

Petroc

Annual report

for the year ended 31 July 2017

Key Management Personnel, Board of Governors and Professional Advisers

Key Management Personnel

Key management personnel are defined as members of the College senior management team and were represented by the following in 2016/17:

Diane Dimond	Principal and Chief Executive Officer
Jane Hanson	Vice Principal - Quality, Curriculum & Learners
Bill Blythe	Vice Principal - Finance & Resources
Debbie Miller	Vice Principal - Business Development, Marketing & Curriculum
Sheena Murphy-Collett	Director of Human Resources and Organisational Development
Jane Barton	Assistant Principal - Corporate Services
Mark Challacombe	Assistant Principal - Mid Devon
Jenny Gibson-Mee	Assistant Principal - Arts & Science
Craig Litster	Assistant Principal - Leadership and Higher Technical Skills
Jon Hardy	Assistant Principal - Lifestyle, Care & Foundation Learning
Huw Davies	Assistant Principal - Apprenticeships & External Funding
Darren Armstrong	Head of Learner Services

Board of Governors

A full list of Governors is given on page 14 of these financial statements.

Mrs B Walker acted as Interim Governance Adviser from 25/07/16 and as Governance Advisor from 01/04/2017.

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

Petroc

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for the year ended 31 July 2017

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Report of the members of the Corporation for the year ended 31 July 2017

The members present their report and the audited financial statements for the year ended 31 July 2017.

Corporation

The Corporation was established in the United Kingdom 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 under part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State of Education.

Registered Address

Old Sticklepath Hill
Barnstaple
Devon
EX31 2BQ

Mission

The College aims to be an excellent college, inspiring our communities through learning. Our Vision is to raise aspirations, realise potential and deliver success.

In achieving our Mission and Vision we will be:

- Professional
- Trusted
- Ambitious
- Inclusive

Public Value/Benefit Statement

The delivery of Public Benefit is covered throughout the members report; but the College would highlight that working closely with our stakeholders, including the Heart of the South West Local Enterprise Partnership and our Local Education Authority, employers across the region, local councils, schools and community groups, we will continue to drive forward productivity, social mobility and economic success; deliver excellence and meet local and regional skills and employability needs; and maintain robust finances and invest in our workforce, in high quality industry standard learning spaces, equipment and IT.

Petroc will support the development of sustainable economic growth and high-quality, productive jobs, and will create a pipeline of talent for local and regional businesses. We will continue to contribute towards creating a responsive environment where businesses and individuals can achieve their ambitions through working together to ensure they have the skills and technical competencies to capitalise on our area's distinctive assets.

Petroc has an important role to play in ensuring individuals have the tools to reach their full potential. Unemployment rates in our area are low, but this masks under-performance against a number of economic measures, indicating significant untapped potential for growth and prosperity. Through identifying, understanding and meeting the skills needs of our area and providing inclusive and inspirational teaching and learning, we will promote innovation, productivity and profitability. We will use technology innovatively and effectively to underpin delivery and equip our staff and learners with the digital skills required by today's and tomorrow's technology driven society.

The Petroc Strategic Plan 2017-2020 is designed with sufficient flexibility to accommodate changes in the wider national economic and political landscape within which the College operates including:

- The outcome of the 2017 General Election
- The changing curriculum, funding and accountability systems for Further Education (FE) and Higher Education (HE), notably the Apprenticeship reforms and the proposals for technical education (T levels)
- The impact of the continuing economic instability arising from Brexit, combined with uncertainty regarding the future levels of public funding for FE and HE
- 16-18 demography in Northern and Mid Devon, where student numbers are forecast to increase to 2010 levels again, only towards the end of this strategic planning period
- The continued drive on English and Mathematics qualifications for all 16-18s who have not achieved a standard pass or above at school
- Embedding Prevent and British Values
- Government's priority to narrow 'the social mobility divide'
- The alignment of post 19 student loans for study at level 3 and above for FE and HE, and associated reforms to quality assurance systems and learner feedback in a more consumerist market

Implementation of Strategic Plan

In July 2017 the College updated its Strategic Plan for the period 2017-2020:

Financial and Resources Objectives

The College's financial objectives are to:

- Set ourselves ambitious but achievable financial targets that can support the learners who are with us now whilst creating space for investment in the future. Focussing on the interaction between students and the estate to create a unique environment hosting recreational, academic and social functions, our vision is about encouraging synergy and social behaviour in a space learners find welcoming
- Aim for an environment where Information and Learning Technologies are deployed effectively to enable learners, staff and businesses to thrive and succeed. We provide information and support services that are sector-leading with a clear focus on providing an outstanding learner experience

Finances

The College reported an operating deficit of £1,179,000 (2016: deficit of £431,000). This includes pension charges of £1,508,000 (2016: £1,157,000) and fundamental restructuring costs incurred of £283,000 (2016: £290,000).

The Statement of Comprehensive Income reflects an actuarial loss of £2,397,000 (2016: loss of £5,906,000) on pension scheme assets in respect of FRS102 (28).

Cash and investment balances have increased by £566,000 due to the timing of capital expenditure.

Looking forward, the College has prepared a financial plan for the next two years which is based on detailed business plans, informed by 2016/17 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.

Performance Indicators

Key Performance Indicator	Target/Measure	Actual for 2016/17
Operating surplus as a % of income	Between 3 – 5 %	2.24%
EBITDA as a % of income	7.22%	6.86%
Cash generation	£2,419k	£2,049k
Cash days	38.71	57.98
Adjusted current ratio	Greater than 1	1.30
Borrowing as a % of income	< 40%	15.62%
Reliance on ESFA	71.85%	71.84%
Financial Health Score	Good or Better	Good
Average Class Size	14	14.2
Staff utilisation	>95%	90%
Staff costs as a % of income excluding sub-contracting and projects	<65%	66.07%

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The College is assessed by the ESFA as having a "GOOD" financial health grading. The current rating of Good is considered an acceptable outcome.

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 Department for Education.

