financial plan for the next two years which is based on detailed business plans, informed by 2014/15 activity where appropriate, and taking into account changes to funding body methodology. Provision has been made within the two year forecast for expected demographic changes and the continued reduction in grant funding. If this should prove insufficient, adjustments will be made to expenditure as required. The College continues to seek diversity of income via projects.

## **Treasury Management Policy**

Petroc defines its treasury management activities as:

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

Under Petroc's policy, deposits are restricted to periods not exceeding 12 months with approved institutions only, for amounts up to £3m, and must be authorised by the Vice Principal/Director for Finance and Funding. Any bank overdraft or borrowing facilities require the approval of the Governing Body and shall comply with the requirements of the Financial Memorandum/Funding Agreement between Petroc and the funding bodies.

## **Liquidity**

The existing loans are repayable over periods of up to twenty seven years with final repayment dates being 2037 for a £2m loan, £2.3m ending in 2030, £0.3m ending in 2027, and £1.5m (of the £3m loan fixed November 2010) ending in 2017. Debt servicing costs for the two years equate to just over 900k per annum; the two year financial forecast recognises this challenging schedule by balancing the operating and capital expenditure needs of the College with a requirement to make a modest operating surplus and ensuring an ability to service debt repayments. Going forward, debt servicing costs will start to reduce significantly from 2017/18 when the £3m loan is fully repaid in November 2017.

The net cash inflow from operating activities was £3,555k (2014: £2,553k).

## **Principal Risks and Uncertainties**

The College has continued to strengthen its risk management response throughout the year by improving processes and through continued professional development of staff.

All risks are linked directly to the College Strategic Plan and are rigorously monitored by an appropriate Committee. The risk management system has been further strengthened by the addition of the Board Assurance process, providing further reassurance that risk mitigation and controls are in place.

Strategic risks are regularly reviewed by the Principalship and are presented to the Audit Committee on an annual basis.

The College holds a "Business Continuity Training Event" every two years when risks are reviewed. Any necessary staff development or changes to procedures or services are subsequently put in place. The Risk Review Implementation Plan is reviewed on a regular basis through the Audit Committee.

The main risks to the College relate to uncertainty of future funding streams due to Government austerity measures and accelerated timescales from the SFA regarding capital projects.

The Internal Auditors have access to the College's on-line Risk register and tailor the Audit Plans, with Governors' approval, to the higher level risks identified therein.

### **Accommodation Strategy**

The College's Ten Year Estates Strategy, endorsed by Governors, runs from 2012 to 2022. The key elements of the estates strategy are to provide all learners with excellent teaching and learning facilities. The strategy also seeks to address long standing issues regarding student and staff social space. The identity of the estate and how it supports curriculum and the student experience is a key component of the strategy moving forward; as is the effective and efficient utilisation of space that enables the College to meet the needs of a diverse learner group. The College is committed to operating the estate in a sustainable and efficient manner that will minimise the carbon footprint and enhance the learning experience. Successful completion of the Future Technologies Centre at our Mid Devon Campus has provided an excellent resource for engineering and services based students. The North Devon Campus also saw the completion of its new engineering facility and the significant refurbishment of its automotive provision. Classroom adaptation and developments have also been concluded to further enhance the learner experience.

### **Taxation**

The College is not liable to be charged for Corporation Tax.

### **Employment of Disabled Persons**

The College actively invites applications for employment from disabled persons as a normal element within its recruitment and selection procedures and the College is a registered user of the disability symbol.

Where an existing employee becomes disabled, reasonable adjustments will be made to ensure that employment can continue. The College's Equal Opportunities Policy is aimed at ensuring, wherever it is practicable to do so, identical conditions for disabled employees in relation to all others.

### **Equality, Diversity and Inclusion (EDI)**

The College supports and works proactively to eliminate discrimination in line with the commitments we have outlined in our Equality Objectives.

The College promotes EDI across all the protected characteristics through policy development, monitoring, impact assessments, staff training, equality audits, teaching and learning, diversity events and regular consultations with students, staff and external agencies.

The College's Additional Learning Support Policy outlines the type of learning support which a learner can expect and how they should apply for support. The College and its staff maintain the confidentiality and integrity of all information about individuals by

complying with requirements set out in the Data Protection Act, the Special Educational Needs and Disabilities Regulations 2014, the Special Educational Needs and Disabilities Code of Practice, the Children and Families Act 2014 and the Equality Act 2010.

### **Performance Indicators**

OFSTED inspected the College in March 2012 and we were judged to have 'Outstanding' features and to be 'Good' overall.

### **Value for Money**

The College delivers value for money through its Procurement Strategy, managed by a qualified procurement professional.

### **Student Numbers**

Our 16-18 learner responsive recruitment fell short of the Educational Funding Agency (EFA) allocation; however we met our Skills Funding Allocations (SFA) for Adults and Apprenticeships in full.

### **Curriculum Developments**

The School of Architecture, Construction and the Built Environment:

The School of Architecture, Construction and the Built Environment offers programmes from Level 1 to Level 5 at the Barnstaple, Brannams and Tiverton Campuses. We recruit a broad variety of 14-16 learners from a variety of local schools, 16-18 learners on vocational programmes, apprentices, a small number of HE students, adults studying part-time and a significant number of learners engaged on short course full cost activity.

Our aim has been to create a modern curriculum suited to the needs of a range of local stakeholders. A strong emphasis has been placed on raising the profile of the School through participating in internal and external competitions, this has enabled National Apprentice winners in Brickwork and Plumbing and Architecture and Built Environment Extended Construction Diploma students winning the CIOB competition held at Plymouth University. An Electrical Apprentice participating in the World Skills competition final reached the final three.

The School of Creative Industries:

The School of Creative Industries has consolidated its curriculum offer for 2015/16. The 16-18 offer has been held for Level 2 Diplomas across the three disciplines within the school – Art and Design, Performing Arts and Music Performance and Technology - across the campuses and Level 3 Extended Diplomas in all areas of the school. Opportunities for adults at Brannams and the North Devon Campus have also been consolidated to ensure the delivery of Arts on Prescription programmes and the Access to Higher Education Diploma in Art and Design and we also now offer offsite provision for Arts on Prescription in Bideford.

The school is building upon links with local industries through its Employer Forums in Art and Design, and Music and Performing Arts to seek the views of local employers and create a mutually beneficial dialogue and series of outcomes as a result of the forums. Higher Education was successfully introduced at the Mid Devon Campus for 2014/15 through students transferring within the partnership with Plymouth University in BA (Hons) Fine Art and FdA in Fine Art. The BA (Hons) Professional Development top-up programme successfully ran with a large cohort of Creative Industries students.

The Factory has been refurbished and a new bar has added to the commercial opportunities of the venue. The capacity of the venue has been increased to 800 which

enables us to compete nationally and improve the profile and types of band that can be staged at the Factory.

The School of Creative Industries also managed Recreational and Community Learning Programmes in 2014/15.

The School of Business Manufacturing and Transport:

The School of Business Manufacturing and Transport offers a broad range of full and part-time programmes from Level 1 through to Level 6 BA(Hons). The school's flexible responsive curriculum allows a student to have entered the school without any formal qualifications and to exit as a graduate. Indeed, in September 2015 a former Level 1 Motor Vehicle student having completed a Foundation Degree within the school has now registered for a Phd.

The school constantly seeks to develop a broad, responsive curriculum to suit the requirements of a variety of stakeholders. We recruit learners aged 14-16 from local schools, vocational 16-18 students, apprenticeships, adults enrolled on a variety of professional programmes, as well as significant numbers of HE students. We also offer a range of bespoke full cost programmes to satisfy the needs of local business.

The school has continued to grow in size with 2014/15 seeing a further increase in the number of apprentices and range of apprentice programmes. Support from local business and the sector skills council has enabled the school to introduce Higher Apprenticeships in Computing and Engineering.

The School of Humanities and Science:

We are still operating in a period of rapid and intensive change. 2014/15 was the 2<sup>nd</sup> year of compulsory level 2 Maths and English for post 16 students who don't have grade C. Good progress has been made, especially in English. We are building upon this and adapting the structure of the college so that all of our Foundation Maths and English will be delivered in 2015/16 through a dedicated, specialist cross college team led by a Department Manager for Maths and English and supported by a Curriculum Team Leader for Maths.

