

**Petroc**

**Annual report**

**for the year ended 31 July 2019**

## **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 2018/19:

Diane Dimond	Principal and Chief Executive
Jane Hanson	Vice Principal - Quality, Curriculum & Learners
Bill Blythe	Vice Principal - Finance & Resources
Sheena Murphy-Collett	Director of Human Resources and Organisational Development
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
Rozalind Algar	Assistant Principal - Commercial

### **Board of Governors**

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

Mrs J Barton acted as Governance Advisor.

### **Professional Advisers**

#### **Statutory Auditors**

Mazars LLP  
90 Victoria Street  
Bristol  
BS1 6DP

#### **Internal Auditors**

HW Controls & Assurance  
30 Camp Road  
Farnborough  
Hampshire  
GU14 6EW

#### **Bankers**

Lloyds Bank plc  
Barclays plc

#### **Solicitors**

Clarke Willmott  
Eversheds  
Michell Law  
Sharpe Pritchard  
Irwin Mitchell  
Brewer, Harding and Rowe

## **Petroc**

### **Annual report**

### **for the year ended 31 July 2019**

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## **Report of the members of the Corporation for the year ended 31 July 2019**

The members present their report and the audited financial statements for the year ended 31 July 2019.

### **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 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 supports the development of sustainable economic growth and high-quality, productive jobs, and will create a pipeline of talent for local and regional businesses. We 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 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 and the difficulty in predicting the potential implications to the college's activities, staff, students and suppliers.
- The 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
- Reforms to HE including the role of the Office for Students

### **Implementation of Strategic Plan**

In July 2017 the College updated its Strategic Plan for the period 2017-2020 with five strategic priorities:

- Excellent Teaching and Learning Experience
- Our People
- Growth and Innovation
- Partnership and External Engagement
- Finance and Resources

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 £2,169,000 (2018: deficit of £1,872,000). This includes pension charges of £2,330,000 (2018: £2,184,000) and fundamental restructuring costs incurred of £566,000 (2018: £329,000).

The Statement of Comprehensive Income reflects an actuarial loss of £2,570,000 (2018: gain of £4,079,000) on pension scheme assets in respect of FRS102 (28).

Cash and investment balances have increased by £411,000 due to the timing of capital expenditure and project activity.

Looking forward, the College has prepared a financial plan for the next two years which is based on detailed business plans, informed by 2018/19 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 2018/19
Operating surplus as a % of income	Between 3 – 5 %	2.60%
EBITDA as a % of income	6.91%	6.58%
Cash generation	£1,638k	£1,517k
Cash days	68.71 *	53.85
Adjusted current ratio	Greater than 1	1.51
Borrowing as a % of income	Less than 40%	12.94%
Reliance on ESFA	64.62%	64.63%
Financial Health Score	Good or Better	Good
Average Class Size	14	11.20
Staff utilisation	>95%	97%
Staff costs as a % of income excluding sub-contracting and projects	<65%	69.71%

\*This target reflected a potential asset disposal in 2018/19 which did not materialise in year.

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 achievement 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 2019 is £3.622m. Debt servicing costs for the two years equate to just over £886k; 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 continue to reduce now the £3m loan is fully repaid.

The net cash inflow from operating activities was £1,517k (2018: £1,326k).

### **Principal Risks and Uncertainties**

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

All risks are linked 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 at each meeting.

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 managing the ongoing changes that impact on current and future funding, including apprenticeship reforms and the devolution of the adult education budget.

### **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 rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies
- Benchmarking against other similar colleges

### **Accommodation Strategy**

The College's Estates Strategy, endorsed by Governors, was comprehensively updated in 2017; and reviewed in 2018 and 2019. The key objective of the estates strategy remains to provide all learners and staff 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 has retained the "Planet Mark" (an independent award for sustainability and carbon reduction), with a 14% reduction in its carbon footprint.

The College continues to upgrade and adapt its estate and during the summer of 2018 refurbished and brought back a previously mothballed floor of E Block, North Devon Campus, into use.

### **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.

The College also actively encourages existing staff to declare a disability, so that appropriate support and reasonable adjustments can be made. In addition, 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.

The College also supports 'hidden' disabilities and the College's Wellbeing & Mental Health Strategy and associated action plan strives to facilitate this, with initiatives such as the College becoming a Mindful Employer, which provides the College with easy access to professional workplace mental health training, information and advice; our goal is to help empower organisations – large or small – to take a lead in supporting the mental wellbeing of staff. The College has also, in the last 12 months, signed the Dignity at Work charter, supporting all staff with a terminal illness.

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

Petroc is passionate about the value of people and all that they bring, diversity is welcomed and enriches our organisation.

Petroc is committed to challenging inequality and celebrating diversity to achieve the following vision:

- people achieve their own potential and a good quality of life
- everyone can access our services, facilities or information
- there is customer involvement and influence in decision-making, planning, policy and service delivery
- people have trust and confidence in us to report incidents of abuse or discrimination
- our community, at all levels, is supported and broadly reflects the local diversity

Petroc believes an environment free from discrimination and equality of opportunity are basic rights. The College has a zero tolerance approach to any form of discrimination.

Within the last 12 months, the College has signed a LGBTQ (lesbian, gay, bisexual, transgender and questioning) Pledge. We know that it can be difficult to fully be yourself at work, at home, or in your local community. If we want to live in a world where people are accepted without exception, we all need to be part of the solution, that's why Petroc has decided to sign a pledge to support LGBTQ people. We want Petroc to be a safe place to be 'out' at work.

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 General Data Protection Regulations 2018, 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 offered programmes from Level 1 to Level 6 at the Barnstaple and Brannams Campuses and sought to develop a broad, responsive curriculum to suit the needs of our local community and a variety of stakeholder groups. This meant in 2018/19 we recruited in excess of 1,000 learners; this comprised 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 at satisfying the requirements of local businesses.