Liquidity

Loans of £8.4m were taken out with repayment of up to twenty seven years with the final repayment dates being 2037 for a £2m loan, £2.8m ending in 2030, £0.6m ending in 2027, and £3m ending in 2017. The outstanding balance at 31 July 2017 is £4.275m. Debt servicing costs for the two years equate to just over £1,123k; 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. 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 £2,049k (2016: £802k).

Principle 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 is further strengthened by the use of a 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 reviewed the Strategic Plan in 2016/17 and an update was approved by the Corporation in July 2017. This has resulted in a review of the Strategic Risks which will be updated during 2017/18 subject to Board approval.

The College holds a "Business Continuity Training Event" every two years when risks are reviewed. A full test of the Business Continuity plan was carried out in the summer of 2017. 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 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.

Government Funding

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

Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme (LGPS) deficit on the College's balance sheet in line with the requirements of FRS102.

The risk is mitigated by an agreed deficit recovery plan with the Devon County Council LGPS.

Failure to maintain the financial viability of the College

The College's current financial health grade is classified as "GOOD" as described above. This is largely the consequence of continuing strong financial management. Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on the further education funding arising from the ongoing cuts in public sector spending whilst maintaining the learner experience. This risk is mitigated in a number of ways:

- By rigour budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies

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 was working towards the achievement of the "Planet Mark" (an independent award for sustainability and carbon reduction) during the year; this was awarded in August 2017.

During 2016/2017 the college completed a considerable project at mid Devon; partly financed by the Hinkley Point Training Agency to create a new engineering and computer aided design facility which is intended to support the Hinkley Point C supply chain over the coming decade as construction of the new power station takes place.

The College continues to upgrade and adapt its estate and has during the summer of 2017 refreshed student and staff facilities and relocated the Advice and Guidance centre to provide a more student-centric approach to the College's main campuses. A Comprehensive Estates strategy update was prepared during the year for Board approval in September 2017.

Taxation

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

Employment of People with Disabilities

The College continues to be registered as a 'Disability Confident Scheme' employer and this is achieved by the College demonstrating that it is a proactive employer when seeking to employ people with disabilities.

The College actively invites applications for employment from people with disabilities as a routine element of its recruitment and selection procedures; and people who declare a disability and meet the essential criteria for a job role are shortlisted.

Where an existing employee develops a disability, reasonable adjustments, as far as practical, are made to ensure that employment can continue and that these staff are fully supported in their job roles.

Equality, Diversity and Inclusion (EDI)

The College supports and works proactively to eliminate discrimination in line with the commitments outlined in our College policies and procedures.

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 has a zero tolerance approach to any form of discrimination.

The College's Additional Learning Support Policy outlines the type of learning support that 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.

Curriculum Developments

Department of Leadership & Higher Technical Skills

The Department offers programmes from Level 1 to Level 6 at the Barnstaple and Brannams Campuses and 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 1,000 learners, this comprises 16-18 year old students, adults on vocational programmes, young and adult apprentices (Including at Degree Level) and Higher Education 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. The Department is particularly proud of the number of learners who have achieved a BA or BSc qualification who initially enrolled upon a Level 2 or Level 3 qualification.

The Department has placed a strong emphasis on working with local business to raise the profile of Petroc and to support social mobility within our communities. The past 12 months has seen a series of connected activities aimed at raising the profile of Apprenticeships and giving local employers great access to potential Apprentices. The Department organised a hugely successful 'Employer Engagement Forum' at which 20 employers and over 100 potential Apprentices attended, delivered a number of secondary school Apprentice skills tasters held during lunch times and organised an Apprentice Enterprise Competition. Through this greater external engagement we anticipate we will increase the number of Apprentices within the Department by 25% in 2017/18.

The past 12 months has seen further engagement with the Applegate Academy where business students have enjoyed extended periods of work experience. This has led to 6 students gaining employment within the company and enrolling upon Higher Apprenticeships programmes at Petroc. This model of high quality work experience at Levels 2 and 3 with clear progression opportunities to Higher Apprenticeships is a model we are now seeking to replicate in engineering, electronics and computing through our partnership work with Plymouth University.

This year will also see the introduction of new curriculum with new programmes in furniture making at Level 3 and a Level 4 Legal Executive Apprenticeship introduced in 2017/18.

Department of Arts and Sciences

The Department is a combination of our long standing academic A Level 6th form alongside our Creative Industry, vocational curriculum and is ably supported by our Curriculum Team Leaders, many of whom were new in post in 2016-17. The Factory performance space continues to impress, attracting top acts and capacity crowds as well as supporting our music curriculum learners. Alongside this is the Goodwin Gallery exhibition area which affords an industry standard arts space to show case our learners work as well as providing the local artistic community a display outlet.

Cross college Foundation maths and English curriculum programmes are now successfully integrated across study programmes from all departments and all sites that require the provision. The 9-1 grading programme reported for the first time in 2017 for GCSE maths and English, with grade 4 considered a 'Standard' pass and grade 5 a 'Good' pass. This message continues to be reinforced amongst learners, parents, employers and the wider community, as the new grading structure beds into the GCSE curriculum.

We are also delighted to be able to extend our 6th Form A Level curriculum, by introducing Computer Science, Politics, Dance, Drama and Theatre to the A level programme, giving our 6th form learners the opportunity to select from over thirty A Level or equivalent subjects. We have also extended our vocational curriculum this year and introduced a full-time, Level 3 Media programme to the Department, with the longer term plan to look at developing a Higher Education 'Media' progression pathway to compliment those already offered within Human Biosciences, Psychological Studies, Arts, Music, Law, English and History.

Within the context of the first year reporting of the new and more rigorous Linear A Levels for 12 subjects, whereby the final achievement is based solely on a two-year examination, our 2017 results continue to exceed the national averages. We were especially impressed by the 26.6% of all A Level grades that achieved A*/A grades, again, above national average. Our STEM (Science, Technology, Engineering and Maths) A level grades excelled, with nearly half achieving the top A*/A grades.