Our A Level pass rate remained above 99% for the 4<sup>th</sup> year running while high grades at A Level remain above 50%. Our A Level results plus our excellent A Level value added placed us very highly in the A Level Government Performance Tables in 2014/15. The big challenge for 2015/16 will be to maintain the high quality of our A Levels at a time when the government are introducing wide ranging reforms to the A Level and GCSE examination system.

The 16-18 curriculum offering at Mid Devon Campus was streamlined to enable delivery of a high quality, cost efficient offering. We have been actively working with the Senior Leadership Team at Tiverton High School with the objective of encouraging more learners to continue their post 16 education in Tiverton at Petroc. We are starting to see the benefits of this and it remains a priority.

The Access to HE course was successfully transferred to the new Diploma routes and aligned to provide more coherent progression pathways into our Foundation Degree programmes. Enrolment onto Access to HE courses remains strong, particularly amongst 24+ learners who appear very willing to take our educational loans to cover the course fees and applications for 2015/16 are very encouraging. The Essential Skills team was successfully integrated into the school and, amongst other things, provided a very successful level 2 preparation course for Access to HE. This means that adult learners can now progress within the school from level 2 through to Foundation Degree.

The team also provided a number of GCSE Maths and English courses out in the community for learners who find it hard to access the main campuses. Higher Education numbers remained stable and we introduced a Law with Business Foundation Degree that attracted new learners.

#### The School of Lifestyle:

Each curriculum area within the School of Lifestyle has developed full and engaging learning programmes which maximise opportunities to provide a rich and diverse learning experience for all. All programmes within Lifestyle have a clear route towards a career path, employability skills are an intrinsic element in all programmes.

The school continues to identify, predict and embrace new and emerging industry trends. The development of part time provision at the Mid Devon Campus included level 2 professional cookery, make-up and manicure and sports massage. Distance learning, e-learning and blended learning programmes were established, meeting the needs of a new cohort of learners. There have been increased levels of community activity; Sports Therapy students offered treatment at the 'smugglers' cycle event in Barnstaple and raised funds for the hospice; the Hair Academy Barnstaple supported the local food bank, the 'kiss it better' charity event was supported by the beauty teams at Mid Devon, and Travel and Tourism organised a 'captain's ball' in association with the Brend group, raising over £2000 for charity. The school's employer forums were established and developed throughout the year. Staff development in preparation for the planned level 4 in salon management for hairdressing and beauty included training in micro pigmentation proved to be successful with the successful launch of the Level 4 in Beauty Therapy. The School of Lifestyle enjoyed a development in 14-16 provision, supporting local schools offering catering and hospitality courses. The FLAG project enabled workshops on the preparation and cooking of fish for local employers and apprentices.

In addition, in 2016 the school will move to a purpose built curriculum facility on the North Devon Campus which will provide a world class specialist learning environment meeting the needs of our learners and our local community both now and in the future.

#### The School of Health, Fitness and Supported Learning:

The School of Health, Fitness, and Supported Learning has rationalised its provision in order to be more efficient. The aim is to focus on courses with a track record of high success. The school has had another successful year which has seen many courses progressing towards outstanding with a great improvement in high grade achievement. The continued focus will be on embedding quality throughout the curriculum offer, and using Study Programmes to develop entrepreneurial and enterprise skills to make our students more employable. The key message around the importance of achieving GCSE Maths and English will continue to underpin all that we do. The school has had a second successful year with the Animal Care provision. Higher Education continues to grow under a new Curriculum Team Leader, together with the start of the Animal Conservation degree and a full BA Honours in Health and Social Care HE provides progression opportunities for students at North and Mid Devon campuses.

The provision of the Specific Learning Difficulties and Disabilities section is expanding to meet the needs of local and national Government priorities. The school is working more closely with parents and employers to meet students' needs.

'Project Search' has been very successful again this year with international recognition for the successful employment of this year's cohort. The Internship programmes continue to go from strength to strength providing excellent links with employers and this has led to the creation of an 'employers' forum' for those with disabilities.

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The school is also offering an Activities programme across the whole year for those with disabilities at any age, wrapped around Social Enterprise to meet a need within our community. The Exe Café at the Mid Devon Campus is completed which will continue the excellent progress at Mid Devon around Internships and Social Enterprise.

The school continues to develop its enrichment theme within the school and across college. We have a number of new European residential projects this year, new sports academies in Golf and Surfing as well as offering Sport Maker sessions for 1200 students.

Petroc Direct:

Petroc Direct has established a reputation for flexible and non-traditional programmes delivered in a range of vocational sectors to a broad community of employers, community groups and individuals. The school has continued its engagement and success with both large and small employers, primarily in North and Mid Devon. All employer-based programmes are designed to respond effectively to business need as well as individual needs leading to greater productivity, promotion and sustained employment. The school has been creative in utilising a range of funding streams to maximise the impact. We are now in a position to offer a broad range of learning opportunities to meet individual need through short courses, distance learning and work based learning.

This year the work force development team grew adult apprenticeships from 38 new starts in 2013/14 to 97 new starts in 2014/15. They have also developed excellent relationships and delivered substantial training to new large regional firms such as Sodexo, Norseland and Westaway Sausages, Bako Western, Philip Dennis, Cancer Research and the National Autistic Society. In addition, we have engaged with over 70 new organisations and grown income from 16-18 apprenticeships by £56k.

Partnership work with other local providers has seen a dramatic improvement in 'breaking the cycle of unemployment'. Through collaborative work with local delivery partners and the JCP, the initiative has ensured maximum use is made of the skill sets and resources of local providers and is joined up to meet the need of those furthest from the labour market, it has identified clear progression pathways to jobs and ensured that the network of intervention services are appropriately engaged. The programme includes 1:1 support, employability skills and job clubs. Over 800 unemployed individuals were supported this year. This model has been rolled out to other areas of Devon and Cornwall and beyond.

The Foundation Learning Programme supported 365 16 – 18 learners through a variety of programmes such as Entry to Employment, Guidance and Transition, Career Skills, the Princes Trust programme and Traineeships. These programmes are tailored to individual need and essential in ensuring young people and adults have an alternative progression pathway to further study or training, apprenticeships and/or employment.

On line learning increased significantly through 2014/15, with over 3,500 student enrolments on qualifications such as Level 2 certificate in Mental Health Awareness and Level 2 certificate in Understanding Nutrition and Health with success rates over 90%.

### **Student Achievements**

Members of the Corporation are pleased to report another successful year for students at the College.

The overall 16-18 years pass rate for A Levels was 99%, with 51% of subject entries achieving a grade A\*/A/B. The pass rate for Extended Diplomas and National Diplomas is 98% with 70% of learners achieving distinction profiles. Learners throughout the

college studying vocational programmes at all levels have also been very successful at the College. Further details are available on the College's website and through the library.

The College, through its self-assessment process, continues to set improvement targets in relation to retention and achievement; the aim is to secure outstanding results and help learners who attend Petroc to reach their potential in all subjects across all areas.

### **Staff and Student Involvement**

The College supports an active Student Union, has a Student Sabbatical Officer and maintains communication with students via a regular tutor information sheet, 'You Said We Did' noticeboards and various events including theme weeks.

The College is using 16-18 bursary funds, Learner Support and Free School Meals funds to alleviate the financial burden on learners as much as possible within government guidelines.

In relation to staff, the College fosters their participation in strategic planning and quality assurance processes and maintains effective communications via specialist events/conferences, various research initiatives, regular weekly bulletins and structured team briefings.

The College also regularly uses working groups of relevant staff to address specific issues and make recommendations for Senior Management Team consideration.

The College holds various kitemarks such as Investors in People and Matrix accreditation. These recognise the collaboration between staff and students helping to ensure that the needs of the learners and staff are met or considered in line with the principles of Ofsted.

The College promotes student involvement by holding student forums each term. These provide an opportunity for all tutor groups, via an elected representative, to have dialogue with the Principalship. Feedback on issues raised and how they have been resolved is provided via various communication channels.

The College is keen to celebrate student and staff success and seizes every opportunity to share such good news across the community.

### **Payment Performance**

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1 August 2014 to 31 July 2015, the College paid 81% of its invoices within 30 days (year ended 31 July 2014 – 76%). Every effort is being made to maintain improvement in this area.

The College incurred no interest charges in respect of late payment for this period.

### **Events**

2014/2015 was another exciting academic year for Petroc events and celebration of learner achievement.

