

Petroc
Annual report
for the year ended 31 July 2016

Petroc

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Report of the members of the Corporation for the year ended 31 July 2016

The members present their report and the audited financial statements for the year ended 31 July 2016.

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 £431,000 (Restated 2015: deficit of £731,000). This includes pension charges of £1,157,000 (Restated 2015: £1,007,000) and fundamental restructuring costs incurred of £290,000 (2015: £818,000).

The Balance Sheet reflects an actuarial loss of £5,906,000 (Restated 2015: loss of £1,625,000) on pension scheme assets in respect of FRS102 (28).

Cash and investment balances have decreased by £2,376,000 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 2015/16 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 ongoing changes in grant funding. If this should prove insufficient, adjustments will be made to expenditure as required. The College continues to seek to diversify income.

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 Finance and Resources. 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 £1,587k; 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 £802k (2015: £3,555k).

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 Executive Management Team 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 policy changes.

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 objective of the estates strategy are to provide all learners with excellent teaching and learning facilities. 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. The College continues to upgrade and adapt its estate and has completed new facilities for Future Technologies in Mid Devon and new centres for Engineering, Automotive and Lifestyle at North Devon to 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 people with disabilities as a routine element of its recruitment and selection procedures.

The College is a registered Disability Confident Scheme employer and this was achieved by the College demonstrating that it is a proactive employer.

Where an existing employee develops a disability, reasonable adjustments, as far as practical, are made to ensure that employment can continue.

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 learners, 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. The College continued to be judged as 'Good' overall following a short inspection in November 2015.

Value for Money

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

Student Numbers

We continue to be the primary provider of 16-19 education in Northern Devon. Overall 16-19 learner responsive recruitment was in line with area demographics. Growth in adult apprenticeship recruitment offset a slight reduction in classroom based adult funded activity.

Curriculum Developments

Department of Leadership & Higher Technical Skills

The Department of Leadership and Higher Technical Skills was created in 2015 as a result of the merger of two schools Business Manufacturing and Transport (BMT) and Architecture Construction and the Built Environment (ACBE). The Department offers programmes from Level 1 to Level 6 at the Barnstaple and Brannams Campuses.

The Department has sought to develop a broad, responsive curriculum to suit the needs of our local community and a variety of stakeholder groups. This means we recruit in excess of 1000 learners, this comprises 16-18 year old students, adults on vocational programmes, young and adult apprentices and HE students on full and part-time programmes. We also deliver a number of bespoke full cost programmes aimed specifically to satisfy the requirements of local business. The curriculum range means it is possible for a learner to enrol on a level 1 programme and ultimately achieve a full honours degree within the department. This is not simply theoretical, a learner has progressed from a level 1 motor vehicle programme through a foundation degree and has recently enrolled upon a PhD programme at Plymouth University.

The Department has placed a strong emphasis on working with local business to raise the profile of Petroc and to demonstrate the potential employability of our students. In 2015/2016 this involved the creation of the Applegate Academy with 12 level 3 business students undertaking an extended period of work experience at Applegate resulting in 3 gaining Higher Apprenticeships. Construction students worked on the redevelopment of The Voice radio studio in Barnstaple, electrical and plumbing students were engaged on a renovation project at Saunton Surf Lifesaving Club, whilst carpentry students constructed wood kitchens at Combe Martin Primary School. In addition the Guild of Bricklayers held their national finals at the Brannams campus, whilst engineering students attended the national final of the F1 in Schools, an advanced engineering competition.

The department also recognises the need to ensure our curriculum responds to the needs of local business, in the past 12 months we have validated 4 new FdA programmes in Information Technology, a new FdA in Project Management and revalidated FdA programmes in Business, Business & Events, Mechanical Engineering and Electronic Engineering. We have also introduced new apprenticeships in Human Resource Management, Medical Administration, and Business with Management. All the above programmes have required department staff to consult with and win the support of local businesses.

Department of Arts and Sciences

The restructuring of the College in 2015/16 has seen the Department of Arts and Science develop further to include both academic and vocational career pathways. Our A level curriculum is now separated into the distinct curriculum areas of Social Sciences, Maths and Sciences and Languages and Communications, alongside our vocational curriculum areas of Art and Design, Performing Arts and Music programmes. This area also incorporates the refurbished 'Factory' performance space, which is not only attracting top acts but also offers valuable enrichment opportunities for our vocational programmes.

We have successfully incorporated Foundation Mathematics and English across all campuses, investing in a dedicated and specialist team, with sole responsibility to deliver high quality Mathematics and English qualifications up to level 2, including Mathematics and English GCSE. We have seen learner achievement improve in both Mathematics and English in 2015-16. We plan to maintain this positive trend and ensure we capture positive grade improvements as we roll out GCSE enrolments to all our learners who have either an E or D grade GCSE profile.

Our curriculum continues to be subject to intensive changes, including the rigour of the new vocational programmes at Level 2 and the introduction of the linear, 'new' A level specifications in twelve of our 2015/16 A level programmes and a further five in 2016/17. The challenge will continue to be maintaining and improving on our 99.7% A level pass rate in the context of continuing Government reforms and the extension of curriculum reforms to include L3 vocational programmes in 2017.