The department maintains its on-going support for our adult community education. The Arts on Prescription programmes and the subsequent progression pathways, afford our adult learners the opportunity to return to education, for some after a significant gap and immense personal challenges. Our Access to Higher Education programmes, equally offers our adult community the opportunity to gain a qualification to enable them to progress to university and ultimately a career, whether this is in teaching, midwifery, medical sciences, the arts, youth or social work. These adult pathways are supported by our Skills for Life curriculum teams, working to facilitate this career progression by offering our adults the opportunity to achieve GCSE mathematics and or English Language.

The curriculum offered within Arts and Science is designed to, enable all learners (whether 16-18 or adults) the opportunity to progress from level 1 programmes to degree level, ultimately supporting all to achieve a career destination and gain meaningful employment.

Department of Lifestyle, Care and Foundation Learning

Working with the community remained a strong focus of the Department. Our students completed over 50,000 hours of work experience within the community and raised over £18,000 for local and national charities, with each successive Prince's Trust group beating the fund raising record set by the last. Oceanfest saw the Active Studies area promote active lifestyles to over 1,100 primary school children, and we continued particularly strong links with Pathfield and Sticklepath School hosting H&SC students on work placement.

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 an international award at the Project SEARCH annual conference in Phoenix, Arizona.

The Lifestyle Centre officially opened in October 2016 and welcomed 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.

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. We offered celebration events for all students who completed their study programmes with us in 2016/17, with 9 different celebration events to praise the efforts of all, not just the highly commendable few.

The department has had another successful year which has seen many courses progressing towards outstanding with improvement in 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 delivered 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 16 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 Association of Colleges' National Knockout and National Championships.

Department for Employer Engagement, Innovation and Enterprise

The Department for Employer Engagement, Innovation and Enterprise (EEIE) has responsibility for a wide range of cross-college activities as well as distance learning provision.

The Department's responsibilities include overall responsibility for the College's Apprentice Strategy; over £550k of Departmental Apprenticeship delivery, the management and oversight of a wide range of projects, almost £1m of Distance Learning, the delivery of commercial courses, recreational provision and overseeing the college's limited subcontracted provision, as well as piloting activity such as the Ambition Academy and the Summer Ambition Academy.

Significant time in 2016/17 was devoted to planning and preparing for the Apprenticeship Reforms in April 2017. These wide ranging reforms significantly changed the Apprenticeship landscape, creating opportunities and challenges for providers, employers and Apprentices. Petroc organised many events and workshops for Levy and non-Levy employers, as well as supporting young people to find vacancies. We have invested in the matching service 'Getmyfirstjob' that has proved to be popular with employers and potential Apprentices.

The college has delivered, during the year, nearly 30% increase in adult apprentice income; including significant development of Higher Apprenticeships, especially in Health Care and partnerships with the University of Plymouth. We continue to develop our Apprenticeship offering through responding to employer demand and transitioning from frameworks to standards and piloting activity such as Apprenticeships in Animal Care and Laboratory Technicians.

The recruitment of Business Development Managers during the spring of 2017 had a significant impact on employer engagement enhancing our communication with employers, improving our responsiveness and creating capacity to look for new business. We have also reviewed the (internal) business support infrastructure for Apprenticeships and developing a team that can be responsive to this dynamic environment supporting delivery staff, managers and customers to ensure a smooth Apprenticeship service.

We continue to develop the Distance Learning curriculum offering a broader range of provision including management qualifications and IAG qualifications. We have piloted some student loan and full cost activity in 2016/17 and look to further invest in infrastructure and grow this work. Recreation and Commercial course activity had a modest year with no significant growth, however the recruitment of Business Development managers should see a development in Commercial course activity during 2017/18.

Mid Devon

The department continues to develop and expand the planned 16-18 offer. This has allowed our focus to be on a range of strong level 3 vocational courses providing links to university or the workplace and an expanding apprenticeship provision, including new Laboratory Technician Apprenticeships supporting companies such as Environment Agency (South West) and Accord (North Devon). The level 3 BTEC offer has expanded to include Sports Science and Engineering following the completion of the Engineering Workshop. Engagement with local schools continues to increase and we are an integral part of specific school training days on apprenticeships and professional, technical and vocational pathways. We are planning to work with further schools in 2017/18.

In its second year Careers College has enabled links with additional schools such as South Molton Community College and Cullompton Community College engaging with whole year groups to help support their GCSE choices. In collaboration with this we also ran ambitions academies for both year 10 and 11 pupils and adult learners.

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. Continued development in Higher Apprenticeships saw the introduction of Chartered Institute of Personnel Development (CIPD) level 5 and for 2017/18 we are planning to introduce more pathways within the business sector such as Paralegal Apprenticeships.

Working with industry we continue to develop our commercial courses having successfully trained in excess of 100 mechanics and continue to expand the offer of courses supporting garages with their MOT qualifications for the South West. For 2017/18 further short commercial courses are planned to enable construction related provision to be delivered from Mid Devon.

Future Prospects

The College aims to maintain a base number of students in funded learning with growth projected in apprenticeships and new contracts with employers.

The College would like to reduce dependency on the funding bodies and is seeking opportunities particularly in the areas where the College currently performs well such as HEFCE and European Commission and other project grants.

The College believes it will be able to continue in operation and meet its liabilities taking account of the current position and principal risks for the duration of the strategic plan and beyond.

Resources

The College has various resources that it can deploy in pursuit of its strategic objectives.

Tangible resources include the main College site at Old Sticklepath Hill, the leasehold at Brannams and the Tiverton campus.

The College has £9.9 million of net liabilities (including £27.48 million pension liability) and long term debt of £4.28 million.

The College employs 565 people (expressed as average full time equivalents), of whom 282 are teaching staff.