The year started with a Campus Showcase, which included the opening of new facilities and also the development of central learning and resource space. Freshers Week and Diversity Week are two high points within the year with many other supportive and engaging events inspiring learners to be engaged in cross college collaboration.

In October the annual Higher Education graduation took place, with over 100 Petroc graduates proudly parading through Barnstaple town centre to celebrate finishing their degrees.

Throughout the year each school held award ceremonies to recognise and celebrate the outstanding achievements of our learners on a wide range of courses. These engaging events provide an excellent moment to reflect on the achievement of personal goals and to share in the experiences of onward progression into education or employment.

The Chef of the Year competition was held in the spring and received a fantastic response from the catering students. The judges were highly impressed with the quality and professionalism of our students.

Prospective students enjoyed open events, taster days and discovery days during the year and dedicated events for Higher Education and Apprenticeship recruitment pulled in large crowds.

Over the summer Petroc was out and about in the local community, raising awareness and promoting the College's courses and facilities. Some of the events that were attended include Oceanfest, Mid Devon Show, North Devon Show and Tiverton Balloon Festival.

### **Projects**

In academic year 2014/15 we delivered 36 different projects. The total value of projects was £19.8 million with an in year budget of £6.6 million. The delivery of projects involved over 60 provider partners. This year saw the end of the current 6 year ESF funding cycle and the completion of all current ESF contracts including JET, Work Placed Learning, Flexible Fund for the Unemployed where we are lead accountable body contract and other contracts where we are a sub-contractor. Working closely with Bridgwater College on the ESF Skills Support for Hinkley Petroc delivered a wide range of training to support SME's preparing to engage in the Hinkley supply chain. The quality of the training we delivered strengthened our employer engagement and enhanced our position as a key training skills provider in the region for Hinkley C and other large scale capital infrastructure projects.

Other activity included an ESF partner conference: ESF in Action in October 2014. Promotional activity at the National & Regional skills shows. As part of the partnership with Bridgwater College we held Hinkley C supply chain events at the Tiverton Campus and Sandy Park, Exeter. We also held two project celebration events at Tiverton and Barnstaple in June 2015. We also secured funding to support staff delivering apprenticeships and to support development of social enterprises and internships for LLDD students which included a well-attended regional conference: Unlocking Potential.

The National Citizen Service contract has involved 2000 young people participating in social action projects throughout the South West. The consortium, led by Petroc, comprises 19 public and voluntary sector organisations. The project delivered in excess of 55,000 hours of social action and voluntary activity valued at over £200,000.

The Erasmus + funded Petroc Go projects enabled 100 students and 22 staff from the School of Health and Fitness to participate in work experience in France, Austria, Romania, Sweden and the Netherlands. The Leonardo funded FAST CAR project supported 11 students and 2 staff from the automotive sector to undertake a 2 week work placement in Barcelona.

**New Bids Secured 2014/15**

<b>Funding Stream</b>	<b>Project</b>
Boshier Hinton Foundation	Willow Coppice Project
Ernest Cook Trust	Willow Coppice Project
Prince's Countryside Fund	Land Rover Bursary Scheme
DfE Shared Learning Grant	Sharing Innovation Approaches and Overcoming Barriers to Delivering the Study Programme Principles
Plymouth and South West Peninsula City Deal	Personalised Caseworker Service – Lot 1
JCP Flexible Support Grant	Income Support Lone Parents
SFA/ECU Equality and Diversity Good Practice Fund	Pathways to Apprenticeships
Devon County Council	Buildings Based Day Services
Erasmus+ Strategic Partnerships	European Pathways to Employment for Disabled Young People
EU LLP Leonardo Transfer of Innovation	ENTEUR
Big Lottery Awards for All	Liberty Social Enterprise
Plymouth University Academic Partnerships	A viable future for part-time Higher Education
Society for General Microbiology/Microbiology in Schools Fund	Good Bugs & Bad Bugs After School Club
ESF	Flexible Fund for the Unemployed
Education & Training Foundation	Apprenticeship Staff Support Programme
ESF	Skills Support for Hinkley
Erasmus+ KA1 Mobility	Petroc Go!
Erasmus+ KA1 Mobility	Petroc Go! Chinon
Active Citizens	Talk About Respect

**Current Projects Live 2014/15**

<b>Funding Stream</b>	<b>Project</b>
ESF Competitiveness Co-Financed (2007 – 2013)	Workplace Learning 1-999 Workplace Learning 1000+ Skills Support for Redundancy Jobs Education and Training (JET) Devon Jobs Education and Training (JET) Somerset Skills Support for the Workplace Skills Support for the Workplace LRF Skills Support for Hinkley Flexible Fund for the Unemployed
ESF Convergence Co-financed (2007-2013)	Skills Support for the Unemployed Skills Support for the Workplace (SSW) SSW: Virtual Training SSW: Engagement
Leonardo	French and Spanish Training in Commercial Automotive Repairs (FAST CAR) Supporting Tag Rugby through Initial Vocational Education II (STRIVE) Devon-Austria Volleyball Exchange (DAVE) Multi Communication Art Project (MCAP) European Partners for Energy Performance (EPEP)

Petroc

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Sport England	College Sport Maker
INTERREG	Libnam
Other Grants	National Citizen Service 2013+ National Citizen Service 2015 The Youth Contract Tipping the Scales (FLAG) Apprenticeship Staff Support Programme (x2) Personal Mentor Network Study Programme – Best Practice EDI Best Practice JCP Lone Parent Flexible Support STEM Liberty Willow Seafood Academy

Petroc

**Professional Advisers**

**Statutory Auditors**

Mazars LLP  
90 Victoria Street  
Bristol  
BS1 6DP

**Internal Auditors**

Baker Tilly Risk Services LLP  
Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6AD

**Bankers**

Lloyds  
Barclays

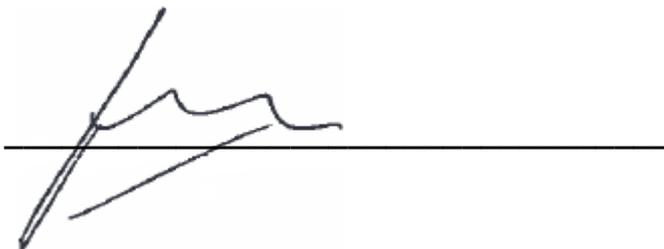
**Solicitors**

Slee Blackwell  
Clarke Willmott  
Ashfords

Approved by order of the Corporation on 9 December 2015 and signed on its behalf by:

**Chair of Governors**

**Paul Petrides**

A handwritten signature in black ink is written over a solid horizontal line. The signature is stylized and appears to be 'Paul Petrides'. The line extends across the width of the signature.

## Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the Governors, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector; and it has complied throughout the year ended 31 July 2015 and up to the date of approval of the financial statements. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted on 12 December 2011. The college has recently adopted the Code of Good Governance for English Colleges for 2015/16 and will report against this in its 2015/16 Accounts.

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 they have 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 (Governors) who served on the Corporation during the year and up to the date of signature were as listed in Table 1.

**Table 1: Governors serving on the College Board during 2014/15**

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committee Membership	Attendance
Mr J Andrew	01/09/2013	3 years		External	Audit, Remuneration, Selection	100%
Mr M Chance	01/09/14	3 years		External	Tenders and Contracts	90%
Mr S Cooper	01/09/14	3 years		External	Selection	70%
Ms C Curzon	05/10/2015	1 year		Student		n/a
Mrs R Day	01/09/2013	3 years		External	Remuneration, Search and Governance, Selection, Tenders and Contracts	100%
Mrs D Dimond	01/04/15	N/A		Principal	Disciplinary, Search and Governance, Selection, Tenders and Contracts	100%

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Mr D Dodd	01/01/2005	N/A	31/03/15	Principal	Disciplinary, Search and Governance, Selection, Tenders and Contracts	100%
Mrs L Elliott	01/12/2013	3 years		Staff		80%
Mr D Gibson	01/09/2012 Re-appt 01/09/15	3 years		External	Appeals, Search and Governance, Selection	83%
Mr M Gimber	25/03/2013	3 years		External	Audit, Remuneration, Selection, Tenders and Contracts	62%
Mr A Lovett	01/09/2012	3 years	31/08/15	External	Selection	30%
Mr A Mosedale	17/06/2013	3 years		External	Appeals, Remuneration	69%
Mr L Norburn	10/12/2012	3 years		Staff		80%
Mr P Petrides Chair	01/09/2013	3 years		External	Remuneration, Search and Governance, Selection, Tenders and Contracts	87%
Mr A Pierce	01/09/14 Re-appt 01/09/15	1 year		External	Audit, Remuneration, Search and Governance, Selection, Tenders and Contracts	100%
Ms J Prylinska	29/09/14	1 year	31/08/15	Student		100%
Mrs P Stein	01/09/2012 Re-appt 01/09/15	1 year		External	Appeals, Tenders and Contracts, Search and Governance	73%
Mr O Tuck		1 year	31/08/15	Student		57%
Dr E Williams	01/09/2013	3 years		External	Audit, Selection	77%

Mrs S Lewry acted as Clerk to the Corporation during the year.