The curriculum range meant it was 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 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 has developed a number of programmes in partnership with local employers, such as Applegate, Torridge District Council, James Electrics and others which has enabled curriculum design to be based upon actual business need, these programmes have proved sustainable recruiting students year on year.

The academic year 2018/19 saw curriculum development initiatives take place regarding the Institute of Technology (IoT) with new programmes validated in Electronics, Embedded Technologies and Design & Manufacturing.

#### **Department of Arts and Sciences**

The primary focus of the Department of Arts and Science is A levels. In 2018/19 the Department delivered 29 separate A levels and in addition A Level 3 Applied Science programme. The vast majority of students within the department are 16-19 whose overwhelming aspiration is to secure a place at University. The curriculum consequently is organised to support this aspiration with tutorial, academic academies and educational visits planned to support this. In 2019/20 approximately 80% of year 2 students progressed to HE.

The Department is also responsible for a vibrant Access programme aimed at mature students, offering pathways in Nursing, Humanities, Science and Business. The Access in Business programme being new to Petroc this academic year. In 2018/19 in excess of 90% of students who completed this programme progressed to University.

### **Department of Lifestyle, Care and Foundation Learning**

The Department continues to strive towards outstanding. Retention improved across all levels and ages and, whilst continues to be a challenge, 19+ retention performance improved in 2018/19.

This improvement bucks national trends which have not reflected positively the new qualifications format of external assessments. The College has successfully implemented this change which not only gives our learners excellent results now, but also prepares the College well for the upcoming T-Levels.

Progression both internally and externally remains strong, with outstanding partnerships providing students with exciting, local opportunities to upskill in their chosen sector. Work with North Devon District Hospital (NDDH) provides a range of solutions to enable workforce development & recruitment, from Project Search to Nursing Assistant Practitioners. Particular successes include 100% pass rates in new forms of apprenticeship assessments (End Point Assessments or EPA) for Clinical Healthcare apprentices, and this year the College celebrated its 50<sup>th</sup> Project Search graduate. An alternative to Project Search, Supported Internships, which engages with a broad variety of employers also saw success in enabling employment for more young people than ever.

The department continues to enable learners to gain valuable work experience. In 2018/19 655 learners engaged with local employers to undertake a wide range of work placements, totalling over 63,000 hours. Using the Heritage Lottery Fund methodology, our learners contributed time to the value of £426,951. This volume of work placement leaves us ideally positioned to implement T-Levels.

To better support learners in 2018/19, each curriculum area hosted new parents evenings in late September/early October to welcome them to the College including discussion on progression, assessment and work placements.

The holistic development of learners enables them to leave college equipped to lead healthy, happy & positive lives. Work with ERASMUS + and academies such as the 999 Academy (an 18 month programme designed by the emergency services) contributes to this development.

Learners in 2018/19 had access to a wide variety of trips, totalling over 550 local, national and international trips. Petroc Go saw 153 students, accompanied by over 40 staff travel to Europe. They participated in 13 trips, visiting 6 countries and worked with 9 Host Partners. 11% had never travelled abroad before with a mixture of able-bodied and disabled student participants.

Most learners reported an increase in the soft skills that they had developed as a result of taking part in Petroc Go. 86% agreed they were more tolerant towards other persons' values and behaviour, 93% felt more able to adapt to and act in new situations and 91% reported improved problem solving skills.

This also impacted positively on their personal qualities. 92% felt more able to cooperate with people from other backgrounds and cultures, 89% knew their strengths and weaknesses better and 76% felt more able to reach decisions.

Work in the community continued to innovate, Supported Learning students gained valuable work skills by maintaining the flower beds at Barnstaple Railway station, students raised funds for charity through sponsored bike rides, rowing challenges and full body painting. Travel and Tourism students hosted primary school children from the local area, flying them to 'Lapland' in our airplane fuselage.

Sports academies continue to excel. Boys and girls both became Regional Volleyball Champions again and represented the South West at the National Championships, the boys winning gold and the girls winning silver.

Petroc is a fantastic environment for the majority of local learners, but some learners need an alternative. In 2018/19 the College started working with Wings, a provider near Bideford which enables young people to access education and training in a smaller scale environment. Working with Wings has enabled young people to pass qualifications from GCSE to employability skills, and to gain employment.

### **Mid Devon**

The department continues to offer and develop its diverse curriculum to both 16-18 year old learners and the wider adult community with the decision made to reintroduce STEM A Levels at Mid Devon from 2020/21. This year has seen the continued growth of the apprenticeship offer with bespoke delivery models offered to support industry needs such as Oscar Mayer (a local food manufacturer) and the NHS. The first cohort of Team Leading at level 3 and Improvement Practitioners at level 4 will be drawing to a successful close, further supporting levy payers within the region with their mission of continued operational improvement and performance.

This year has also seen the continued growth of the successful partnership with Devon County Council, by placing supported learners into main stream apprenticeship provisions.

The success of learners continues to be celebrated gaining prestigious awards and national acclaim at the HIPS & Sparks annual plumbing and electrical event, Festival of Learning, Learning for Work national award winner and BTEC Silver award for Art and Design student of the year.

The continued expansion of our industry led short courses, has seen colleagues travel to Paris and Edinburgh to deliver bespoke electrical short courses further strengthening our relationship with the Heart of the South West Learning Enterprise Partnership (HotSW LEP)/Hinkley Point Training Association (HPTA).

### **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 with Office for Students and other project grants.

The College is clear that 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 £12.44m of net liabilities (including £30.50m pension liability) and long term debt of £3.62m.