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

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 98.60% which is above the national average for 2016/17 of 97.4%. 53.9% of subject entries achieved a grade A*/A/B and 26.6% of entries gained A*-A grades. The pass rate for Level 3 (excluding AS and A Level) is 93.7% with 69.39% achieving distinction grades, an overall increase achievement rates of 6.6% from 2015/16. GCSE English Language overall achievement rate according to the QAR is 77.5%, 2.4% down against the National Benchmark. At the Barnstaple Campus of the 16-18 age group 23% achieved grades A*- C . This is an increase of 11% on last year. Of the 19+ cohort 72% of learners achieved an A*-C grade. At the Tiverton campus for the 16-18 cohort 12% achieved grades A*- C which is an improvement on last year of 12%. Of the 19+ cohort 85% of learners achieved an A*-C grade, which is an 18% improvement on 2015-16.

GCSE Maths overall achievement rate according to the QAR is 83%, 3% above the national Benchmark.

At the Barnstaple Campus of the 16-18 cohort 25% achieved a grade A*-C and the 19+ cohort 49% of learners achieved an A*-C grade. At the Tiverton campus for the 16-18 cohort 18% achieved grades A*-C. Of the 19+ cohort 56% of learners achieved an A*-C grade.

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, including support for travelling from remote geographical areas outside bus routes, within government guidelines.

In relation to staff, the College has engaged with staff at all levels to contribute to the development of a new Strategic Plan Update for 2017-2020 and in further developing quality assurance processes. The College maintains effective communications via specialist events/conferences, staff development days and training sessions, and various research initiatives, regular weekly bulletins 'In The Know', monthly College Management Team meetings and structured team briefings.

The College also regularly uses Task and Finish 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, Positive about Disabled People, STEM Assured 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 Principal and Chief Executive, Executive Management Team 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 2016 to 31 July 2017, the College paid 90% of its invoices within 30 days (year ended 31 July 2016 – 88%). 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

2016/17 was another exciting academic year for Petroc events and celebration of learner achievement.

The autumn term saw the opening of Petroc's Lifestyle and Tourism Centre, where we proudly showcased our new, high quality teaching and learning spaces for Hair and Beauty, Hospitality and Catering & Tourism. The College's Welcome Week, and other themed weeks, were also high points within the year with many other supportive and engaging events inspiring learners to get involved 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 their degrees with their family, friends and lecturers.

Throughout the year each department held award ceremonies to commemorate the outstanding achievements of our learners on a wide range of courses. These rewarding 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.

LGBT month was celebrated with the raising of the Rainbow Flag at the College alongside focussed student and staff events.

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 an array of open events, taster days and workshops, as well as new and exciting activities at our Mid Devon Campus careers college. During the year dedicated events for Higher Education, degree level courses and Apprenticeships also 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 included Oceanfest, Mid Devon Show, and South West Birdman.

Projects

In academic year 2016/17 we delivered 14 different projects with a total value of almost £5.3 million. 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 2016/17 the value of this activity was just over £150,000.

In early 2017 we secured £2.4 million of ESF co-financed funding through the Big Lottery's Building Better Opportunities fund. This was the result of almost 18 months of development work with over 40 different organisations across the South West. In 2016/17 no receipts were received in respect of this new project, but the predecessor project had in-year receipts totalling £45k which were fully defrayed in-year.

The project (known as Empowering Enterprise) will support over 630 18-24 year olds, across Devon, Plymouth and Torbay, who are furthest from the labour market co-design and co-produce their own person centred package of support to develop their talents and ambitions and overcome the barriers that are holding them back. In 2016/17 the local delivery of the National Citizen Service contract has seen almost 230 young people across North and Mid Devon participating in social action projects. The individual participant projects delivered in excess of 6,800 hours of social action and voluntary activity valued at just over £27,000.

The Erasmus + Petroc Go projects enabled 122 students and 27 staff from the Departments of Lifestyle, Care and Foundation Learning & Leadership and Higher Technical Skills to participate in work experience in France, Malta Sweden, Spain and the Netherlands. Over 90% of participants felt that their experience abroad had made them more confident in their abilities, and helped them to improve their teamwork and adaptability. 85% believed that their chances of getting a new or better job had increased. As one participant who went to Malta as part of their Foundation Degree in Animal Conservation said "the experience has changed me into a person that has more resilience and drive for the future".

European Pathways to Employment for Disabled Young People is another Erasmus + funded project which saw our staff work strategically with a Swedish partner to develop a model and materials for supporting our learners with disabilities whilst they are on work experience. The results of this collaboration were presented to colleagues from colleges throughout the South West and local employers at a conference in Tiverton in June.

New Bids Secured 2016/17

Funding Stream	Project
HEFCE National Collaborative Outreach Programme	Next Steps South West (led by Plymouth University)
ESF	Heart of the South West NEETs (led by CSW)
ESF	Skills Support for the Workforce Lot 1 (led by Serco)
ETF Transforming Teaching, Learning & Assessment	Developing Growth Mindsets to Support Learner Progression
ETF Transforming Teaching, Learning & Assessment	Supporting Students with Mental Ill Health (led by City College Plymouth)
ETF Transforming Teaching, Learning & Assessment	Tech Talk (led by South Devon College)
HEFCE Capital Funding	Installation of energy-efficient heating & cooling system at Brannams Campus
Big Lottery Fund – Building Better Opportunities (ESF)	Empowering Enterprise 18-24
ETF Outstanding Teaching, Learning & Assessment	Promoting Outstanding Teaching, Learning & Assessment (led by City College Plymouth)
Erasmus+ KA1	Petroc Go III
ETF Outstanding Teaching, Learning & Assessment	Brushing Up (led by South Devon College)
ESF Higher Level Skills	Hidden Talent in Devon (led by Plymouth University)
ESF Higher Level Skills	Strategic Employer Engagement in Devon (led by Plymouth University)

Current Projects Live 2016/17

Funding Stream	Project
Big Lottery ESF Co-financed	Empowering Enterprise 18-24
Erasmus+ KA1	Petroc Go II
Erasmus+ KA2	European Pathways to Employment for Disabled Young People Becoming a Designer in Europe
SFA ESF Co-financed	Devon County Skills for Young People Skills Support for the Workforce
Arts Council England	Alice at the National Trust
HEFCE	HEFCE Catalyst Fund Next Steps South West
ETF Transforming Teaching & Learning Assessment	Tech Talk Developing Growth Mindsets
Other Grants	Personal Mentor Network STEM National Citizen Service

Approved by order of the Corporation on 13 December 2017 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 2017 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 Code of Good Governance for English Colleges' issued by the Association of Colleges which it formally adopted in July 2015.