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The Instrument and Articles of Government permit the appointment of up to 16 members “who appear to the Corporation to have the necessary skills to ensure that the Corporation carries out its functions under article 3 of the Articles of Government”. For ease of reference, these are designated as “External” members in the list above.

The maximum complement of members of the Corporation of Petroc is 16 which is made up of 11 External members, the Principal, 2 Staff Governors and 2 Student Governors. 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 three times per term. In 2014/2015 it met on 11 occasions (2013/14 it met on six occasions).

During 2014/2015 the Corporation conducted its business through a number of committees. Each committee had terms of reference, which have been approved by the Corporation. The committees were Appeals, Audit, Remuneration, Search and Governance, Selection and Tenders and Contracts. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Petroc  
Old Sticklepath Hill  
Barnstaple  
Devon  
EX31 2BQ

Once approved, they are also available on the College website [www.petroc.ac.uk](http://www.petroc.ac.uk).

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

All members of the Corporation 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 compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

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

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. There is a clear division of responsibility in that the roles of the Chair of the Corporation and the Principal of the College are separate.

### **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee, comprising 7 members, which is responsible for the selection and nomination of external members 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.

### **Remuneration Committee**

Throughout the year ending 31 July 2015, the College's Remuneration Committee comprised 6 members of the Corporation. The committee's responsibilities are to review and make decisions on the remuneration and benefits of senior post holders (the Principal, Deputy Principal and Vice Principal/Director for Finance and Funding) and the Clerk to the Corporation and to advise the Principal on the remuneration of other members of the College's Senior Management Team. Details of remuneration for the year ended 31 July 2015 are set out in note 7 to the financial statements.

### **Audit Committee**

The Audit Committee comprises at least three members of the Corporation (excluding the Principal and Chair). In 2014/15 there were five members. The committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's Internal and Financial Statements Auditors (including their work on regularity) who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the Funding Bodies as they affect the College's business.

The College's Internal Auditors monitor 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 that such recommendations have been implemented.

The Audit Committee also advised the Corporation on the appointment of Internal and Financial Statements Auditors and their remuneration for both audit and non-audit work.

### **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 to the Principal, as Accounting Officer, the day-to-day responsibility 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 they are personally responsible, in accordance with the responsibilities assigned to the Principal in the Financial Memorandum between the College and the Skills Funding Agency (SFA). The Principal is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

*The purpose of the system of internal control*

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Petroc for the year ended 31 July 2015 and up to the date of approval of the financial statements.

*Capacity to handle risk*

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2015 and up to the date of approval of the 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:

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

The College has an Internal Audit Service which operates in accordance with the requirements of the Joint Audit Code of Practice. The work of the Internal Audit Service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans 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. At a minimum annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

*Review of effectiveness*

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's 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 and Regularity Auditors in their management letters and other reports.

The Principal has been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the Internal Auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The appropriate managers and the Audit Committee also receive regular reports from Internal Audit, 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 College management and the Audit Committee, which also reviews the Strategic Risk Management and Board Assurance Plan at each of its termly meetings. The Board Assurance Framework adopted, which complements the College's existing risk management procedures, enables the Committee to assess what controls are in place, how these controls are monitored and whether they are sufficient to support the Board's and Accounting Officer's roles and responsibilities in providing the assurances required to be given. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2015 meeting the Corporation carried out the annual assessment for the year ended 31 July 2015 by considering the Annual Report of the Internal Auditors, the Annual Report of the Audit Committee (including the Risk Management Report), the Board Assurance Framework and the Financial Audit Summary, and taking account of events since July 2015. Following consideration the Board is of the opinion that it has adequate and effective governance, risk management and control processes to manage the achievement of its statutory responsibilities for the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets. From a review of its performance the Board has assessed its performance as 'Good' during 2014/15.

*Regularity, propriety and compliance*

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

We confirm, on behalf of the Corporation, that after due enquiry and to the best of its knowledge, the Corporation believes it is able to identify any material irregularity or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's Financial Memorandum. We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement these will be notified to the Skills Funding Agency.

**Going Concern**

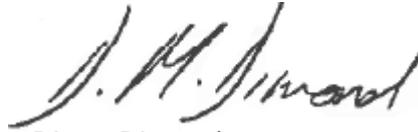
After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements.

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

A handwritten signature in black ink, appearing to read 'Paul Petrides', with a stylized, sweeping flourish at the end.

Paul Petrides  
Chair

A handwritten signature in black ink, appearing to read 'Diane Dimond', with a stylized, sweeping flourish at the end.

Diane Dimond  
Principal

9 December 2015

## **Statement of the responsibilities of the Members of the Corporation for the year ended 31 July 2015**

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

Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency (SFA) and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year, in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and with the Accounts Direction issued by the Skills Funding Agency (SFA), and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements the Corporation is required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare financial statements on a going concern basis unless it is inappropriate to assume that the College will continue in operation.

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

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It has general responsibility for taking such steps that are reasonably open to it to safeguard assets of the College and to prevent and detect fraud and other irregularities.

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

### **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.

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 SFA are used only in accordance with the Financial Memorandum with the SFA and any other conditions that the SFA may from time to time prescribe. Members of the Corporation must ensure that

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there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure that they are used properly. In addition, members of the Corporation are responsible for securing the economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds by the SFA are not put at risk.

Approved by order of the members of the Corporation on 9 December 2015 and signed on its behalf by:

A handwritten signature in black ink, consisting of several fluid, connected strokes. The signature starts with a sharp upward stroke on the left, followed by a series of peaks and valleys, ending with a horizontal line on the right.

Paul Petrides  
Chair

9 December 2015

## **Independent auditor's report to the Corporation of Petroc**

We have audited the financial statements of Petroc for the year ended 31 July 2015 which comprise the Income and Expenditure Account, the Statement of Historical Cost Surpluses and Deficits, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Corporation as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required 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 College and the Corporation as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Members of the Corporation of Petroc and auditors**

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 20, the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Institution's affairs as at 31 July 2015 and of the Institution's deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept; or

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



Richard Bott (Senior Statutory Auditor)

For and on behalf of Mazars LLP, Chartered Accountants (Registered Auditors)

90 Victoria Street

Bristol

BS1 6DP

Date: 11/12/2015

The maintenance and integrity of the Petroc website is the responsibility of the Corporation; 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.

## Income and expenditure account for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
<b>Income</b>			
Funding body grants	2	26,323	24,915
Tuition fees and education contracts	3	4,210	3,970
Other income	4	5,469	6,879
Investment income	5	58	54
<b>Total income</b>		<b>36,060</b>	<b>35,818</b>
<b>Expenditure</b>			
Staff costs (including FRS 17 charges of £393,000 (2014, £225,000))	6	19,939	20,294
Exceptional staff costs	6	818	287
Other operating expenses	8	12,787	12,751
Depreciation		2,144	2,026
Interest and other finance costs (including FRS 17 charges of £209,000 (2014 £450,000))	9	556	801
<b>Total expenditure</b>		<b>36,244</b>	<b>36,159</b>
<b>(Deficit) after depreciation of assets at valuation before exceptional items</b>		<b>(184)</b>	<b>(341)</b>
<b>Loss on disposal of assets</b>		<b>(82)</b>	<b>(53)</b>
<b>Lease Costs</b>	11	32	(193)
<b>(Deficit) after depreciation of assets at valuation and exceptional items</b>		<b>(234)</b>	<b>(587)</b>

All operations are continuing.