Our adult provision, includes our successful Arts on Prescription programmes and Access to HE courses. These courses continue to offer a supportive career route towards a degree, including direct access to our Foundation Degree programmes. Additionally, our Skills for Life curriculum team offer GCSE mathematics and English programmes at times and venues to suit our adult community needs. We have also introduced a Level 3 Dental Nursing apprenticeship, with the first successful completions due in December 2016.

We are immensely proud of the breadth of curriculum offered with the Department, with opportunities available across all levels, encompassing both academic and vocational pathways.

Department of Lifestyle, Care and Foundation Learning

The Department of Lifestyle, Care & Foundation Learning was formed in August 2015 from the merger of the School of Health, Fitness, Supported Learning & Animal Care; the School of Lifestyle and Foundation Learning from Petroc Direct.

The provision of the Specific Learning Difficulties and Disabilities (SLDD) section is continuing to re-shape it's delivery to meet the needs of local and national Government priorities. The department works more closely with parents and employers to meet students' needs and has seen a great increase in the number of supported internships offered within this area across a broad range of sectors, including the North Devon District Hospital (NDDH) via our Project Search internship. Project Search has been praised internationally winning the international award at the Project SEARCH annual conference in Phoenix, Arizona, because 86% of the students on its 2014/15 course went on to secure employment. More local praise came from the Houses of Parliament where Members of Parliament highlighted the success of our NDDH Care Academy.

The Lifestyle Centre has opened to its first intake of students with career aspirations in the Hair, Beauty, Hospitality and Travel & Tourism subject areas. The centre, now houses these curriculum areas in an aspirational, thriving commercial environment. Staff across the college have worked hard to ensure maximum value out of this great opportunity for students studying in Northern Devon.

Working with the community remained a strong focus of the 3 merged schools. Our students completed over 50,000 hours of work experience, SLDD and Health & Social Care (H&SC) students led Walking for Health groups to reduce sedentary lifestyles and our students raised over £18,000 for local and national charities. Oceanfest saw the Active Studies area promote active lifestyles to over 1100 primary school children, and we continued particularly strong links with Pathfield and Sticklepath School hosting H&SC students on work placement.

Higher Education continues to grow, with the new Public Services foundation degree and a further embedding of our offer at Mid Devon. Our celebrations of success included the SLDD prom, the Hair & Beauty Ball, Project Search awards, and various other events including ERASMUS+ celebration events and graduation.

The department has had another successful year which has seen many courses progressing towards outstanding with improvement in 16-18 success rates. The continued focus will be on embedding quality throughout the curriculum offer, improving 19+ retention and using Study Programmes to develop entrepreneurial and enterprise skills to make our students more employable. The key message around the importance of achieving Mathematics and English qualifications will continue to underpin all that we do. Apprenticeships continue to grow within the area, with potential for growth being realised within Veterinary Nursing and Early Years, with further developments planned for Health & Social Care and Fitness.

The Department continues to develop its enterprise and work experience opportunities within the department and across college. We have a number of new European work experience projects this year including releasing sharks in Malta, and Hair & Beauty training in Barcelona. The department offers the 4th largest vocational mobility project in the UK this year in terms of participant numbers, the largest FE College project funded this year and the largest project to cover participants from a predominantly rural catchment area. This is based upon the information obtained from The Erasmus+ National Agency's list of successful KA1 Mobility projects for 2016 which they published on 16th June 2016.

The college has recruited students from further afield so they can gain access to our prestigious Volleyball Academy which continues to excel with the girls' team victorious at the National Knockout and National Championships.

Department for Employer Engagement, Innovation and Enterprise

The Department for Employer Engagement, Innovation and Enterprise (EEIE) comprises the work based delivery unit (Petroc Direct), distance learning, commercial courses, recreation courses, projects and has overall responsibility for cross-college employer engagement and apprenticeships.

2015/16 witnessed significant increases in adult and higher apprenticeships. We now have more adult apprentices than young apprentices for the first time and this trend is expected to continue with the new reforms, especially the introduction of the Apprentice Levy from April 2017. New frameworks starting in Autumn 15 included Level 3 Dental Technician which has recruited well. Time has been invested in streamlining systems to increase efficiency, developing a trailblazer standard in Electrical Technician and Higher Apprentice Clinical Technician with North Devon Health Trust for launch later in 2016.

The range of distance learning programmes offered and learners engaged directly by Petroc continues to grow. This year saw the launch of two first full cost distance learning package that engaged 45 learners. The majority of learners live in the Heart of the South West Local Enterprise Partnership area and this provision meets the need of those who are unable to get to College or have work/life commitments that prohibit regular attendance. Many of the qualifications are for the Care industry.

EEIE consolidated commercial courses in 2015/16 bringing together provision from Petroc Direct and the former School of ACBE. This is a particularly competitive market with many local, regional and national providers as well as alternatives such as distance learning. The recreation programme was also relaunched with a range of new courses including shorter one day courses. This year EEIE piloted the popular Ambition Academy that enrolled over 70 14 – 16 year olds on 4 – 6 week evening courses including STEM, Coding, Modern Foreign Languages and Catering.

Mid Devon

The department of Mid Devon was created as a separate Department in September 2015 following restructuring.

The department made strategic changes over the academic year with regard to future planned 16-18 offer. The decision to discontinue A level delivery with low student numbers was made. This has allowed our focus to be on a range of strong level 3 vocational courses providing links to university or the workplace including an expanding apprenticeship provision. The level 3 BTEC offer will expand next year to include Science and the Peter Jones Academy's Entrepreneurial qualifications as we continue to work with the local feeder schools supporting progression with an appropriate offer. Engagement with local feeder schools has increased and we are an integral part of specific school training days on apprenticeships and professional, technical and vocational pathways.