The College is an exempt charity within the meaning of part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm 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 2016/17

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	31/03/2017	External	Audit, Remuneration	88%
Ms A Bayet	25/01/2016	2 years	30/06/2017	Student		38%
Mr S Brocklehurst	01/02/2017	3 years		External	Remuneration	100%
Mr D Chalmers	01/04/2017	3 years		External	Search and Governance	67%
Mr M Chance	01/09/2014	3 years	31/08/2017	External	Search and Governance	80%
Mr A Chapple (Chair from 03/10/2016)	25/04/2016	3 years		External	Remuneration, Search and Governance	75%
Mr S Cooper	01/09/2014	3 years	31/08/2017	External		75%
Ms L Cunningham	03/10/2016	1 year	31/08/2017	Student		87%
Mrs R Day	01/09/2013 Re-app 03/10/2016	2 years		External	Remuneration, Search and Governance	85%
Mrs D Dimond	01/04/2015	N/A		Principal and Chief Executive	Search and Governance	100%
Mrs L Elliott	01/12/2013	3 years	31/12/2016	Staff		100%

Mr K Finan (Vice Chair from March 2017)	25/04/2016	3 years		External	Search and Governance, Remuneration	73%
Mr D Gibson	01/09/2010 Re-appt 01/09/2012 Re-appt 01/09/2015	3 years		External	Search and Governance	73%
Mr M Gimber	25/03/2013	3 years	31/03/2017	External	Audit, Remuneration	25%
Mr R Malcolm	01/01/2017	3 years		Staff		100%
Mr P Petrides (Chair until 03/10/2016)	01/09/2013	3 years	03/10/2016	External	Remuneration, Search and Governance	100%
Mr A Pierce (Vice Chair up to March 2017)	01/09/2014 Re-appt 01/09/2015	1 year Ext to 06/17	13/03/2017	External	Remuneration, Search and Governance	89%
Mr S Richardson	10/07/2017	3 years		External	n/a	n/a
Mr I Springate	01/04/2017	1 year		External	Audit	67%
Ms L Stacey	01/08/2016	3 years		External	Audit	82%
Mrs P Stein	01/09/2012 Re-appt 01/09/2015	1 year	03/10/2016	External	Search and Governance	100%
Mr L Thommen	09/12/2015	3 years		Staff		88%
Mrs J Wallace	01/02/2017	3 years		External	Audit	100%
Dr E Williams	01/09/2013	3 years	03/10/2016	External	Audit	100%
Dr R Williams	03/10/2016	3 years		External	Audit	75%

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.

From April 2016, the maximum complement of members of the Corporation of Petroc was 18 which is made up of 13 External members, the Principal and Chief Executive, 2 Staff Governors and 2 Student Governors. It is the Corporation’s responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets three times per term. In 2016/17 it met on 8 occasions (2015/16 it met on 12 occasions).

The Corporation has three committees, each of which had terms of reference, which have been approved by the Corporation. The committees were Audit, Remuneration and Search & Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the 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 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 Governance Adviser, who is responsible to the Board for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the 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 and Chief Executive 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 6 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.

Corporation Performance

The Corporation carried out a self-assessment of its own performance for the year ended 31 July 2017 and graded itself as "good" on the Ofsted scale. The Self-Assessment took place during August/September 2017 and the outcome was discussed by the Search & Governance Committee on 18 September 2017, and the "good" rating approved by the Corporation at its meeting on 27 September 2017.

Remuneration Committee

The Remuneration Committee comprises of 5 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 Chief Executive and three Vice Principals during 2016/17) and the Governance Adviser. Details of remuneration for the year ended 31 July 2017 are set out in note 6 to the financial statements.

Audit Committee

The Audit Committee comprises at least three members of the Corporation (excluding the Principal and Chief Executive and Chair). In 2016/17 there were 5 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 and Chief Executive, 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 and Chief Executive in the Financial Memorandum/Funding Agreement between the College and the Education Skills Funding Agency (ESFA). The Principal and Chief Executive 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 2017 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 2017 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 Post 16 Audit Code of Practice. The work of the Internal Audit Service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans, are endorsed by the Corporation on the recommendation of the Audit Committee. 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 and Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. The Principal and Chief Executive'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 and Chief Executive 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 2017 meeting the Corporation carried out the annual assessment for the year ended 31 July 2017 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 2017. 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 2016/17.

Regularity, propriety and compliance

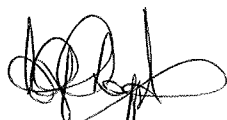
The Corporation has considered its responsibility to notify the Education Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the financial memorandum/funding agreement in place between the College and the ESFA. As part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

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 ESFA terms and conditions of funding under the College's Financial Memorandum/Funding Agreement. We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement these will be notified to the ESFA.

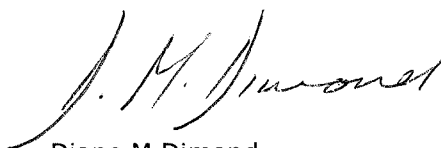
Going Concern

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 and Chief Executive

13 December 2017

Statement of the responsibilities of the Members of the Corporation for the year ended 31 July 2017

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/Funding Agreement agreed between the Education Skills Funding Agency (ESFA) and the Corporation of the College, the Corporation, through its Principal and Chief Executive, 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 ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements the Corporation is required to:

- Select suitable accounting policies and 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 ESFA are used only in accordance with the Financial Memorandum/Funding Agreement with the ESFA and any other conditions that the ESFA 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 ESFA are not put at risk.