## Note of Historical Cost Surpluses and Deficits for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
(Deficit) on continuing operations after depreciation of assets at valuation and disposal of assets		(234)	(587)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amounts	19	274	274
<b>Historical cost surplus/(loss) for the year</b>		40	(313)

## Statement of Total Recognised Gains and Losses for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
(Deficit) on continuing operations after depreciation of assets at valuation and disposal of assets		(234)	(587)
Actuarial (loss)/gain in respect of pension scheme	21	(2,030)	2,722
<b>Total recognised (losses)/gains related to the year</b>		(2,264)	2,135

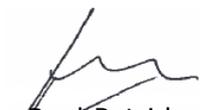
### Reconciliation

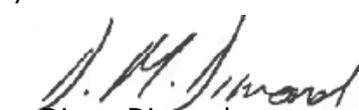
Opening reserves		9	(2,126)
Total recognised (losses)/gains for the year		(2,264)	2,135
<b>Closing reserves</b>		(2,255)	9

**Balance sheet as at 31 July 2015**

	Note	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Tangible assets	12	35,506	30,287
Intangible assets – negative goodwill	30	(3,120)	(3,231)
		32,386	27,056
<b>Current assets</b>			
Stocks		53	48
Debtors	13	5,334	2,346
Investments		2,000	3,534
Cash at bank and in hand		4,156	3,317
		11,543	9,245
<b>Creditors: amounts falling due within one year</b>	14	(9,341)	(7,637)
<b>Net current assets</b>		2,202	1,608
<b>Total assets less current liabilities</b>		34,588	28,664
Creditors: amounts falling due after more than one year	15	(4,977)	(5,833)
Provision for liabilities	17	(1,165)	(582)
<b>Net assets excluding pension liability</b>		28,446	22,249
Net pension liability	21	(16,510)	(13,878)
<b>Net assets including pension liability</b>		11,936	8,371
<b>Deferred capital grants</b>	18	14,191	8,362
<b>Reserves</b>			
Income and expenditure account excluding pension reserve		9,730	9,088
Pension reserve	21	(16,510)	(13,878)
Income and expenditure account including pension reserve	20	(6,780)	(4,790)
Revaluation reserve	19	4,525	4,799
<b>Total reserves</b>		(2,255)	9
<b>Total funds</b>		11,936	8,371

The financial statements on pages 24 to 54 were approved by the Corporation on 9 December and were signed on its behalf by:

  
Paul Petrides  
Chair

  
Diane Dimond  
Principal

## Cash flow statement for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
<b>Net cash inflow from operating activities</b>	22	3,555	2,553
Returns on investments and servicing of finance	23	(263)	(273)
Capital (expenditure)/receipts	23	(3,380)	105
Management of liquid resources	23	1,534	(1,028)
Financing	23	(607)	(536)
<b>Increase in cash for the year</b>		839	821

# Notes to the financial statements for the year ended 31 July 2015

## 1 Accounting policies

### Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

### Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable Accounting Standards in the United Kingdom. They conform to the *Accounts Direction for 2014-15 Financial Statements*.

### Deviation from Accounts Direction

The SORP and UK Generally Accepted Accounting Principles (UK GAAP) differ in their requirements for the treatment of negative goodwill from the guidance set out in the SFA's Accounts Direction handbook.

The SORP follows UK GAAP treatment and includes full adoption of FRS 6, FRS 7 and FRS 10. The SORP requires that on acquisition the identifiable assets and liabilities of the institutions or entities acquired should be measured at fair value that reflect the conditions on acquisition and should be included in the acquiring institution's consolidated balance sheet. Negative goodwill up to the fair values of the non-monetary assets acquired should be recognised in the income and expenditure account in the periods in which the non-monetary assets are recovered, whether through depreciation or sale.

The Accounts Direction handbook states that it would be inappropriate to treat the fair value of the dissolved College's net assets acquired as negative goodwill. Instead, the transfer should be accounted for in substance as a gift and recommends that the "gift" should be shown in the statement of recognised gains and losses (STRGL) in the period in which the acquisition occurs.

The College has followed the requirements of the UK GAAP and the SORP in accounting for negative goodwill.

### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

### Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cash flow, liquidity and borrowings are described in the financial statements and accompanying notes.

The College currently has £5.5m of unsecured loans outstanding with Barclays Bank PLC. The College's forecasts and financial projections indicate that it will be able to operate within the current terms of the loan covenants for the foreseeable future.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its financial statements.

### **Recognition of income**

Income from research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned in the period. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Recurrent grant income receivable from the SFA and EFA is recognised in line with the latest estimates of grant receivable for an academic year. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end, and the results of any funding audits.

Income from tuition fees is recognised in the period for which it is received and includes all fees chargeable to students or their sponsors.

### **Post-retirement benefits**

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme ("TPS") and the Local Government Pension Scheme ("LGPS"). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme.

#### **TPS**

Contributions to the TPS are charged to the income and expenditure 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 payrolls. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

#### **LGPS**

The LGPS assets are measured using bid values. The scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the College's defined benefit pension scheme expected to arise from employee service in the period is charged to staff costs. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in investment income / interest payable. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

The pension scheme's surpluses to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet.

### **Enhanced Pensions**

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to the provision in the balance sheet using the enhanced pension spreadsheet provided by the SFA.

### **Tangible fixed assets and depreciation**

#### *Land and buildings*

Land and buildings inherited from the local education authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Land and buildings acquired since incorporation are included in the balance sheet at historic purchase cost less accumulated depreciation. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College. Leasehold building improvements are depreciated over the life of the lease.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of fixed asset may not be recoverable.

#### *Assets under construction*

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

#### *Equipment*

Generally equipment costing less than £2,000 per individual item is written off to the income and expenditure account in the period of acquisition. Equipment inherited from the local education authority is included in the balance sheet at valuation. All other equipment is stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Equipment is depreciated over its useful economic life as follows:

Fixtures, fittings and general equipment	20% per year on a straight line basis
Computer equipment	25% per year on a straight line basis

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

### **Intangible Fixed Assets**

The College has followed acquisition accounting rules to account for the merger with East Devon College (see note 30), with the resulting negative goodwill treated as an intangible fixed asset. The balance is being released to the income and expenditure account over a period of 35 years, consistent with the lifetime of the non-monetary assets acquired.

### **Investments**

Investments include sums on short-term deposits with recognised banks.

### **Leased assets**

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

### **Stocks**

Stocks consist of consumables. Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

### **Maintenance of premises**

The cost of routine corrective maintenance is charged to the income and expenditure account in the year in which it is incurred.

### **Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

### **Taxation**

As an Exempt Charity the College benefits by being broadly exempt from Corporation Tax on income it receives from tuition fees, interest and rents.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible assets as appropriate.

### **Liquid Resources**

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

### **Provisions**

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 a reliable estimate can be made of the amount of obligation.

### **Agency arrangements**

The College acts as an agent in the collection and payment of Discretionary Support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in Note 29, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

## 2 Funding body grants

	<b>2015</b> <b>£'000</b>	2014 £'000
Recurrent grant	21,505	22,811
Non recurrent grant	4,284	1,723
Releases of deferred capital grants	534	381
	<b>26,323</b>	<b>24,915</b>

## 3 Tuition fees and education contracts

	<b>2015</b> <b>£'000</b>	2014 £'000
Tuition fees	3,285	3,125
Education contracts:		
Higher education (HE) income	207	274
Local Authorities and schools	718	571
	<b>4,210</b>	<b>3,970</b>

During the year the College provided bursaries of £21,385 (2014: £28,673).

## 4 Other income

	<b>2015</b> <b>£'000</b>	2014 £'000
European grant income	248	311
Other grant income	2,932	4,501
Other income	2,289	2,067
	<b>5,469</b>	<b>6,879</b>

## 5 Investment income

	<b>2015</b> <b>£'000</b>	2014 £'000
Interest receivable	58	54

## 6 Staff costs

The average number of persons (including senior post holders) employed by the College during the year, expressed as full-time equivalents, was:

	<b>2015 Number</b>	2014 Number
Teaching staff	328	348
Non-teaching staff	293	309
	621	657

	<b>2015 £'000</b>	2014 £'000
<b>Staff costs for the above persons:</b>		
Wages and salaries	16,302	16,701
Social security costs	1,057	1,113
Other pension costs (including FRS 17 adjustments of £393,000 (2014: £225,000))	2,567	2,419
<b>Payroll sub total</b>	<b>19,926</b>	<b>20,233</b>
Contracted out staffing services	13	61
	19,939	20,294

There was no general pay award from 1 August 2014 (2013 was £282 or 0.7% depending on salary)

### Exceptional Staff Costs

Costs of £818,539 (2014: £287,251) relate to a number of redundancies arising from an efficiency review and are in addition to the figures given above.