In 2015/16, a new Careers College approach to school tasters was introduced and over 600 learners from secondary and primary schools accessed sessions over 3 days, with local employers attending a lunch time careers interactive zone allowing learners direct contact with future employers.

At Mid Devon we offer HE programmes on both a full and part time basis with foundation degrees in: Computing, Business, Early Childhood Studies and Health & Social commencing next academic year. Numbers are projected to increase in future years.

New developments include full cost recovery work such as the new MOT testers course fully utilising the MOT bay and equipment in the new Future Technologies building. The campus is able to offer training to the whole of the South West, ending the year with enrolments for the refresher training with garages accessing training from Cornwall as well as Devon.

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 99.7%, with 53% of subject entries achieving a grade A*/A/B. The pass rate for Extended Diplomas is 96% with 62% achieving distinction grades; National Diplomas 100% pass rate with 83% achieving distinction grades, an increase of 6% from 2014/15.

GCSE Maths overall achievement rate of 82.7% with 25% achieving high grades A*-B, an improvement of 4% on 2014/15. The national average pass rate is 80.1%.

Certificate in English overall rate was 83.1%, of which 47% were high grades A*-B, the national average is 77.8%.

The improvement targets set for Level 2 had a positive impact with overall achievement at 85.9%, 11.2% above the national average.

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 regular Learner Voice Forums, '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 kite marks 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 and Senior Managers. Feedback on issues raised and how they have been resolved is provided via various communication channels.

The College is keen to celebrate learner 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 2015 to 31 July 2016, the College paid 88% of its invoices within 30 days (year ended 31 July 2015 – 81%). 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

2015/2016 was another exciting academic year for Petroc events and celebration of learner achievement.

The year started with the opening of Petroc's Engineering Centre, showcasing our new, high quality teaching and learning spaces. The College's Welcome Week, and other themed weeks, are 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 department held award ceremonies to recognise and celebrate the outstanding achievements of our learners on a wide range of courses. These engaging

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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 our new careers college week at Mid Devon Campus 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 South West Birdman.

Projects

In academic year 2015/16 we delivered 11 different projects. The total value of projects was £1.6 million with an in year budget of £635,000. In addition the Projects Team also managed the delivery funding associated with the Personal Mentor Network, which is part of Plymouth City Council's City Deal programme. In 2015/16 the value of this activity was almost £140,000.

Petroc launched its subcontractor framework in July 2015 and during 2015/16 over 100 organisations registered to be part of this framework.

Other activity included the 'Moving with the Times' conference in March 2016 and a series of co-design workshops relating to the Big Lottery's Building Better Opportunities funding, all of which were attended by over 40 different organisations. The Projects Team were also involved with a range of STEM related activities which included the Big Bang events during British Science Week in March 2016 which were attended by over 1000 primary and secondary school children from across North and Mid Devon.

The local delivery of National Citizen Service contract has involved 200 young people across North and Mid Devon participating in social action projects. The individual participant projects delivered in excess of 6,000 hours of social action and voluntary activity valued at almost £24,000.

The Erasmus + Petroc Go projects enabled 122 students and 28 staff from the Department of Lifestyle, Care and Foundation Learning & Leadership and Higher Technical Skills to participate in work experience in France, Austria, Romania, Sweden, Spain and the Netherlands.

New Bids Secured 2015/16

Funding Stream	Project
HPTA Capital Package	Devon Nuclear Hub
Grants for the Arts	Alice at the National Trust
Erasmus+ Key Action 1	Petroc Go II
Big Lottery Building Better Opportunities – Development Grant	Empowering Enterprise 18-24
Erasmus+ Key Action 2	Designer in Europe

Current Projects Live 2015/16

Funding Stream	Project
Leonardo	Enteur
Erasmus+ KA1	Petroc Go! Petroc Go! Chinon Petroc Go! Barcelona
Erasmus+ KA2	European Pathways to Employment for Disabled Young People
Sport England	College Sport Maker
Arts Council England	Alice at the National Trust
HEFCE	HEFCE Catalyst Fund
Other Grants	Personal Mentor Network STEM

Petroc

Professional Advisers

Statutory Auditors

Mazars LLP
90 Victoria Street
Bristol
BS1 6DP

Internal Auditors

RSM Risk Assurance Services LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD

Bankers

Lloyds
Barclays

Solicitors

Michelmores
Clarke Willmott
Eversheds

Approved by order of the Corporation on 14 December 2016 and signed on its behalf by:

Chair of Governors



Andrew G Chapple

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 2016 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 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 2015/16

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committee Membership	Attendance
Mr J Andrew	01/09/2013	3 years Ext to 03/17		External	Audit, Remuneration, Selection	80%
Ms A Bayet	25/01/2016	2 years		Student		42%
Mr M Chance	01/09/2014	3 years		External	Tenders and Contracts	90%
Mr A Chapple (Chair from 03/10/2016)	25/04/2016	3 years		External	Audit (Until 02/10/16). Remuneration, Selection, Search and Governance (All from 03/10/2016)	60%
Mr S Cooper	01/09/2014	3 years		External	Selection	60%
Ms L Cunningham	03/10/2016	1 year		Student		n/a
Ms C Curzon	05/10/2015	1 year	31/08/2016	Student		100%
Mrs R Day	01/09/2013 Re-app 03/10/2016	2 years		External	Remuneration, Search and Governance, Selection, Tenders and Contracts	100%
Mrs D Dimond	01/04/2015	N/A		Principal	Disciplinary, Search and	100%