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Approved by order of the members of the Corporation on 13 December 2017 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'A. G. Chapple', written over a horizontal line.

Andrew G Chapple
Chair of Governors

13 December 2017

Independent auditor's report to the Members of the Corporation of Petroc College

Opinion

We have audited the financial statements of Petroc ("the College") for the year ended 31 July 2017 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2017 and of the College's deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The Corporation are responsible for the other information. The other information comprises the information included in the Report of the members of the Corporation other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; and
- we have not received all the information and explanations we require for our audit.

Responsibilities of Corporation

As explained more fully in the Statement of Responsibilities of the Member of the Corporation set out on page 20, the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation are responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation intend to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard. This report is made solely to the Corporation as a body, in accordance with Article 22 of the College's Articles of Government. Our

Petroc

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.

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



Mazars LLP

Chartered Accountants and Statutory Auditor

Address

Date 18-12-17

Petroc Statement of Comprehensive Income for the year ended 31 July 2017

	Note	2017 £'000	2016 £'000
Income			
Funding body grants	2	20,378	20,886
Tuition fees and education contracts	3	5,082	4,536
Other income	4	2,604	2,689
Investment income	5	19	34
Total income		28,083	28,145
Expenditure			
Staff costs (including pension charges of £887,000 (2016: £530,000))	6	19,054	18,237
Fundamental restructuring costs	6	283	290
Other operating expenses	7	7,014	6,999
Depreciation		2,006	2,113
Interest and other finance costs (including pension charges of £621,000 (2016: £627,000))	8	891	948
Total expenditure		29,248	28,587
(Deficit) for the year before other gains and losses		(1,165)	(442)
Lease costs	10	(2)	(5)
Unrealised gain – foreign exchange transaction		(16)	16
Loss on disposal of assets		(12)	-
(Deficit) for the year		(1,195)	(431)
Actuarial loss in respect of pension schemes	19	(2,397)	(5,906)
Total Comprehensive Income for the year		(3,592)	(6,337)

All operations are continuing.

Petroc Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 August 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)	-
	(6,063)	(274)	(6,337)
Balance at 31 July 2016	(10,555)	4,251	(6,304)
Surplus/(deficit) from the income and expenditure account	(1,165)	-	(1,165)
Other comprehensive income	(2,427)	-	(2,427)
Transfers between revaluation and income and expenditure reserves	274	(274)	-
Total comprehensive income for the year	(3,318)	(274)	(3,592)
Balance at 31 July 2017	(13,873)	3,977	(9,896)

Petroc Balance sheet as at 31 July 2017

	Note	2017 £'000	2016 £'000
Non current assets			
Tangible fixed assets	11	38,360	39,443
		38,360	39,443
Current assets			
Stocks		42	49
Trade and other receivables	12	1,042	1,129
Cash and cash equivalents	17	4,346	3,780
		5,430	4,958
Creditors: amounts falling due within one year	13	(5,725)	(5,816)
Net current liabilities		(295)	(858)
Total assets less current liabilities		38,065	38,585
Creditors: amounts falling due after more than one year	14	(19,881)	(20,678)
Provisions			
Defined benefit obligations	16	(27,478)	(23,573)
Other provisions	16	(602)	(638)
Total net liabilities		(9,896)	(6,304)
Unrestricted reserves			
Income and expenditure account reserve		(13,873)	(10,555)
Revaluation reserve		3,977	4,251
Total reserves		(9,896)	(6,304)
Total unrestricted reserves		-	-

The financial statements on pages 25 to 48 were approved by the Corporation on 13 December 2017 and were signed on its behalf by:



Andrew G Chapple
Chair of Governors



Diane M Dimond
Principal and Chief Executive

Petroc Statement of Cash Flows

	Note	2017 £'000	2016 £'000
Cash flow from operating activities			
Surplus/(deficit) for the year		(1,179)	(431)
Adjustment for non-cash items			
Release of capital grants		(721)	(725)
Lease cost		2	-
Loss on disposal of fixed assets		12	-
Unrealised gain – foreign exchange		(16)	(16)
Depreciation		2,006	2,113
(Increase)/decrease in stocks		7	4
(Increase)/decrease in debtors		87	578
Increase/(decrease) in creditors		136	(1,607)
Increase/(decrease) in provisions		(36)	(527)
Pensions costs less contributions payable		1,508	1,157
Adjustment for investing or financing activities			
Investment income		(19)	(34)
Interest payable		262	290
Net cash flow from operating activities		2,049	802
Cash flows from investing activities			
Investment income		19	34
Payments made to acquire fixed assets		(596)	(2,281)
		(577)	(2,247)
Cash flows from financing activities			
Interest paid		(267)	(297)
Repayments of amounts borrowed		(639)	(634)
		(906)	(931)
Increase / (decrease) in cash and cash equivalents in the year		566	(2,376)
Cash and cash equivalents at beginning of the year	17	3,780	6,156
Cash and cash equivalents at end of the year	17	4,346	3,780

Notes to the financial statements for the year ended 31 July 2017

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 2016 to 2017* 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.

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 £4.2m 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 ESFA 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 account 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.

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.

Cash & Cash Equivalents

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

Reserves

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities.

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

	2017 £'000	2016 £'000
Recurrent grant		
Education and Skills Funding Agency – 16-18	13,768	13,843
Education and Skills Funding Agency – Adult	3,275	3,326
Education and Skills Funding Agency – Apprenticeships	2,582	2,154
Non recurrent grant	49	852
Releases of government capital grants	704	711
	20,378	20,886

3 Tuition fees and education contracts

	2017 £'000	2016 £'000
Tuition fees	4,026	3,469
Education contracts:		
Higher education (HE) income	495	325
Local authorities and schools	561	742
	5,082	4,536

Higher Education (HE) income includes deferred grant release of £6,000 (2016: £12,000)
During the year the College provided bursaries of £NIL (2016: £NIL).