The number of staff, including senior post-holders and the Principal, who received emoluments excluding pension contributions, but including benefits in kind in the following ranges was:

	<b>Year ended 31 July 2015</b>	<b>Year ended 31 July 2014</b>
	<b>Number senior post- holders</b>	<b>Number senior post- holders</b>
£60,001 to £70,000	4	3
£70,001 to £80,000	1	1
£80,001 to £90,000	-	1
£90,001 to £100,000	1	1
£100,001 to £110,000	1	-
£130,001 to £140,000	-	1
£140,001 to £150,000	1	-
	<u>8</u>	<u>7</u>

## 7 Senior post-holders' emoluments

Senior post-holders are defined as the Principal, the Deputy Principal/Director for Quality and Performance and the Vice Principal/Director for Finance and Funding who are appointed by the Corporation in accordance with the articles of government of the College and other members of the Senior Management Team.

	<b>2015 Number</b>	2014 Number
The number of senior post-holders including the Principal	15	15
	<b>2015 £'000</b>	2014 £'000
Senior post-holders' emoluments are made up as follows:		
Salaries	1,025	1012
Pension contributions	144	145
<b>Total emoluments</b>	<u>1,169</u>	<u>1157</u>

The above emoluments include amounts payable to the Principal who is also the highest paid senior post-holder of:

	<b>2015</b> <b>£'000</b>	2014 £'000
Salary	141	140
Benefits in kind	-	-
Pension contributions	20	20
<b>Total emoluments</b>	<b>161</b>	<b>160</b>

**Emoluments payable to the Acting Principal from 1<sup>st</sup> April 2015**

Salary	37	-
Benefits in kind	-	-
Pension contributions	5	-
<b>Total emoluments</b>	<b>42</b>	<b>-</b>

**Compensation for loss of office paid to former senior post-holders**

Compensation paid to 4 former senior post-holders (2014:1)	76	14
Estimated value of other benefits, including provisions for pension benefits	26	12
	<b>102</b>	<b>26</b>

The members of the Corporation other than the Principal and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

There was no general pay award during the year.

The pension contributions in respect of the Principal and Senior post-holders are in respect of employer's contributions to the Local Government and Teachers Pension Schemes and are paid at the same rate as for other employees.

No costs were incurred during the year (2014: £NIL) in respect of overseas activities.

## 8 Other operating expenses

	<b>2015</b> <b>£'000</b>	2014 £'000
Teaching costs	7,902	7,972
Non-teaching costs	2,707	2,818
Premises costs	2,178	1,961
	<b>12,787</b>	<b>12,751</b>

### Other operating expenses include:

Auditors' remuneration:

- external audit	23	25
- internal audit	23	19
- other services from external auditor	1	-
- other services from internal auditor	-	18
Hire of plant and machinery under operating leases	141	119
Hire of other assets under operating leases	765	739

## 9 Interest and other finance costs

	<b>2015</b> <b>£'000</b>	2014 £'000
On bank loans, repayable wholly or partly in more than 5 years.	316	324
Interest on enhanced pension provision (note 17)	31	27
Pension finance costs (note 21)	209	450
	<b>556</b>	<b>801</b>

## 10 Taxation

The Members do not believe that the College is liable for any Corporation Tax on income arising out of its charitable activities during the year.

## 11 Lease costs

Onerous lease costs have been recognised as an exceptional item. The Colleges obligations in this respect have been analysed as follows:

	<b>2015</b>	2014
	<b>£'000</b>	£'000
As at 31 July 2014	408	285
Onerous lease costs in year	(110)	(70)
Charge in respect of surrender of Tiverton Way lease	(104)	-
Additional net obligation (credited) charged as an exceptional item	(32)	193
<b>As at 31 July 2015</b>	<b>162</b>	<b>408</b>
Due in one year or less	99	123
Due between one and two years	33	127
Due between two and five years	30	128
Due in five years or more	-	30
	<b>162</b>	<b>408</b>

## 12 Tangible assets

	Land and buildings freehold	Equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 31 July 2014	36,494	11,404	2,930	50,828
Transfers	4,276	-	(4,276)	-
Additions	49	593	6,914	7,556
Disposals	(112)	(308)	-	(420)
<b>At 31 July 2015</b>	<b>40,707</b>	<b>11,689</b>	<b>5,568</b>	<b>57,964</b>
<b>Accumulated depreciation</b>				
At 31 July 2014	10,660	9,881	-	20,541
Charge for the year	1,246	767	-	2,013
Accelerated depreciation	242	-	-	242
Disposals	(31)	(307)	-	(338)
<b>At 31 July 2015</b>	<b>12,117</b>	<b>10,341</b>	<b>-</b>	<b>22,458</b>
<b>Net book value</b>				
<b>At 31 July 2015</b>	<b>28,590</b>	<b>1,348</b>	<b>5,568</b>	<b>35,506</b>
At 31 July 2014	25,834	1,523	2,930	30,287
Inherited at valuation	7,698	-	-	7,698
Financed by capital grant	7,617	503	5,568	13,688
Other at cost/valuation	13,276	844	-	14,120
	28,591	1,347	5,568	35,506

Land and buildings were valued at 25 July 1997 at depreciated replacement cost by King Sturge and Co, chartered surveyors. Other tangible fixed assets inherited from the local education authority at incorporation were valued on incorporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £7,698,000 (2014: £7,972,000) have been funded from local education authority sources. Should these assets be sold, the College may be liable, under the terms of its Financial Memorandum, to surrender the proceeds.

If inherited assets had not been valued they would have been included at nil cost.

The transitional rules set out in FRS 15 Tangible Assets have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained.

### 13 Debtors

	<b>2015</b> <b>£'000</b>	2014 £'000
Trade debtors	250	1,365
Prepayments and accrued income	4,025	409
Amounts owed by the SFA	874	410
Other debtors	185	162
	<b>5,334</b>	<b>2,346</b>

Included within prepayments and accrued income is £3,627k (2014 : £NIL) in respect of the unused balance of the Advanced Payment Bond.

### 14 Creditors: amounts falling due within one year

	<b>2015</b> <b>£'000</b>	2014 £'000
Bank loans	634	607
Payments received in advance	4,058	3,374
Trade creditors	1,921	1,784
Other taxation and social security	346	368
Accruals and deferred income	2,047	1,164
Amounts owed to the SFA	156	131
Lease Costs	99	123
Other creditors	80	86
	<b>9,341</b>	<b>7,637</b>

Included within payments received in advance is £3,627k (2014 : £NIL) in respect of capital grant income relating to the unused balance of the Advanced Payment Bond.

## 15 Creditors: amounts falling due after more than one year

	<b>2015</b> <b>£'000</b>	2014 £'000
Bank loans	4,914	5,548
Lease Costs	63	285
	<b>4,977</b>	<b>5,833</b>

## 16 Analysis of borrowing of the College

	<b>2015</b> <b>£'000</b>	2014 £'000
<b>Bank loans</b>		
Repayable as follows:		
- in one year or less	634	607
- between one and two years	639	634
- between two and five years	882	1,292
- in five years or more	3,393	3,622
	<b>5,548</b>	<b>6,155</b>

The loans are from Barclays Bank PLC and are repayable within the period shown. The balance is made up of four separate facility agreements at fixed interest rates varying from 3.89% to 6.51% and a fifth, variable rate loan. All loans are unsecured.

## 17 Provisions for liabilities and charges

	<b>2015</b> <b>£'000</b>	2014 £'000
Provision for termination costs	761	240
Provision for dilapidations – Leisureline House	56	0
Enhanced pension	348	342
	<b>1,165</b>	<b>582</b>

	<b>Provision for termination costs £'000</b>
At 31 July 2014	240
Termination payments made in year	(240)
Net charge to income and expenditure account	761
<b>At 31 July 2015</b>	<b>761</b>

The College has accrued termination costs of £760,950 (2014: £240,415) of staff that have been identified for redundancy as a result of efficiency savings.