The College employs 550 people (expressed as average full time equivalents), of whom 263 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 96.4% which is above the national average for 2018/19 of 87.7%. In facilitating subjects (English Literature, History, Modern Languages, Maths and Further Maths, Physics, Biology, Chemistry and Geography) – those most valued by the country's top universities – 52.6% of grades were A\*-B maintaining the standard of the previous year of over 50% of all learners achieving to this outcome. Overall, A\*-A grades were 29.1%. This is good when compared to the joint council of qualifications (JCQ) data, which shows that the accumulative percentage of all A levels taken in the UK of 26.2%. A\*-B grades were 56.0% (compared to 45.5% last year.) against a JCQ national average of 52.7%.

The pass rate for Level 3 (excluding AS and A Level) is 87.2%.

GCSE English Language overall achievement rate according to the QAR is 79.4%.

GCSE Maths overall achievement rate is 79.1%.

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 ensure learners who attend Petroc to reach their potential in all subjects across all areas.

Timely outcomes from Apprenticeships are good, with a majority 68.7% completed within the timeframe and at or above national rates. Retention for Apprentices aged 19-23 is now much improved at 73.2% and 24+ at Level 2 the retention has improved by 6%.

### **Staff and Student Involvement**

The College supports an active Student Union, employed a Student Sabbatical Officer who attends Governing Body meetings and maintains communication with students via regular Learner Voice Forums, 'You Said, We Did' reporting process and various events including theme weeks. 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 effectively uses 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. Petroc has specialist Supported Learning provision within both North and Mid Devon campuses, and aims to promote skills which will lead students into developing employability skills through working in the Liberty Cafe in North Devon and The Exe Cafe in Mid Devon, and progress into supported employment.

The College maintains effective communications via specialist events/conferences, staff development days and training sessions, and various research initiatives, including an annual Scholarly Conference.

In The Know is the weekly online staff magazine which is a key means for communicating what is happening across the College which staff are invited to contribute to; managers attend a monthly College Management Team meeting and structured team briefings. An e-Message of the Day alerts staff to important activities to note.

An active staff forum meets regularly to discuss and put forward ideas and suggestions for developing social and wellbeing activity.

Petroc is proud to be a member or partner of, and achieved kite marks such as



During 2018/19 we signed up to the Dying to Work Charter.

In 2019 Petroc continued to be recognised as Good by Ofsted, and holds the TEF Silver award from the Office for Students. 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 and the Office for Students.

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

### Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the College to publish information on facility time arrangements for trade union officials at the College

Numbers of employees who were relevant period	FTE employee number
4	2.59

Percentage of time	Number of employees
0%	
1-50%	4
51-99%	
100%	
Total cost of facility time	£10,981
Total pay bill	£18,540,024
Percentage of total bill spent on facility time	0.06%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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### **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 2018 to 31 July 2019, the College paid 86% of its invoices within 30 days (year ended 31 July 2018 – 84%). 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**

2018/19 was another exciting academic year for Petroc students, staff and prospective learners.

The College's Welcome Fayres kick-started the year for new students, with an array of other supportive and engaging events to inspire and educate.

Throughout the year, event highlights included the raising of the Rainbow Flag for LGBT month, the Be Safe for Life Exhibition, Operating Theatre Live, Art Exhibitions, Shaping Futures workshops (incorporating motivational speaker Stephen Seki), as well as the Christmas staff party.

The Chef of the Year competition, held in the spring, received a fantastic response from catering students who were able to work alongside award winning professional chefs and produced excellent dishes with a high level of professionalism.

Our annual events such as our Higher Education graduation, held at the Queen's Theatre, and the Petroc Scholarly Conference, at Brannams campus, were a huge success and saw a large gathering of graduates and scholars.

Towards the end of the academic year, each department held award ceremonies to celebrate the outstanding achievements of our learners on a wide range of courses. These rewarding events provided an opportunity to reflect on the achievement of personal goals and to share in the experiences of onward progression into education or employment.

Prospective students enjoyed an array of open events, taster days and careers college events across our campuses where we were able to showcase our excellent facilities and provide the opportunity to speak to our lecture staff.

Petroc staff also attended external events including The National Apprenticeship Show, TEDx, North Devon Show and Mid Devon Show, and sponsored Apprenticeship awards at the North Devon Manufacturing Annual Awards as well as at the North Devon Journal Business Awards.

### **Projects**

In academic year 2018/19 the College delivered 16 different projects with a total value in excess of £7.2m. 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 2018/19 the value of this activity was just over £210,000. The team is also responsible for the coordination of the Northern Devon Employment and Skills Board (ESB).

Notable successes during the 2018/19 academic year include securing £900,000 of ESFA co-financed ESF to manage and fund the Community Grants programme across the HotSW LEP area. This funding is aimed at charities and small organisations in the form of grants of up to £20,000 to deliver bespoke activity to unemployed and inactive

participants to move them into education or employment. The team also secured subcontracts through Serco, to continue to deliver Skills Support for the Workforce, and CSW to continue to deliver the Skills for Young People NEETS reduction activity. A significant re-procurement exercise to continue to deliver the National Citizen Service contract across Northern Devon concluded in 2018/19 and has gained 5 new schools in the wider Exeter area for delivery in Summer 2020.

2018/19 also saw the first Shaping Futures month which brought the 2 ESF Higher Level Skills projects, Hidden Talent in Devon (HTiD) and Strategic Employer Engagement in Devon (SEED), and Next Steps South West (NSSW) along with the wider curriculum to give a clear focus on promoting progression for all learners during the month of March. This pilot activity proved successful and will be repeated in 2019/20.