4 Other income

	2017 £'000	2016 £'000
European grant income	229	256
Other grant income	684	551
Other income	1,691	1,882
	2,604	2,689

Other Income includes deferred grant release of £12,000 (2016: £3,000)

5 Investment income

	2017 £'000	2016 £'000
Interest receivable	19	34

6 Staff costs

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

Full-time equivalents	2017 No.	2016 No.
Teaching staff	282	294
Non-teaching staff	283	293
	565	587
 Headcount	 2017 No.	 2016 No.
Teaching staff	441	427
Non-teaching staff	466	474
	907	901
	 2017 £'000	 2016 £'000
Staff costs for the above persons		
Wages and salaries	14,625	14,504
Social security costs	1,204	1,018
Other pension costs (including pension charges of £887,000 (2016: £530,000))	3,205	2,687
Payroll sub total	19,034	18,209
Contracted out staffing services	20	28
	19,054	18,237
Fundamental restructuring costs - contractual	283	250
- non contractual	-	40
Total staff costs	19,337	18,527

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 and Chief Executive, Vice Principals, Assistant Principals, Director and Head. Staff costs include compensation paid to key management personnel for loss of office.

Emoluments of key management personnel including the Principal and Chief Executive

	2017 No.	2016 No.
The number of key management personnel including the Principal and Chief Executive was:	12	11

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

Key management personnel		
	2017	2016
	No.	No.
£60,001 to £70,000 p.a.	3	4
£70,001 to £80,000 p.a.	-	1
£80,001 to £90,000 p.a.	3	-
£90,001 to £100,000 p.a.	-	1
£130,001 to £140,000 p.a.	1	1
	7	7

Key management personnel emoluments is made up as follows:

	2017	2016
	£'000	£'000
		£'000
Salaries	779	725
Employers National Insurance contributions	96	81
Benefits in kind	-	-
	875	806
Pension contributions	123	116
Total key management personnel emoluments	998	922

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 and Chief Executive (who is also the highest paid senior post-holder) (2016: from December 2015) of:

	2017	2016
	£'000	£'000
Salary	135	90
Benefits in Kind	-	-
	135	90
Pension Contributions	22	15

Emoluments payable to the Acting Principal to November 2015 (2016: August 2015 to November 2015)

	2017	2016
	£'000	£'000
Salary	-	42
Benefits in Kind	-	-
	-	42
Pension Contributions	-	7

Compensation for loss of office paid to former key management personnel

	2017 £'000	2016 £'000
Compensation paid to 1 former senior post-holder	29	-
Estimated value of other benefits, including provisions for pension benefits	-	-

The members of the Corporation other than the Principal and Chief Executive 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

	2017 £'000	2016 £'000
Teaching costs	2,304	2,186
Non-teaching costs	2,805	2,984
Premises costs	1,905	1,829
	7,014	6,999

Other operating expenses include:

Auditors' remuneration:

- Financial statements audit	25	27
- Internal audit	20	23
Hire of plant and machinery under operating leases	80	124
Hire of other assets under operating leases	647	774

8 Interest and other finance costs

	2017 £'000	2016 £'000
On bank loans	263	290
Interest on enhanced pension provision (note 16)	7	31
Net interest on defined pension liability (note 19)	601	612
	891	948

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:

	2017 £'000	2016 £'000
As at 31 July 2016	68	162
Onerous lease costs in year	(29)	(99)
Charge in respect of surrender of Tiverton Way lease	-	-
Additional net obligation (credited) charged as an exceptional item	2	5
As at 31 July 2017	41	68
Due in one year or less	21	38
Due between one and two years	10	10
Due between two and five years	10	20
Due in five years or more	-	-
	41	68

11 Tangible assets

	Land and buildings freehold	Equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 31 July 2016	52,108	11,500	-	63,608
Transfers	116	-	(116)	-
Additions	-	708	227	935
Disposals	(18)	(551)	-	(569)
At 31 July 2017	52,206	11,657	111	63,974
Accumulated depreciation				
At 31 July 2016	13,706	10,459	-	24,165
Charge for the year	1,554	452	-	2,006
Accelerated depreciation	-	-	-	-
Disposals	(6)	(551)	-	(557)
At 31 July 2017	15,254	10,360	-	25,614
Net book value				
At 31 July 2017	36,952	1,297	111	38,360
At 31 July 2016	38,402	1,041	-	39,443
Inherited at valuation	7,150	-	-	7,150
Financed by capital grant	16,284	480	-	16,764
Other at cost/valuation	13,518	817	111	14,446
	36,952	1,297	111	38,360

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 £7,150,000 (2016: £7,424,000) 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

	2017 £'000	2016 £'000
Trade receivables	417	367
Prepayments and accrued income	376	432
Amounts owed by the ESFA	198	237
Other receivables	51	93
	1,042	1,129

13 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Bank loans	431	639
Payments received in advance	660	830
Trade payables	2,127	2,069
Other taxation and social security	333	348
Accruals and deferred income	878	1,073
Amounts owed to the ESFA	380	13
Deferred income – government capital grants	747	716
Lease costs	21	37
Other payables	148	91
	5,725	5,816

Trade payables include holiday accrual of £787,608 (2016: £771,876).

14 Creditors: amounts falling due after more than one year

	2017 £'000	2016 £'000
Bank loans	3,844	4,275
Lease costs	20	30
Deferred income – government capital grants	16,017	16,373
	19,881	20,678

15 Analysis of borrowing of the College

	2017	2016
	£'000	£'000
Bank loans		
Repayable as follows:		
- in one year or less	431	639
- between one and two years	222	431
- between two and five years	707	687
- in five years or more	2,915	3,157
	4,275	4,914

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	Restructuring	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2016	23,573	201	354	83	24,211
Expenditure in period	(1,508)	(201)	(25)	(83)	(1,817)
Additions in period	5,413	40	7	226	5,686
At 31 July 2017	27,478	40	336	226	28,080

The College has accrued restructuring costs of £40,062 (2016: £200,682) 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 was provided in 2015/2016 for dilapidation costs and has now been fully released. A provision of £70,000 has been provided for in respect of the college's lease obligation to maintain the external façade of Brannams. A provision of £74,250 has been provided for regarding an ongoing HE appeal. A provision of £81,421 has been provided for in respect of ongoing pay consultations.