					Governance, Selection, Tenders and Contracts	
Mrs L Elliott	01/12/2013	3 years	31/12/2016	Staff		90%
Mr K Finan	25/04/2016	3 years		External		30%
Mr D Gibson	01/09/2012 Re-appt 01/09/2015	3 years		External	Appeals, Search and Governance, Selection	80%
Mr M Gimber	25/03/2013	3 years		External	Audit, Remuneration, Selection, Tenders and Contracts	50%
Mr A Lovett	01/09/2012	3 years	31/08/2015	External	Selection	n/a
Mr A Mosedale	17/06/2013	3 years	30/04/2016	External	Appeals, Remuneration	50%
Mr L Norburn	10/12/2012	3 years	31/12/2015	Staff		67%
Mr P Petrides (Chair until 03/10/2016)	01/09/2013	3 years	03/10/2016	External	Remuneration, Search and Governance, Selection, Tenders and Contracts	100%
Mr A Pierce	01/09/2014 Re-appt 01/09/2015	1 year Ext to 03/17		External	Audit, Remuneration, Search and Governance, Selection, Tenders and Contracts	60%
Mrs P Stein	01/09/2012 Re-appt 01/09/2015	1 year	03/10/2016	External	Appeals, Tenders and Contracts, Search and Governance	70%
Mr L Thommen	09/12/2015	3 years		Staff		86%
Dr E Williams	01/09/2013	3 years	03/10/2016	External	Audit, Selection	80%
Dr R Williams	03/10/2016	3 years		External		n/a

Mrs S Lewry acted as Clerk to the Corporation during the year up to 21/04/16

Mrs B Walker acted as Interim Governance Adviser from 25/07/16.

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.

Up to April 2016, the maximum complement of members of the Corporation of Petroc was 16 which is made up of 11 External members, the Principal, 2 Staff Governors and 2 Student Governors. After April 2016 the number of External Governors was agreed at 13, raising the total number of Governors to 18. 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 2015/16 it met on 12 occasions (2014/15 it met on 11 occasions).

During 2015/2016 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 Interim Governance Adviser at:

Petroc
Old Sticklepath Hill
Barnstaple
Devon
EX31 2BQ

Once approved, they are also available on the College website www.petroc.ac.uk.

The Interim Governance Adviser 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 Interim Governance Adviser, who is responsible to the Board for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Interim Governance Adviser 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 normally for three years.

Remuneration Committee

Throughout the year ending 31 July 2016, 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 and Vice Principal) and the Interim Governance Adviser 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 2016 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 2015/16 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 2016 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 2016 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 2016 meeting the Corporation carried out the annual assessment for the year ended 31 July 2016 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 2016. 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 2015/16.

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.

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



Andrew G Chapple
Chair of Governors



Diane M Dimond
Principal

14 December 2016

Statement of the responsibilities of the Members of the Corporation for the year ended 31 July 2016

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 which 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 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.

Petroc

Approved by order of the members of the Corporation on 14 December 2016 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'A. G. Chapple', written in a cursive style.

Andrew G Chapple
Chair of Governors

14 December 2016

Independent auditor's report to the Corporation of Petroc

We have audited the financial statements of Petroc for the year ended 31 July 2016 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and FRS102 and the 2015 FE HE SORP.

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 18, 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.

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 2016 and of the Institution's deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with FRS 102 and the 2015 FE HE SORP
- 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
- 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 : 16/07/16

Statement of Comprehensive Income for the year ended 31 July 2016

	Note	2016 £'000	Restated 2015 £'000
Income			
Funding body grants	2	20,886	26,323
Tuition fees and education contracts	3	4,536	4,210
Other income	4	2,689	5,465
Investment income	5	34	58
Total income		28,145	36,056
Expenditure			
Staff costs (including pension charges of £530,000 (2015: £393,000))	6	18,237	19,916
Fundamental restructuring costs	6	290	818
Other operating expenses	7	6,999	12,787
Depreciation		2,113	2,255
Interest and other finance costs (including pension charges of £627,000 (2015: £614,000))	8	948	961
Total expenditure		28,587	36,737
(Deficit) for the year before other gains and losses		(442)	(681)
Lease costs	10	(5)	32
Unrealised gain – foreign exchange transaction		16	-
Loss on disposal of assets		-	(82)
(Deficit) for the year		(431)	(731)
Actuarial loss in respect of pension schemes	18	(5,906)	(1,625)
Total Comprehensive Income for the year		(6,337)	(2,356)

All operations are continuing.

Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Restated balance at 1st August 2014	(2,410)	4,799	2,389
Surplus/(deficit) from the income and expenditure account	(681)	-	(681)
Other comprehensive income	(1,675)	-	(1,675)
Transfers between revaluation and income and expenditure reserves	274	(274)	-
	(2,082)	(274)	(2,356)
Balance at 31st July 2015	(4,492)	4,525	33
Surplus/(deficit) from the income and expenditure account	(442)	-	(442)
Other comprehensive income	(5,895)	-	(5,895)
Transfers between revaluation and income and expenditure reserves	274	(274)	-
Total comprehensive income for the year	(6,063)	(274)	(6,337)
Balance at 31 July 2016	(10,555)	4,251	(6,304)

Balance sheet as at 31 July 2016

	Note	2016 £'000	Restated 2015
Non current assets			
Tangible fixed assets	11	39,443	35,506
		39,443	35,506
Current assets			
Stocks		49	53
Trade and other receivables	12	1,129	5,334
Investments		-	2,000
Cash and cash equivalents		3,780	4,156
		4,958	11,543
Creditors: amounts falling due within one year	13	(5,816)	(10,902)
Net current liabilities / assets		(858)	641
Total assets less current liabilities		38,585	36,147
Creditors: amounts falling due after more than one year	14	(20,678)	(18,439)
Provisions			
Defined benefit obligations	16	(23,573)	(16,510)
Other provisions	16	(638)	(1,165)
Total net liabilities / assets		(6,304)	33
Unrestricted reserves			
Income and expenditure account reserve		(10,555)	(4,492)
Revaluation reserve		4,251	4,525
Total reserves		(6,304)	33
Total unrestricted reserves		-	-

The financial statements on pages 21 to 47 were approved by the Corporation on 14 December and were signed on its behalf by:



Andrew G Chapple
Chair of Governors



Diane M Dimond
Principal

Statement of Cash Flows

	Note	2016 £'000	Restated 2015 £'000
Cash flow from operating activities			
Surplus/(deficit) for the year		(431)	(731)
Adjustment for non-cash items			
Release of capital grants		(725)	(550)
Loss on disposal of fixed assets		-	82
Unrealised gain – foreign exchange		(16)	-
Depreciation		2,113	2,255
(Increase)/decrease in stocks		4	(5)
(Increase)/decrease in debtors		578	639
Increase/(decrease) in creditors		(1,607)	17
Increase/(decrease) in provisions		(527)	583
Pensions costs less contributions payable		1,157	1,007
Adjustment for investing or financing			
Investment income		(34)	(58)
Interest payable		290	316
Net cash flow from operating activities		802	3,555
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	1
Investment income		34	58
Payments made to acquire fixed assets		(2,281)	(3,381)
		(2,247)	(3,322)
Cash flows from financing activities			
Interest paid		(297)	(321)
Repayments of amounts borrowed		(634)	(607)
		(931)	(928)
Increase / (decrease) in cash and cash equivalents in the year		(2,376)	(695)
Cash and cash equivalents at beginning of the year	17	6,156	6,851
Cash and cash equivalents at end of the year	17	3,780	6,156

Notes to the financial statements for the year ended 31 July 2016

1 Accounting policies

Statement of accounting policies and estimation techniques

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: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2015 to 2016* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The trustees have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 23.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value
- Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition
- The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

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 £4.9m 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

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102.

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 following the year end, and the results of any funding audits. 16-18 learner responsive funding is not subject to reconciliation and is therefore not subject to contract adjustments.

Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

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 an expense in the income statement in the periods during which services are rendered by employees.

LGPS

The assets of the LGPS are measured using bid values. The scheme liabilities are measured using a projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

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 provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Non-Current Assets - Tangible fixed assets and depreciation

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

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 using component accounting principles, depreciation rates are as follows;

Component Heading	Depreciation Years
Roof Structure	30
Lift	10
Windows & External doors	25
Electrics	20
Mechanical Engineering	20
Other	Equal instalments over their estimated remaining useful life

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 income account within creditors 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. The deferred income is allocated between creditors due within one year and those due after more than one year.

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.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1997, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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	20% 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 income account within creditors and released to the income and expenditure account over the expected useful economic life of the related equipment. The deferred income is allocated between creditors due within one year and those due after more than one year.

Intangible Fixed Assets

Combinations that are in substance a gift are accounted for in accordance with FRS 102 Section 19 except that the excess/deficit of the fair value of assets received over the fair value of the liabilities assumed is recognised as a gain/loss in income and expenditure. This represents a change to the previous UK GAAP interpretation that was set out in earlier Handbooks, allowing a "true and fair override" to take the balance straight to reserves. This would be the case in "type B" combinations where one college transfers its assets and liabilities to the other and no new corporation is formed. Colleges that previously included a negative goodwill balance instead and amortised this over an estimated useful economic life, should now recognise that balance in the year of the gift.

An adjustment on transition has resulted in the negative goodwill arising from the "type B" merger with East Devon College being taken off the balance sheet and recognised straight to reserves.

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. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

Inventories

Inventories consist of consumables. Inventories 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 22, 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

	2016 £'000	2015 £'000
Recurrent grant	19,323	21,505
Non recurrent grant	852	4,284
Releases of government capital grants	711	534
	20,886	26,323

3 Tuition fees and education contracts

	2016 £'000	2015 £'000
Tuition fees	3,469	3,285
Education contracts:		
Higher education (HE) income	325	207
Local authorities and schools	742	718
	4,536	4,210

During the year the College provided bursaries of £NIL (2015: £21,385).