The Empowering Enterprise project secured an extension to allow activity to continue until December 2020. During the year the project engaged with 371 of the hardest to reach 18-24 year olds across Devon with 111 positive results being achieved. The project launched a dedicated website ([www.empoweringenterprise.org.uk](http://www.empoweringenterprise.org.uk)) during the year in order to share the positive results and stories across the partnerships and with other key stakeholders. Receipts totalling £1,505,849 have been received up to 31<sup>st</sup> July 2019 of which £67,500 remains unspent and has been treated as payments received in advance on the balance sheet.

The local delivery of the National Citizen Service (NCS) contract has seen 257 young people from across North Devon participating in social action projects during 2018/19. The individual participant projects delivered in excess of 7,700 hours of social action and voluntary activity valued at just under £33,000.

The Erasmus+ funded project Petroc Go were able to offer 153 students the opportunity to spend two weeks abroad gaining valuable work experience or training across 13 trips to 6 European countries. These students were accompanied by 42 members of staff who also gained valuable experiences which have been brought back and applied to their 'day jobs'. The team have secured another contract to continue this valuable activity into the 2020/21 academic year and this new contract will allow a further 257 students to travel to 7 different countries across 18 trips throughout 2019/20 and 2020/21.

### **New Bids Secured 2018/19**

<b>Funding Stream</b>	<b>Project</b>
ERDF	Petroc Centre of Technology and Innovation Excellence
Personal Guidance Fund	AoC Personal Guidance Fund Project
N/A	Dorset County Council Learning and Development Training Framework
Apprenticeship Levy	ESPO Apprenticeship Dynamic Purchasing System
Taking Teaching Further	Strand 1 - Financial Support for Initial Teacher Education
Taking Teaching Further	Strand 2 - Big benefits for small businesses: Engaging SMEs and Start-ups in innovative collaboration with FE
Apprenticeship Levy	Yorkshire Procurement Organization (YPO) Apprenticeships & Associated Training Framework
Apprenticeship Levy	South Gloucestershire Council DPS for Apprenticeship Training Services
ESFA ESF	Community Grants
ESFA ESF	CSW-led Supply of Support for Individuals who are NEET or at risk of NEET

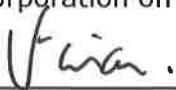
Digital Skills Innovation Fund	Heart of the South West Digital Momentum project
ESFA ESF	Serco-led Skills Support for the Workforce
Apprenticeship Levy	6 Science Manufacturing Technician L3 Apprenticeships
Institutes of Technology	Institute of Technology
Interreg	Bio-Cultural Heritage Tourism (BCHT) Visitor Survey Service
Youth Deal	Youth Deal (match funding for ESF Young Opportunities)
OTLA Phase 6	Collaborative Projects (English)
National Citizen Service	NCS Delivery to Dec 2022
Education & Training Foundation TRIP	Embedding contextualised English and maths in Industry Placement
Education & Training Foundation TRIP	A project led by Bridgwater & Taunton College
AEB	Adult Education Budget
Apprenticeship Levy	Devon Partnership NHS Trust Healthcare Assistant Practitioner L5
Erasmus+ KA1 Mobility	Petroc Go V
WRAP Litter Innovation Fund	Pokemon for Litter Collectors

### Current Projects Live 2018/19

Funding Stream	Project
Big Lottery ESF Co-financed	Empowering Enterprise 18-24
Erasmus+ KA1	Petroc Go III Petroc Go IV
Erasmus+ KA2	Becoming a Designer in Europe
ESFA ESF Co-financed	Devon County Skills for Young People Skills Support for the Workforce Skills for Young People Skills Support for the Workforce 3 Community Grants – Devon Community Grants - Somerset
OfS	Next Steps South West
Other Grants	Personal Mentor Network National Citizen Service Education Training Foundation Taking Teaching Further
Direct ESF	Hidden Talent in Devon (HTiD) Strategic Employer Engagement in Devon (SEED)

Approved by order of the Corporation on 11 December 2019 and signed on its behalf by:

Chair of Governors



Kevin Finan



## 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 2019 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 2018/2019**

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committee Membership	Attendance
Mrs S Bryant-Jones	01/04/2018	3 years		Staff		75%
Mr D Chalmers	01/04/2017 Re-appt 01/04/2018	1 year 3 years		External	Search and Governance	80%
Mr A Champion	01/01/2019	1 year		External	Strategic Review Working Group	71%
Mrs R Day	01/09/2013 Re-appt 03/10/2016 Extended to 30/09/2019	1 year	07/10/2019	External	Remuneration, Search and Governance, Strategic Review Working Group	100%
Mrs D Dimond	01/04/2015	N/A	18/08/2019	Principal and Chief Executive	Search and Governance	100%
Mr S Dunn	15/11/2018	1 year		Student		86%
Mr K Finan (Chair from 01/01/2018)	25/04/2016 New term of office as Chair effective from 01/01/2018	4 years		External	Search and Governance, Remuneration, Strategic Review Working Group	86%
Ms L Marvao	28/03/2019	1 year		External		100%

Mrs M Padgham	01/11/2018	1 year		External	Audit	82%
Mr S Richardson	10/07/2017	3 years		External	Remuneration	90%
Mr M Rogers	01/11/2018	1 year		External		60%
Mr I Springate	01/04/2017 Re-appt 01/04/2018	1 year 3 years		External	Audit	100%
Ms M Stacey	01/08/2016 Re-appt 07/10/2019	3 years 4 years		External	Audit	100%
Mr L Thommen	09/12/2015 Re-appt 07/10/2019	3 years 3 years		Staff		75%
Mrs J Wallace Vice Chair from January 2018	01/02/2017 Re-appt 07/10/2019	3 years 4 years		External	Audit, Remuneration, Strategic Review Working Group	82%
Mr C Williams	31/12/2017 Re-appt 07/10/19	3 years 4 years		External	Strategic Review Working Group	80%
Dr R Williams	03/10/2016	3 years	14/02/2019	External	Audit	80%

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 usually meets three times per term. In 2018/19 it met on 8 occasions (2017/18 it met on 7 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](http://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 one year in the first instance, followed by a three year term.