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 ESFA.

Other provisions are expected to be due in 12 months.

The principal assumptions for this calculation are:

	2017 %	2016 %
Interest rate	2.3	2.3
Inflation rate	1.3	1.3

The provision includes £Nil (2016: £15,209 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 19.

17 Cash and cash equivalents

	At 1 August 2016 £'000	Cash flows £'000	Other changes £'000	At 31 July 2017 £'000
Cash and cash equivalents	3,780	566	-	4,346
Overdrafts	-	-	-	-
Total	3,780	566	-	4,346

18 Lease obligations

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

	2017 £'000	2016 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	644	647
Later than one year and not later than five years	2,946	2,835
Later than five years	2,517	3,272
	6,107	6,754
Other		
Not later than one year	37	39
Later than one year and not later than five years	131	22
Later than five years	-	-
	168	61

19 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 2017 £'000	Year ended 31 July 2016 £'000
TPS: contributions paid	1,303	1,251
LGPS:		
Contributions paid	1,015	906
Pension charge	887	530
Charge to the statement of comprehensive income	1,902	1,436
Total pension cost for year (note 6)	3,205	2,687

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 2016.

Contributions amounting to £274,781 (2016: £247,764) were payable to the scheme at 31 July 2017 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 2017 was £1,352,382 (2016: £1,304,190) of which employer's contributions totalled £1,015,405 (2016: £966,803) and employees contributions totalled £336,977 (2016: £337,387).

For the period from 1 August 2016 to 31 March 2017 the employer contribution was 13.10% and from 1 April 2017 changed to 14.90% (2016: 13.10%).

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary.

	2017 %	2016 %
Rate of increase in salaries	4.2	4.0
Future pensions increases	2.7	2.2
Discount rate for scheme liabilities	2.7	2.6
Inflation assumption (CPI)	2.7	2.2
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 2017	At 31 July 2016
	Years	Years
<i>Retiring today</i>		
Males	23.4	22.9
Females	25.5	26.2
<i>Retiring in 20 years</i>		
Males	25.6	25.2
Females	27.8	28.6

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:

	Fair value at 31 July 2017 £'000	Fair value at 31 July 2016 £'000
Equity instruments	17,188	14,999
Government bonds	869	841
Property	2,559	2,637
Cash	762	319
Target return portfolio	4,319	3,639
Infrastructure	1,123	1,051
Other bonds	713	732
Alternative assets	1,588	1,474
Total fair value of plan	29,121	25,692
Actual return on plan assets	3,078	2,288

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 (2.7% as at 31 July 2017).

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

	2017	2016
	£'000	£'000
Fair value of plan assets	29,121	25,692
Present value of plan liabilities	(56,599)	(49,265)
Net pensions (liability)/asset (Note 19)	(27,478)	(23,573)

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

	2017	2016
	£'000	£'000
Amounts included in staff costs		
Current service cost	1,889	1,389
Past service cost	86	65
	1,975	1,454

Amounts included in investment income

Net interest income	(621)	(627)
	(621)	(627)

Amount recognised in Other Comprehensive Income

Return on pension plan assets	2,403	1,405
Experience losses arising on defined benefit obligations	(1,019)	-
Other actuarial gains/(losses on assets	(142)	-
Changes in assumptions underlying the present value of plan liabilities	(3,639)	(7,311)
	(2,397)	(5,906)

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

	2017	2016
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(23,573)	(16,510)
Movement in year:		
Current service cost	(1,975)	(1,454)
Employer contributions	1,088	924
Administration expenses	(20)	(15)
Past service cost	-	-
Net interest on the defined (liability)/asset	(601)	(612)
Actuarial gain or loss	(2,397)	(5,906)
Net defined benefit (liability)/asset at 31 July	(27,478)	(23,573)

Asset and Liability Reconciliation

	2017	2016
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	49,265	39,586
Current service cost	1,889	1,389
Interest cost	1,276	1,495
Contributions by scheme participants	337	364
Experience gains and losses on defined benefit obligations	1,019	-
Changes in financial assumptions	3,917	7,311
Changes in demographic assumptions	(278)	-
Estimated benefits paid	(912)	(945)
Past Service cost	-	-
Curtailments and settlements	86	65
Defined benefit obligations at end of period	56,599	49,265
Changes in fair value of plan assets		
Fair value of plan assets at start of period	25,692	23,076
Interest on plan assets	675	883
Return on plan assets	2,403	1,405
Other actuarial gains/(losses)	(142)	-
Administration expenses	(20)	(15)
Employer contributions	1,088	924
Contributions by scheme participants	337	364
Estimated benefits paid	(912)	(945)
Fair value of plan assets at end of period	29,121	25,692

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. Retirement and other pension benefits are paid by public funds provided by Parliament.

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. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

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 £1,303,445 (2016: £1,250,414).

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.

20 Capital commitments

	2017	2016
	£'000	£'000
Commitments contracted for at 31 July	311	42

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 £1,726; 7 Governors (2016: £1,754; 4 Governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and events in their official capacity.

No Governor has received any remuneration or waived payments from the College (2016: None)

22 Discretionary Learner Support Funds and Residential Bursaries

	2017 £'000	2016 £'000
Funding body grants	941	1,016
Interest earned	-	-
	941	1,016
Disbursed to students	(786)	(922)
Staffing	(24)	(24)
Administration costs	(37)	(39)
Balance unspent and repayable at 31 July	94	31

Included within trade creditors is £179,314 (2016: £207,761) 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.

To: The corporation of Petroc and Secretary of State for Education acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Petroc during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Petroc and the reporting accountant

The corporation of Petroc is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by the Department. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.


Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the SFA/ funding agreement with the EFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Reviewed all payments to senior post holders on termination of employment or in respect of claims made in the year
- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed: 

Mazars LLP

Date: 18-12-17