4 Other income

	2016 £'000	Restated 2015 £'000
European grant income	256	248
Other grant income	551	2,932
Other income	1,882	2,285
	2,689	5,465

5 Investment income

	2016 £'000	2015 £'000
Interest receivable	34	58

6 Staff costs

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

	2016 No.	2015 No.
Teaching staff	294	315
Non-teaching staff	293	306
	587	621
	2016 £'000	Restated 2015 £'000
Staff costs for the above persons		
Wages and salaries	14,504	16,279
Social security costs	1,018	1,057
Other pension costs (including pension charges of £530,000 (2015: £393,000))	2,687	2,567
Payroll sub total	18,209	19,903
Contracted out staffing services	28	13
	18,237	19,916
Fundamental restructuring costs - contractual	250	818
- non contractual	40	-
Total staff costs	18,527	20,734

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College senior management team which comprises the Principal, Vice Principal, Assistant Principals, Directors and Heads. Staff costs include compensation paid to key management personnel for loss of office.

Emoluments of key management personnel including the Principal

	2016 No.	2015 No.
The number of key management personnel including the Principal was:	11	15

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

	Key management personnel	
	2016	2015
	No.	No.
£60,001 to £70,000 p.a.	4	4
£70,001 to £80,000 p.a.	1	1
£90,001 to £100,000 p.a.	1	1
£100,001 to £110,000 p.a.	-	1
£130,001 to £140,000 p.a.	1	-
£140,001 to £150,000 p.a.	-	1
	7	8

Key management personnel emoluments is made up as follows:

	2016	Restated
	£'000	2015
		£'000
Salaries	725	1,025
Employers National Insurance contributions	81	104
Benefits in kind	-	-
	806	1,129
Pension contributions	116	144
Total key management personnel emoluments	922	1,273

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

The above emoluments includes amounts payable to the Principal (who is also the highest paid senior post-holder) from December 2015 (2015: full year cost) of:

	2016	2015
	£'000	£'000
Salary	90	141
Benefits in Kind	-	-
	90	141
Pension Contributions	15	20

Emoluments payable to the Acting Principal to November 2015 (2015: April 2015 to July 2015)

	2016	2015
	£'000	£'000
Salary	42	37
Benefits in Kind	-	-
	42	37
Pension Contributions	7	5

Compensation for loss of office paid to former key management personnel

	2016 £'000	2015 £'000
Compensation paid to 4 former senior post-holders	-	76
Estimated value of other benefits, including provisions for pension benefits	-	26

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

7 Other operating expenses

	2016 £'000	2015 £'000
Teaching costs	2,186	7,902
Non-teaching costs	2,984	2,707
Premises costs	1,829	2,178
	6,999	12,787

Other operating expenses include:

Auditors' remuneration:

- Financial statements audit	27	23
- Internal audit	23	23
- Other services provided by the financial statements auditor	-	1
- Other services provided by the internal auditors	-	-
Hire of plant and machinery under operating leases	124	141
Hire of other assets under operating leases	774	765

Teaching costs have significantly decreased due to the reduction in project activity.

8 Interest and other finance costs

	2016 £'000	Restated 2015 £'000
On bank loans	290	316
Interest on enhanced pension provision (note 16)	31	31
Pension finance costs (note 18)	627	614
	948	961

9 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.

10 Lease costs

Onerous lease costs have been recognised in the statement of comprehensive income. The Colleges obligations in this respect have been analysed as follows:

	2016 £'000	2015 £'000
As at 31 July 2015	162	408
Onerous lease costs in year	(99)	(110)
Charge in respect of surrender of Tiverton Way lease	-	(104)
Additional net obligation (credited) charged as an exceptional item	5	(32)
As at 31 July 2016	68	162
Due in one year or less	38	99
Due between one and two years	10	33
Due between two and five years	20	30
Due in five years or more	-	-
	68	162

11 Tangible assets

	Land and buildings freehold	Equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 31 July 2015	40,707	11,689	5,568	57,964
Transfers	11,401	-	(11,401)	-
Additions	-	217	5,833	6,050
Disposals	-	(406)	-	(406)
At 31 July 2016	52,108	11,500	-	63,608
Accumulated depreciation				
At 31 July 2015	12,117	10,341	-	22,458
Charge for the year	1,555	524	-	2,079
Accelerated depreciation	34	-	-	34
Disposals	-	(406)	-	(406)
At 31 July 2016	13,706	10,459	-	24,165
Net book value				
At 31 July 2016	38,402	1,041	-	39,443
At 31 July 2015	28,590	1,348	5,568	35,506
Inherited at valuation	7,424	-	-	7,424
Financed by capital grant	18,423	485	-	18,908
Other at cost/valuation	12,555	556	-	13,111
	38,402	1,041	-	39,443

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 £7,424,000 (2015: £7,698,000) 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 fixed assets had not been revalued before being deemed as cost on transition they would have been included at nil cost.

12 Debtors

	2016 £'000	2015 £'000
Trade receivables	367	250
Prepayments and accrued income	432	4,025
Amounts owed by the SFA	237	874
Other receivables	93	185
	1,129	5,334

No balance remains within prepayments and accrued income in respect of the Advanced Payment Bond (2015: £3,627k).

13 Creditors: amounts falling due within one year

	2016 £'000	Restated 2015 £'000
Bank loans	639	634
Payments received in advance	830	4,058
Trade payables	2,069	2,757
Other taxation and social security	348	346
Accruals and deferred income	1,073	2,047
Amounts owed to the SFA	13	156
Deferred income – government capital grants	716	725
Lease costs	37	99
Other payables	91	80
	5,816	10,902

No balance remains within payments received in advance in respect of capital grant income relating to the Advanced Payment Bond (2015 : £3,627k).