#### **Corporation Performance**

The Corporation carried out a self-assessment of its own performance for the year ended 31 July 2019 and graded itself as "good" on the Ofsted scale. The Self-Assessment took place during August/September 2019 and the outcome was discussed by the Corporation and the "good" rating approved by the Corporation at its meeting on 7 October 2019.

#### **Remuneration Committee**

The Remuneration Committee comprises of 5 external 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 two Vice Principals during 2018/19) and the Governance Adviser. Details of remuneration for the year ended 31 July 2019 are set out in note 6 to the financial statements.

#### **Audit Committee**

The Audit Committee comprises at least three external members of the Corporation (excluding the Principal and Chief Executive and Chair). In 2018/19 there were 4 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 2019 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 2019 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 2019 meeting the Corporation carried out the annual assessment for the year ended 31 July 2019 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 2019. 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 2018/19.

*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:



Kevin Finan  
Chair of Governors



Sean Mackney  
Principal and Chief Executive

11 December 2019

## **Statement of the responsibilities of the Members of the Corporation for the year ended 31 July 2019**

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.

Petroc

Approved by order of the members of the Corporation on 11 December 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Finan', followed by a period.

Kevin Finan  
Chair of Governors

11 December 2019



## **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 2019 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 2019 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.

### **The impact of uncertainties due to Britain exiting the European Union on our audit**

The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the college's activities, staff, students, suppliers and the wider economy. We considered the impact of Brexit on the college as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the college's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for the College and this is particularly the case in relation to Brexit.

## **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

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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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

*Mazars*

Mazars LLP

Chartered Accountants and Statutory Auditor

Date *17/11/19*

**Petroc Statement of Comprehensive Income for the year ended 31 July 2019**

	Note	<b>2019 £'000</b>	2018 £'000
<b>Income</b>			
Funding body grants	2	19,492	19,932
Tuition fees and education contracts	3	5,650	5,506
Other income	4	3,558	2,577
Investment income	5	20	8
<b>Total income</b>		<b>28,720</b>	<b>28,023</b>
<b>Expenditure</b>			
Staff costs (including pension charges of £1,646,000 (2018: £1,449,000))	6	19,881	19,586
Fundamental restructuring costs	6	566	329
Other operating expenses	7	7,335	6,859
Depreciation		2,189	2,124
Interest and other finance costs (including pension charges of £684,000 (2018: £735,000))	8	933	989
<b>Total expenditure</b>		<b>30,904</b>	<b>29,887</b>
<b>(Deficit) for the year before other gains and losses</b>		<b>(2,184)</b>	<b>(1,864)</b>
Lease costs	10	-	(2)
Unrealised gain/(loss) in respect of foreign exchange transactions		11	(6)
Profit on disposal of assets		4	-
<b>(Deficit) for the year</b>		<b>(2,169)</b>	<b>(1,872)</b>
Actuarial (loss)/gain in respect of pension schemes	21	(2,570)	4,079
<b>Total Comprehensive Income for the year</b>		<b>(4,739)</b>	<b>2,207</b>

All operations are continuing.

**Petroc Statement of Changes in Reserves**

	<b>Income and expenditure account</b>	<b>Revaluation reserve</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 August 2017</b>	(13,873)	3,977	(9,896)
(Deficit) from the income and expenditure account	(1,864)	-	(1,864)
Other comprehensive income	4,071	-	4,071
Transfers between revaluation and income and expenditure reserves	274	(274)	-
	2,481	(274)	2,207
<b>Balance at 31 July 2018</b>	(11,392)	3,703	(7,689)
(Deficit) from the income and expenditure account	(2,184)	-	(2,184)
Other comprehensive income	(2,555)	-	(2,555)
Prior Year adjustment to the pension obligations	(16)		(16)
Transfers between revaluation and income and expenditure reserves	274	(274)	-
<b>Total comprehensive income for the year</b>	(4,481)	(274)	(4,755)
<b>Balance at 31 July 2019</b>	(15,873)	3,429	(12,444)

**Petroc Balance sheet as at 31 July 2019**

	Note	<b>2019 £'000</b>	<b>2018 £'000</b>
<b>Non current assets</b>			
Tangible fixed assets	11	36,168	37,432
		36,168	37,432
<b>Current assets</b>			
Stocks	12	38	45
Trade and other receivables	13	1,392	1,640
Cash and cash equivalents	18	4,131	3,720
		5,561	5,405
<b>Creditors: amounts falling due within one year</b>	14	(5,129)	(5,265)
<b>Net current assets</b>		432	140
<b>Total assets less current liabilities</b>		36,600	37,572
Creditors: amounts falling due after more than one year	15	(18,149)	(18,962)
<b>Provisions</b>			
Defined benefit obligations	17	(30,499)	(25,583)
Other provisions	17	(396)	(716)
<b>Total net liabilities</b>		(12,444)	(7,689)
<b>Unrestricted reserves</b>			
Income and expenditure account reserve		(15,873)	(11,392)
Revaluation reserve		3,429	3,703
<b>Total reserves</b>		(12,444)	(7,689)

The financial statements on pages 25 to 49 were approved by the Corporation on 11 December 2019 and were signed on its behalf by:



Kevin Finan  
Chair of Governors



Sean Mackney  
Principal and Chief Executive

**Petroc Statement of Cash Flows**

	Note	<b>2019</b> <b>£'000</b>	2018 £'000
<b>Cash flow from operating activities</b>			
(Deficit) for the year		(2,169)	(1,872)
<b>Adjustment for non-cash items</b>			
Release of capital grants		(726)	(776)
Depreciation		2,189	2,124
Decrease/(increase) in stocks		7	(3)
Decrease/(increase) in debtors		248	(598)
(Decrease) in creditors		(240)	(76)
(Decrease)/increase in provisions		(320)	114
Pensions costs less contributions payable		2,330	2,184
<b>Adjustment for investing or financing activities</b>			
Investment income		(20)	(8)
(Gain) on disposal of non-current assets		(4)	-
Interest payable		222	237
<b>Net cash flow from operating activities</b>		<b>1,517</b>	<b>1,326</b>
<b>Cash flows from investing activities</b>			
Investment income		20	8
Receipts from sale of non-current assets		4	-
Payments made to acquire fixed assets		(686)	(1,292)
		(662)	(1,284)
<b>Cash flows from financing activities</b>			
Interest paid		(222)	(237)
Repayments of amounts borrowed		(222)	(431)
		(444)	(668)
<b>Increase / (decrease) in cash and cash equivalents in the year</b>		<b>411</b>	<b>(626)</b>
Cash and cash equivalents at beginning of the year	18	3,720	4,346
Cash and cash equivalents at end of the year	18	4,131	3,720

# Notes to the financial statements for the year ended 31 July 2019

## 1 Accounting policies

### Standard Information

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

### 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 2018 to 2019* 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 £3.6m 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 due 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.

### Termination benefits

Payments made in accordance with statutory Government regulations and in accordance with the policies approved by the Governing Body. All such payments must be authorised by the Principal and Chief Executive, and calculations checked by the Director for HR and Organisational Development.

### 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 1<sup>st</sup> 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 1<sup>st</sup> 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 24, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

## **2 Funding body grants**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Recurrent grant		
Education and Skills Funding Agency – 16-18	12,403	12,761
Education and Skills Funding Agency – Adult	3,279	3,488
Education and Skills Funding Agency – Apprenticeships	3,001	2,766
Non recurrent grant	182	212
Releases of government capital grants	627	705
	<b>19,492</b>	<b>19,932</b>

**3 Tuition fees and education contracts**

	<b>2019 £'000</b>	<b>2018 £'000</b>
Tuition fees	4,103	4,343
Education contracts:		
Higher education (HE) income	471	573
Local authorities and schools	1,076	590
	<b>5,650</b>	<b>5,506</b>

Higher Education (HE) income includes deferred grant release of £33,037 (2018: £18,000)  
During the year the College provided bursaries of £8,294 (2018: £2,900).

**4 Other income**

	<b>2019 £'000</b>	<b>2018 £'000</b>
European grant income	454	380
Other grant income	1,432	1,232
Other income	1,672	965
	<b>3,558</b>	<b>2,577</b>

Other Income includes deferred grant release of £65,955 (2018: £53,000)

**5 Investment income**

	<b>2019 £'000</b>	<b>2018 £'000</b>
Interest receivable	20	8

## 6 Staff costs

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

Full-time equivalents	<b>2019 No.</b>	2018 No.
Teaching staff	263	278
Non-teaching staff	287	282
	<b>550</b>	560
Headcount	<b>2019 No.</b>	2018 No.
Teaching staff	373	424
Non-teaching staff	440	452
	<b>813</b>	876
	<b>2019 £'000</b>	2018 £'000
<b>Staff costs for the above persons</b>		
Wages and salaries	14,508	14,385
Social security costs	1,235	1,287
Other pension costs (including pension charges of £1,646,000 (2018: £1,449,000))	4,064	3,881
<b>Payroll sub total</b>	19,807	19,553
Contracted out staffing services	74	33
	19,881	19,586
Fundamental restructuring costs - contractual	566	329
- non contractual	-	-
<b>Total staff costs</b>	<b>20,447</b>	19,915

## 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 and Director. Staff costs include compensation paid to key management personnel for loss of office.

## Emoluments of key management personnel including the Principal and Chief Executive

	<b>2019 No.</b>	2018 No.
The number of key management personnel including the Principal and Chief Executive was:	9	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:

<b>Key management personnel</b>		
	<b>2019</b>	2018
	<b>No.</b>	No.
£60,001 to £65,000 p.a.	3	2
£65,001 to £70,000 p.a.	1	1
£80,001 to £85,000 p.a.	1	1
£85,001 to £90,000 p.a.	1	1
£140,001 to £145,000 p.a.	1	1
	<b>7</b>	<b>6</b>

Key management personnel emoluments is made up as follows:

	<b>2019</b>	2019
	<b>£'000</b>	£'000
Salaries	647	756
Employers National Insurance contributions	80	93
Benefits in kind	-	-
	<b>727</b>	<b>849</b>
Pension contributions	103	122
<b>Total key management personnel emoluments</b>	<b>830</b>	<b>971</b>

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) of:

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Salary	145	145
Benefits in Kind	-	-
	<b>145</b>	<b>145</b>
Pension Contributions	24	24

The governing body has adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles in future.

The remuneration package of Key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

The Principal and Chief Executive reports to the Chair of Governors, who undertakes an annual review of their performance against the College's overall objectives using both qualitative and quantitative measures of performance.

**Relationship of Principal and Chief Executive pay and remuneration expressed as a multiple**

	<b>2019</b>	2018
Principal and CEO's basic salary as a multiple of the median of all staff	6.7	6.7
Principal and CEO's total remuneration as a multiple of the median of all staff	7.1	7.2

**Compensation for loss of office paid to former key management personnel**

	<b>2019 £'000</b>	2018 £'000
Compensation paid to 1 former senior post-holder	29	17
Estimated value of other benefits, including provisions for pension benefits	-	-

Severance payments are made in accordance with relevant legislation and in accordance with the policies approved by the Governing Body. Professional advice is obtained where necessary. All such payments must be authorised by the Principal and Chief Executive.