	<b>Provision for dilapidations £'000</b>
At 31 July 2014	0
Payments made in year	0
Net charge to income and expenditure account	56
<b>At 31 July 2015</b>	<b>56</b>

The college will exercise a break clause in September 2016 and surrender the Leisureline House property rental lease. A provision of £56,000 has been provided for potential dilapidation costs.

	<b>Enhanced pension provision £'000</b>
At 31 July 2014	342
Pension payments made in the year	(25)
Net charge to income and expenditure account	31
<b>At 31 July 2015</b>	<b>348</b>

The enhanced pensions provision relates to the entitlements of staff taking early retirement under the 1993 incorporation reorganisation programme. This amount represents the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to Petroc of enhanced pension entitlements over the estimated life expectancy of each relevant employee. This provision has been recalculated in accordance with guidance issued by the SFA.

The principal assumptions for this calculation are:	<b>2015</b>	<b>2014</b>
	<b>%</b>	<b>%</b>
Interest rate	3.46	4.06
Net interest rate	1.75	2.25

The provision includes £15,378 (2014: £15,239) in respect of former senior post-holders.

## 18 Deferred capital grants

	<b>SFA</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>grants</b>	<b>£'000</b>
		<b>£'000</b>	
At 31 July 2014	8,229	133	8,362
Cash received	6,341	42	6,383
Released to income and expenditure account	(488)	(20)	(508)
Released to income and expenditure account – accelerated release	(46)	-	(46)
<b>At 31 July 2015</b>	<b>14,036</b>	<b>155</b>	<b>14,191</b>

## 19 Revaluation reserve

	<b>2015</b>	2014
	<b>£'000</b>	£'000
At 1 August 2014	4,799	5,073
Transfer from revaluation reserve to income and expenditure in respect of:		
- depreciation on revalued assets	(274)	(274)
<b>At 31 July 2015</b>	<b>4,525</b>	<b>4,799</b>

## 20 Income and expenditure account

	<b>2015</b>	2014
	<b>£'000</b>	£'000
At 1 August 2014	(4,790)	(7,199)
(Deficit) on continuing operations after depreciation of assets at valuation and exceptional items	(234)	(587)
Transfer from revaluation reserve	274	274
Actuarial (loss)/gain in respect of pension scheme	(2,030)	2,722
<b>At 31 July 2015</b>	<b>(6,780)</b>	<b>(4,790)</b>

## 21 Pensions and similar obligations

The College's employees belong to two principal pension schemes, Local Government Pension Scheme (LGPS) and the Teachers' Pension Scheme (TPS). Both schemes are defined benefit schemes.

<b>Total pension cost for the year</b>	<b>Year ended 31 July 2015 £'000</b>	Year ended 31 July 2014 £'000
TPS: contributions paid	1,231	1,225
LGPS:		
Contributions paid	943	969
FRS17 charge	393	225
Charge to the income and expenditure Account (staff costs)	1,336	1,194
<b>Total Pension Cost for Year (note 6)</b>	<b>2,567</b>	<b>2,419</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuations of the TPS was 31 March 2012 and the LGPS was valued at 31 March 2013.

Contributions amounting to £255,662 (2014 : £266,619) were payable to the scheme at 31 July 2015 and are included within trade creditors.

### Local Government Pension Scheme (LGPS)

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by Devon County Council. The total contribution made for the year ended 31 July 2015 was £1,274,015 (2014: £1,289,259) of which employer's contributions totalled £942,746 (2014: £968,897) and employees contributions totalled £331,269 (2014: £320,362).

For the period from 1 August 2014 to 31 July 2015 the employer contribution was 13.10% (2014: 17.7% and 13.1%).

### FRS 17

The following information is based upon a full actuarial valuation of the Fund at 31 March 2010 updated to 31 July 2015 by a qualified independent actuary. The major assumptions used by the actuary were:

	<b>2015</b>	2014
	<b>%</b>	<b>%</b>
Rate of increase in salaries	4.4	4.5
Rate of increase in pension payment	2.6	2.7
Discount rate	3.8	4.3
Inflation	2.6	2.7

	<b>2015 %</b>	2014 %
Commutation	50	50

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	<b>At 31 July 2015</b>	At 31 July 2014
<i>Retiring today</i>		
Males	22.8	22.7
Females	26.1	26.0
<i>Retiring in 20 years</i>		
Males	25.1	24.9
Females	28.4	28.3

The College's share of the assets and liabilities in the scheme (which is estimated to be 1%) and the expected rates of return were:

	<b>Long-term rate expected 31 July 2015 %</b>	<b>Value at 31 July 2015 £'000</b>	Long-term rate expected 31 July 2014 %	Value at 31 July 2014 £'000
Equities	6.8	13,385	6.8	12,629
Government Bonds	3.4	1,090	3.4	1,161
Property	5.7	2,393	5.7	2,096
Cash	3.2	533	3.2	494
Target Return Portfolio	6.2	3,484	6.2	3,120
Infrastructure	4.0	674	4.0	609
Other Bonds	4.0	1,100	4.0	879
Alternative Assets	6.2	417	6.2	397
Total market value of assets		23,076		21,385
Present market value of schemes liabilities		(39,586)		(35,263)
Net pension liability		(16,510)		(13,878)

The College employs a building block approach in determining the rate of return on fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected rate of return for each asset class over the actual asset allocation for the Fund as at 31 July 2015.

However, for accounting years beginning on or after 1 January 2015, the expected return and the interest cost will be replaced with a single net interest cost which will effectively set the expected return equal to the discount rate. Therefore, to determine the profit and loss charge for the year ended 31 July 2015, the expected returns effective from 1 August 2014 to 31 July 2015 have been used.

**Analysis of the amount charged to income and expenditure account (staff costs)**

	<b>2015</b> <b>£'000</b>	2014 £'000
Curtailments	53	11
Employer service cost (net of employee contributions)	1,289	1,172
<b>Total operating charge</b>	<b>1,342</b>	<b>1,183</b>

**Analysis of pension finance (costs)**

	<b>2015</b> <b>£'000</b>	2014 £'000
Expected return on pension scheme assets	1,327	1,736
Interest on pension scheme liabilities	(1,536)	(2,186)
<b>Pension finance (costs)</b>	<b>(209)</b>	<b>(450)</b>

**Actual return on assets**

	<b>2015</b> <b>£'000</b>	2014 £'000
Expected return on assets	1,327	1,736
Actuarial (loss)/gain on assets	(168)	(9,966)
Actual return on assets	1,159	(8,230)

**Analysis of amount recognised in statement of total recognised gains and losses (STRGL)**

	<b>2015</b>	2014
	<b>£'000</b>	£'000
Actual return less expected return on pension scheme assets	(168)	(350)
Experience gains and losses arising on the scheme liabilities	-	6,351
Changes in the assumptions underlying the present value of the scheme liabilities	(1,862)	(3,279)
<b>Actuarial gain recognised in STRGL</b>	<b>(2,030)</b>	<b>2,722</b>

**Movement in deficit during the year**

	<b>2015</b>	2014
	<b>£'000</b>	£'000
Deficit in scheme at beginning of the year	(13,878)	(15,925)
Movement in year:		
Current service cost	(1,289)	(1,172)
Contributions	949	958
Settlements or curtailments	(53)	(11)
Other finance costs	(209)	(450)
Actuarial gain	(2,030)	2,722
<b>Deficit in the scheme at the end of the year</b>	<b>(16,510)</b>	<b>(13,878)</b>

**Asset and Liability Reconciliation**

	<b>2015</b>	2014
	<b>£'000</b>	£'000
<b>Reconciliation of liabilities</b>		
<b>Liabilities at start of period</b>	<b>35,263</b>	<b>45,292</b>
Fair value of liabilities acquired		
Service cost	1,289	1,172
Interest cost	1,536	2,186
Employee contributions	331	308
Losses on curtailments	53	11
Actuarial (loss) on scheme liabilities	1,862	(12,688)
Benefits paid	(748)	(1,018)
<b>Liabilities at end of period</b>	<b>39,586</b>	<b>35,263</b>

	<b>2015</b> <b>£'000</b>	2014 £'000
<b>Reconciliation of assets</b>		
<b>Assets at start of period</b>	21,385	29,367
Fair value of assets acquired		
Expected return on assets	1,327	1,736
Actuarial (loss)/gain on assets	(168)	(9,966)
Employer contributions	949	958
Employee contributions	331	308
Net benefits paid out	(748)	(1,018)
<b>Assets at end of period</b>	<b>23,076</b>	<b>21,385</b>

#### History of asset values, present value of liabilities and deficit

	<b>2015</b> <b>£'000</b>	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Fair value of assets	23,076	21,385	29,367	24,844	23,932
Present value of liabilities	(39,586)	(35,263)	(45,292)	(43,908)	(38,214)
Deficit	(16,510)	(13,878)	(15,925)	(19,064)	(14,282)

#### History of experiences gains and losses

	<b>2015</b> <b>£'000</b>	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Experience gains / (losses) on assets	(168)	(9,966)	2,837	(938)	5,118
Experience gains / (losses) on liabilities	-	15,967	-	-	(9,640)

The estimated value of employer contributions for the year ended 31 July 2016 is £905,000.

#### Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers

and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

### **The Teachers' Pension Budgeting and Valuation Account**

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. 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 under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

### **Valuation of the Teachers' Pension Scheme**

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation and the subsequent consultation are:

- employer contribution rates were set at 16.48% of pensionable pay (including a 0.08% levy for administration);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations

The new employer contribution rate for the TPS will be implemented in September 2015.

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

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

### **Scheme Changes**

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

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

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no

change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

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

The pension costs paid to TPS in the year amounted to £1,230,456 (2014: £1,224,751).

**SSAP24**

An appropriate SSAP 24 provision in respect of unfunded pensioners' benefits is included in provisions.

**FRS 17**

Under the definitions set out in Financial Reporting Standard 17 Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying (notional) assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS 17 and has accounted for its contribution to the scheme as if it were a defined contribution scheme. The College has set out above the information available on the deficit in the scheme and the implications for the College in terms of the anticipated contribution rates.

## 22 Reconciliation of surplus to net cash inflow from operating activities

	<b>2015</b>	2014
	<b>£'000</b>	£'000
(Deficit) on continuing operations after depreciation of assets at valuation and exceptional items	(234)	(587)
Amortisation of negative goodwill (note 30)	(111)	(112)
Depreciation (note 12)	2,255	2,138
Deferred capital grants released to income (note 18)	(554)	(424)
Loss on disposal of assets	82	53
(Increase)/Decrease in stocks	(5)	7
Interest payable (note 9)	316	324
Pension cost less contributions payable (note 21)	602	675
Decrease in debtors	639	255
Increase in creditors	40	247
Increase in provisions	583	31
Interest receivable (note 5)	(58)	(54)
<b>Net cash inflow from operating activities</b>	<b>3,555</b>	<b>2,553</b>

## 23 Analysis of cash flows for headings netted in the cash flow statement

	<b>2015</b>	2014
	<b>£'000</b>	£'000
<b>Returns on investments and servicing of finance</b>		
Interest received	58	54
Interest paid on bank loans and overdrafts	(321)	(327)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(263)</b>	<b>(273)</b>
<b>Capital receipts/expenditure</b>		
Purchase of tangible assets	(11,321)	(4,675)
Proceeds from sale of tangible assets	1	-
Deferred capital grants received	7,940	4,780
<b>Net cash (outflow)/inflow for capital receipts/expenditure</b>	<b>(3,380)</b>	<b>105</b>

**Management of liquid resources**

Placing of deposits	1,534	(1,028)
<b>Net cash inflow/(outflow) from management of liquid</b>	<b>1,534</b>	<b>(1,028)</b>

**Financing**

Repayments of amounts borrowed	(607)	(536)
Capital element of finance lease rental payments	-	-
<b>Net cash outflow from financing</b>	<b>(607)</b>	<b>(536)</b>

**24 Analysis of changes in net debt**

	<b>At August 2014 £'000</b>	<b>Cash flows £'000</b>	<b>31 July 2015 £'000</b>
Cash at bank and in hand	3,317	839	4,156
Current asset investments	3,534	(1,534)	2,000
	6,851	(695)	6,156
Bank loans due within one year	(607)	(27)	(634)
Bank loans due after one year	(5,548)	634	(4,914)
<b>Total net debt</b>	<b>696</b>	<b>(88)</b>	<b>608</b>

**25 Reconciliation of net cash flow to movement in net debt**

	<b>2015 £'000</b>	2014 £'000
<b>Reconciliation of net cash flow to movement in net debt</b>		
Increase in cash in the year	839	821
Cash outflow regarding secured loans	607	536
Cash outflow regarding finance leases	-	-
Cash (inflow)/outflow from liquid resources	(1,534)	1,028
Movement in net debt in year	(88)	2,385
Net debt at 1 August 2014	24	696
<b>Net debt at 1 August 2015</b>	<b>608</b>	<b>696</b>

## 26 Financial commitments

At 31 July 2015 the College had annual commitments under non-cancellable operating leases as follows:

	<b>2015</b>	2014
	<b>£'000</b>	£'000
<b>Land and buildings</b>		
- expiring within one year	-	-
- expiring within two to five years inclusive	236	191
- expiring after five years	539	582
	<b>775</b>	<b>773</b>
<b>Other</b>		
Expiring within the year	37	47
Expiring within two to five years inclusive	87	92
	<b>124</b>	<b>139</b>

## 27 Capital commitments

	<b>2015</b>	2014
	<b>£'000</b>	£'000
Commitments contracted for at 31 July	1,279	11,264

## 28 Related party transactions

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £3,000; 6 Governors (2014: £2,000; 8 Governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and events in their official capacity.

## 29 Access Funds and Residential Bursaries

	<b>2015</b> <b>£'000</b>	2014 £'000
Funding Council Grants	1,182	1,050
Higher Education (HE) income	-	18
Interest earned	-	1
	<b>1,182</b>	<b>1,069</b>
Disbursed to students	(1,115)	(982)
HE Bursaries	-	(18)
Staffing	(23)	(23)
Administration costs	(46)	(43)
<b>Balance unspent and repayable at 31 July</b>	<b>(2)</b>	<b>3</b>

Included within trade creditors is £186,135 (2014: £124,433) of money allocated but not yet paid across to students as at the year end.

Funding Council and HE access fund grants are available solely for students; the College acts only as a paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

### 30 Negative goodwill

On 1 August 2008, North Devon College merged with East Devon College, to form the subsequently renamed Petroc. The assets and liabilities of East Devon College were transferred at fair value on 1 August 2008. East Devon College was dissolved as a separate entity.

The College has used acquisition accounting to account for the merger, with the negative goodwill treated as an intangible fixed asset, amortised over 35 years.

<b>Negative Goodwill</b>	<b>£'000</b>
<b>Valuation</b>	
At 31 July 2014	3,900
<b>At 31 July 2015</b>	<b>3,900</b>
<b>Accumulated Amortisation</b>	
At 31 July 2014	669
Written back in year	111
<b>At 31 July 2015</b>	<b>780</b>
<b>Net Book Value</b>	
At 31 July 2014	3,231
<b>At 31 July 2015</b>	<b>3,120</b>

## **Independent Auditor's Report on Regularity to the Corporation of Petroc ('the Corporation') and the Chief Executive of Skills Funding**

In accordance with the terms of our engagement letter dated June 2015 and further to the requirements of the Chief Executive of Skills Funding, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure and income of Petroc ('the College') for the year ended 31 July 2015 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the Corporation and the Chief Executive of Skills Funding. Our review work has been undertaken so that we might state to the Corporation and the Chief Executive of Skills Funding those matters we are required to state to them 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 and the Chief Executive of Skills Funding, for our review work, for this report, or for the opinion we have formed.

### **Respective responsibilities of the Members of the Corporation of Petroc and Auditors**

The College's Corporation is responsible, under the requirements of the Further and Higher Education Act 1992, subsequent legislation and related regulations, for ensuring that expenditure and income are applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework issued by the Learning and Skills Council ('the LSC'). We report to you whether, in our opinion, in all material respects, the College's expenditure and income for the year ended 31 July 2015 have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Basis of opinion**

We conducted our review in accordance with the Audit Code of Practice and the Regularity Audit Framework issued by the LSC. Our review included examination, on a test basis, of evidence relevant to the regularity and propriety of the College's income and expenditure.

### **Opinion**

In our opinion, in all material respects the expenditure and income for the year ended 31 July 2015 have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.



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