14 Creditors: amounts falling due after more than one year

	2016 £'000	Restated 2015 £'000
Bank loans	4,275	4,914
Lease costs	30	63
Deferred income – government capital grants	16,373	13,462
	20,678	18,439

15 Analysis of borrowing of the College

	2016 £'000	2015 £'000
Bank loans		
Repayable as follows:		
- in one year or less	639	634
- between one and two years	431	639
- between two and five years	687	882
- in five years or more	3,157	3,393
	4,914	5,548

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.

16 Provisions for liabilities and charges

	Defined benefit obligations £'000	Restructuring £'000	Enhanced pensions £'000	Dilapidations £'000	Total £'000
At 1 August 2015	16,510	761	348	56	17,675
Expenditure in period	(1,153)	(761)	(25)	(40)	(1,979)
Additions in period	8,216	201	31	67	8,515
At 31 July 2016	23,573	201	354	83	24,211

The College has accrued restructuring costs of £200,862 (2015: £760,950) as a result of efficiency savings.

The College exercised a break clause in September 2016 and surrendered the Leisureline House property rental lease. A provision of £83,425 has been provided for dilapidation costs.

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:

	2016 %	2015 %
Interest rate	2.3	3.46
Inflation rate	1.3	1.75

The provision includes £15,209 (2015: £15,378) in respect of former senior post-holders.

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension scheme. Further details are given in Note 18.

17 Cash and cash equivalents

	At 1 August 2015 £'000	Cash flows £'000	Other changes £'000	At 31 July 2016 £'000
Cash and cash equivalents	6,156	(2,376)	-	3,780
Overdrafts	-	-	-	-
Total	6,156	(2,376)	-	3,780

18 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.

Total pension cost for the year	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
TPS: contributions paid	1,251	1,231
LGPS:		
Contributions paid	906	943
Pension charge	530	393
Charge to the statement of comprehensive income	1,436	1,336
Total pension cost for year (note 6)	2,687	2,567

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 £247,764 (2015: £255,662) were payable to the scheme at 31 July 2016 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 2016 was £1,304,190 (2015: £1,274,015) of which employer's contributions totalled £966,803 (2015: £942,746) and employees contributions totalled £337,387 (2015: £331,269).

For the period from 1 August 2015 to 31 July 2016 the employer contribution was 13.10% (2015: 13.10%).

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary.

	2016 %	2015 %
Rate of increase in salaries	4.0	4.4
Future pensions increases	2.2	2.6
Discount rate for scheme liabilities	2.6	3.8
Inflation assumption (CPI)	2.2	2.6
Commutation of pensions to lump sums	50.0	50.0

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

	At 31 July 2016 Years	At 31 July 2015 Years
<i>Retiring today</i>		
Males	22.9	22.8
Females	26.2	26.1
<i>Retiring in 20 years</i>		
Males	25.2	25.1
Females	28.6	28.4

The College's share of the assets in the plan (which is estimated to be 1%) at the balance sheet date and the expected rates of return were:

	Long-term rate of return expected at 31 July 2016	Fair value at 31 July 2016 £'000	Long- term rate of return expected at 31 July 2015 %	Fair value at 31 July 2015 £'000
Equity instruments	-	14,999	6.8	13,385
Government bonds	-	841	3.4	1,090
Property	-	2,637	5.7	2,393
Cash	-	319	3.2	533
Target return portfolio	-	3,639	6.2	3,484
Infrastructure	-	1,051	4.0	674
Other bonds	-	732	4.0	1,100
Alternative assets	-	1,474	6.2	417
Total fair value of plan		25,692		23,076
Weighted average expected long term rate of return	-		6.1	
Actual return on plan assets		2,288		1,168

For accounting years beginning on or after 1 January 2015, the expected return and the interest cost have been replaced with a single net interest cost, which effectively sets the expected return equal to the discount rate (2.6% as at 31 July 2016).

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

	2016	2015
	£'000	£'000
Fair value of plan assets	25,692	23,076
Present value of plan liabilities	(49,265)	(39,586)
Net pensions (liability)/asset (Note 18)	(23,573)	(16,510)

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

	2016	2015
	£'000	£'000
Amounts included in staff costs		
Current service cost	1,389	1,289
Past service cost	65	53
	1,454	1,342

Amounts included in investment income

Net interest income	(627)	(614)
	(627)	(614)

Amount recognised in Other Comprehensive Income

Return on pension plan assets	1,405	237
Experience losses arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan liabilities	(7,311)	(1,862)
	(5,906)	(1,625)

Movement in net defined benefit (liability)/asset during year

	2016	2015
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(16,510)	(13,878)
Movement in year:		
Current service cost	(1,454)	(1,342)
Employer contributions	924	949
Administration expenses	(15)	(9)
Past service cost	-	-
Net interest on the defined (liability)/asset	(612)	(605)
Actuarial gain or loss	(5,906)	(1,625)
Net defined benefit (liability)/asset at 31 July	(23,573)	(16,510)

Asset and Liability Reconciliation

	2016	2015
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	39,586	35,263
Current service cost	1,389	1,289
Interest cost	1,495	1,536
Contributions by scheme participants	364	331
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	7,311	1,862
Estimated benefits paid	(945)	(748)
Past Service cost	-	-
Curtailments and settlements	65	53
Defined benefit obligations at end of period	49,265	39,586
Changes in fair value of plan assets		
Fair value of plan assets at start of period	23,076	21,385
Interest on plan assets	883	931
Return on plan assets	1,405	237
Administration expenses	(15)	(9)
Employer contributions	924	949
Contributions by scheme participants	364	331
Estimated benefits paid	(945)	(748)
Fair value of plan assets at end of period	25,692	23,076

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 are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- 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

The new employer contribution rate for the TPS was 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 £1,250,414 (2015: £1,230,456).