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**

	<b>2019 £'000</b>	2018 £'000
Teaching costs	2,767	2,569
Non-teaching costs	2,835	2,419
Premises costs	1,733	1,871
	<b>7,335</b>	<b>6,859</b>

**Other operating expenses include:**

Auditors' remuneration:

- Financial statements audit	25	25
- Internal audit	16	16
Hire of plant and machinery under operating leases	38	38
Hire of other assets under operating leases	630	614



## 8 Interest and other finance costs

	2019 £'000	2018 £'000
On bank loans	222	237
Interest on enhanced pension provision (note 17)	27	17
Net interest on defined pension liability (note 21)	662	716
Administration expenses (note 21)	22	19
	933	989

## 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:

	2019 £'000	2018 £'000
As at 31 July 2018	-	41
Onerous lease costs in year	-	(22)
Charge in respect of surrender of Gloucester Crescent lease	-	(21)
Additional net obligation (credited) charged as an exceptional item	-	2
<b>As at 31 July 2019</b>	-	-
Due in one year or less	-	-
Due between one and two years	-	-
Due between two and five years	-	-
Due in five years or more	-	-
	-	-

**11 Tangible assets**

	<b>Land and buildings freehold</b>	<b>Equipment</b>	<b>Assets under construction</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>				
At 31 July 2018	52,592	11,697	52	64,341
Transfers	225	-	(225)	-
Additions	-	533	392	925
Disposals	-	(222)	-	(222)
<b>At 31 July 2019</b>	<b>52,817</b>	<b>12,008</b>	<b>219</b>	<b>65,044</b>
<b>Accumulated depreciation</b>				
At 31 July 2018	16,851	10,058	-	26,909
Charge for the year	1,618	571	-	2,189
Accelerated depreciation	-	-	-	-
Disposals	-	(222)	-	(222)
<b>At 31 July 2019</b>	<b>18,469</b>	<b>10,407</b>	<b>-</b>	<b>28,876</b>
<b>Net book value</b>				
<b>At 31 July 2019</b>	<b>34,348</b>	<b>1,601</b>	<b>219</b>	<b>36,168</b>
At 31 July 2018	35,741	1,639	52	37,432
Inherited at valuation	6,602	-	-	6,602
Financed by capital grant	15,231	244	-	15,475
Other at cost/valuation	12,515	1,357	219	14,091
	<b>34,348</b>	<b>1,601</b>	<b>219</b>	<b>36,168</b>

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 £6,602,000 (2018: £6,876,000) 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 Stocks**

	<b>2019 £'000</b>	<b>2018 £'000</b>
Commercial trading activities	38	45

**13 Debtors**

	<b>2019 £'000</b>	<b>2018 £'000</b>
Trade receivables	419	644
Prepayments and accrued income	414	456
Amounts owed by the ESFA	424	475
Other receivables	135	65
	<b>1,392</b>	<b>1,640</b>

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

	<b>2019 £'000</b>	<b>2018 £'000</b>
Bank loans	229	222
Payments received in advance	646	710
Trade payables	2,132	2,462
Other taxation and social security	370	334
Accruals and deferred income	674	759
Amounts owed to the ESFA	258	14
Deferred income – government capital grants	719	708
Lease costs	-	-
Other payables	101	56
	<b>5,129</b>	<b>5,265</b>

Trade payables include holiday accrual of £729,221 (2018: £760,851).

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

	<b>2019 £'000</b>	<b>2018 £'000</b>
Bank loans	3,393	3,622
Lease costs	-	-
Deferred income – government capital grants	14,756	15,340
	<b>18,149</b>	<b>18,962</b>

**16 Analysis of borrowing of the College**

	<b>2019 £'000</b>	<b>2018 £'000</b>
<b>Bank loans</b>		
Repayable as follows:		
- in one year or less	229	222
- between one and two years	236	229
- between two and five years	751	729
- in five years or more	2,406	2,664
	<b>3,622</b>	<b>3,844</b>

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

**17 Provisions for liabilities and charges**

	<b>Defined benefit obligations</b>	<b>Restructuring</b>	<b>Enhanced pensions</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 August 2018	25,583	122	328	266	26,299
Expenditure in period	(2,330)	(122)	(25)	(263)	(2,740)
Additions in period	7,246	63	27	-	7,336
<b>At 31 July 2019</b>	<b>30,499</b>	<b>63</b>	<b>330</b>	<b>3</b>	<b>30,895</b>

The College has accrued restructuring costs of £63,026 (2018: £121,648) as a result of efficiency savings.

A provision of £3,500 has been provided for regarding an ongoing HE appeal.

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.

The principal assumptions for this calculation are:

	<b>2019</b> <b>%</b>	<b>2018</b> <b>%</b>
Interest rate	2.0	2.3
Inflation rate	2.2	1.3

The provision includes £Nil (2018: £Nil 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 21.

## 18 Cash and cash equivalents

	<b>At 1 August 2018</b> <b>£'000</b>	<b>Cash flows</b> <b>£'000</b>	<b>Other changes</b> <b>£'000</b>	<b>At 31 July 2019</b> <b>£'000</b>
Cash and cash equivalents	3,720	411	-	4,131
Overdrafts	-	-	-	-
<b>Total</b>	<b>3,720</b>	<b>411</b>	<b>-</b>	<b>4,131</b>

## 19 Lease obligations

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

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	719	631
Later than one year and not later than five years	3,020	2,984
Later than five years	1,007	1,762
	<b>4,746</b>	<b>5,377</b>
<b>Other</b>		
Not later than one year	38	40
Later than one year and not later than five years	88	95
Later than five years	2	1
	<b>128</b>	<b>136</b>

## 20 Lessor obligations

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

	2019 £'000	2018 £'000
<b>Future minimum lessor payments due</b>		
<b>Land and buildings</b>		
Not later than one year	61	42
Later than one year and not later than five years	17	42
Later than five years	-	-
	68	42
<b>Other</b>		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	-

## 21 Pensions and similar obligations

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

Total pension cost for the year	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
TPS: contributions paid	1,229	1,293
LGPS:		
Contributions paid	1,189	1,139
Pension charge	1,646	1,449
Charge to the statement of comprehensive income	2,835	2,588
<b>Total pension cost for year (note 6)</b>	<b>4,064</b>	<b>3,881</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuations of the TPS was 31 March 2012 and the LGPS was valued at 31 March 2016.