FRS102 (28)

Under the definitions set out in FRS102 (28.11) 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 plan.

Accordingly, the College has taken advantage of the exemption in FRS102 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 plan and the implications for the College in terms of the anticipated contribution rates.

An appropriate enhanced pension provision in respect of unfunded pensioners' benefits is included in provisions.

19 Lease obligations

At 31 July the College had minimum lease payments under non-cancellable operating leases

	2016 £'000	Restated 2015 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	647	775
Later than one year and not later than five years	2,835	2,728
Later than five years	3,272	4,026
	6,754	7,529
Other		
Not later than one year	39	124
Later than one year and not later than five years	22	60
Later than five years	-	-
	61	184

20 Capital commitments

	2016 £'000	2015 £'000
Commitments contracted for at 31 July	42	1,279

21 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 £1,754; 4 Governors (2015: £3,000; 6 Governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and events in their official capacity.

22 Discretionary Learner Support Funds and Residential Bursaries

	2016 £'000	2015 £'000
Funding body grants	1,016	1,182
Interest earned	-	-
	1,016	1,182
Disbursed to students	(922)	(1,115)
Staffing	(24)	(23)
Administration costs	(39)	(46)
Balance unspent and repayable at 31 July	31	(2)

Included within trade creditors is £207,761 (2015: £186,135) of money allocated but not yet paid across to students as at the year end.

Funding Council 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.

23 Transition to FRS 102 and the 2015 FE HE SORP

The year ended 31st July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

		1st August 2014 £'000	31st July 2015 £'000
Financial position			
Total reserves under previous SORP		9	(2,255)
Employee leave accrual	(a)	(859)	(836)
Release of non-government capital	(b)	8	4
Changes to measurement of net finance cost on defined benefit plans	(c)	-	-
Negative goodwill	(d)	3,231	3,120
Total effect of transition to FRS 102 and 2015 FE HE SORP		2,380	2,288
Total reserves under 2015 FE HE SORP		2,389	33

		Year ended 31 July 2015 £'000
Financial performance		
Surplus for the year after tax under previous SORP		(234)
Holiday accrual gain	(a)	23
Release of non-government grants	(b)	-
Reversal of capital grants amortisation	(b)	(4)
Changes to measurement of net finance	(c)	(405)
Pensions provision – actuarial loss	(d)	(1,625)
Reversal of negative goodwill release	(e)	(111)
Total effect of transition to FRS 102 and 2015 FE HE SORP		(2,122)
Total comprehensive income for the year under 2015 FE HE SORP		(2,356)

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 12.16 unused leave for teaching staff and 7.80 unused leave for non-teaching staff. In addition, certain non-teaching employees are entitled to carry forward up to 4 of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £859,672 was recognised at 31 July 2014, and £836,268 at 31 July 2015. Following a further re-measurement exercise in 2015/16 to £771,876, the movement on this provision of £64,392 has been charged to Comprehensive Income in the year ended 31 July 2016.

b) Non-government grants accounted for under performance model

The College has previously been in receipt of certain capital grants from sources other than those classified as "government" under FRS 102 and the 2015 FE HE SORP. Under the previous UK GAAP and 2007 SORP, these were able to be capitalised and amortised over the remaining useful economic life of the relevant fixed assets. This accounting treatment is no longer available for non-government grants and the grants have therefore been accounted for under the performance model and treated as if they had been credited to Comprehensive Income immediately that the performance conditions had been met. A corresponding adjustment has been made to the income recognised in the 2015 results that related to the annual amortisation of the capital grants involved.

c) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

d) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

e) Negative Goodwill

The College has previously recognised the negative goodwill arising from the "type B" merger with East Devon College as an intangible fixed asset. Under previous UK GAAP and 2007 SORP, negative goodwill was amortised over its estimated useful economic life. This accounting treatment is no longer available under FRS 102 and the 2015 FE HE SORP resulting in an adjustment on transition taking the negative goodwill off balance sheet straight to reserves.

Independent Auditor's Report on Regularity to the Corporation of Petroc ('the Corporation'), Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency and Secretary of State for Education acting through Education Funding Agency

In accordance with the terms of our engagement letter dated June 2016 and further to the requirements of the financial memorandum with Skills Funding Agency and the funding agreement with Education Funding Agency, we have carried out a review to obtain limited assurance about whether, in all material respects, the expenditure and income of Petroc ('the College') for the year ended 31 July 2016 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 funding agencies. Our review work has been undertaken so that we might state to the Corporation and the funding agencies 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 funding bodies, 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 Joint Audit Code of Practice. We report to you whether, in our opinion, in all material respects, the College's expenditure and income for the year ended 31 July 2016 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 Joint Audit Code of Practice. 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 2016 have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.



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