Contributions amounting to £279,584 (2018: £268,129) were payable to the scheme at 31 July 2019 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 2019 was £1,547,058 (2018: £1,479,556) of which employer's contributions totalled £1,188,508 (2018: £1,138,512) and employees contributions totalled £358,551 (2018: £341,044).

For the period from 1 August 2018 to 31 July 2019 the employer contribution was 14.90% (2018: 14.90%).

### Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by a qualified independent actuary.

	2019 %	2018 %
Rate of increase in salaries	3.85	3.85
Future pensions increases	2.35	2.35
Discount rate for scheme liabilities	2.10	2.65
Inflation assumption (CPI)	2.35	2.35
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 2019 Years	At 31 July 2018 Years
<i>Retiring today</i>		
Males	22.5	23.5
Females	24.4	25.6
<i>Retiring in 20 years</i>		
Males	24.1	25.8
Females	26.2	28.0

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:

	<b>Fair value at 31 July 2019 £'000</b>	<b>Fair value at 31 July 2018 £'000</b>
Equity instruments	20,782	18,579
Government bonds	1,230	1,043
Property	2,948	2,819
Cash	579	478
Target return portfolio	4,766	4,485
Infrastructure	1,257	1,156
Other bonds	637	620
Private equity	574	320
Alternative assets	1,790	1,618
<b>Total fair value of plan</b>	<b>34,563</b>	<b>31,118</b>
<b>Actual return on plan assets</b>	<b>2,238</b>	<b>1,906</b>

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 (2.10% as at 31 July 2019).

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

	<b>2019 £'000</b>	<b>2018 £'000</b>
Fair value of plan assets	34,563	31,634
Present value of plan liabilities	(65,062)	(57,217)
<b>Net pensions (liability)/asset (Note 21)</b>	<b>(30,499)</b>	<b>(25,583)</b>



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

	<b>2019</b>	2018
	<b>£'000</b>	£'000
<b>Amounts included in staff costs</b>		
Current service cost	2,459	2,547
Past service cost	427	64
	<b>2,886</b>	<b>2,611</b>
<b>Amounts included in investment income</b>		
Net interest income	(684)	(735)
	<b>(684)</b>	<b>(735)</b>
<b>Amount recognised in Other Comprehensive Income</b>		
Return on pension plan assets	1,389	1,124
Experience losses arising on defined benefit obligations	-	-
Other actuarial gains/(losses on assets	-	-
Changes in assumptions underlying the present value of plan liabilities	(3,959)	2,955
	<b>(2,570)</b>	<b>4,079</b>

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

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(25,583)	(27,748)
Movement in year:		
Current service cost	(2,886)	(2,129)
Employer contributions	1,240	1,162
Administration expenses	(22)	(19)
Past service cost	-	-
Capital gain (Outsourcing)	(16)	(482)
Net interest on the defined (liability)/asset	(662)	(716)
Actuarial gain or loss	(2,570)	4,079
<b>Net defined benefit (liability)/asset at 31 July</b>	<b>(30,499)</b>	<b>(25,583)</b>

**Asset and Liability Reconciliation**

	<b>2019</b>	2018
	<b>£'000</b>	£'000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	<b>57,217</b>	<b>56,599</b>
Prior year adjustment to obligations at start of period	97	-
Current service cost	2,459	2,547
Interest cost	1,511	1,498
Contributions by scheme participants	359	342
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	7,493	(2,955)
Changes in demographic assumptions	(3,534)	-
Estimated benefits paid	(967)	(878)
Past Service cost, including curtailments	427	64
<b>Defined benefit obligations at end of period</b>	<b>65,062</b>	<b>57,217</b>
<b>Changes in fair value of plan assets</b>		
<b>Fair value of plan assets at start of period</b>	<b>31,634</b>	<b>29,121</b>
Prior year adjustment to plan assets at start of period	81	-
Interest on plan assets	849	782
Return on plan assets	1,389	1,124
Other actuarial gains/(losses)	-	-
Administration expenses	(22)	(19)
Employer contributions	1,240	1,162
Contributions by scheme participants	359	342
Estimated benefits paid	(967)	(878)
<b>Fair value of plan assets at end of period</b>	<b>34,563</b>	<b>31,634</b>

## Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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.

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. 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.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019/20 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £1,229,349 (2018: £1,293,898).

## 22 Capital commitments

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Commitments contracted for at 31 July	756	136

## 23 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 £690; 3 Governors (2018: £1,036; 3 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 (2018: None)

## 24 Discretionary Learner Support Funds and Residential Bursaries

	2019 £'000	2018 £'000
Funding body grants	900	912
Interest earned	-	-
	900	912
Disbursed to students	(812)	(835)
Staffing	(52)	(41)
Administration costs	(36)	(36)
Balance unspent and repayable at 31 July	-	-

Included within trade creditors is £91,429 (2018: £149,762) of money 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 2018 to 31 July 2019 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 2018 to 31 July 2019 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 2018 to 31 July 2019 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 17/11/19