

Petroc
Annual report
for the year ended 31 July 2020

Key Management Personnel, Board of Governors and Professional Advisers

Key Management Personnel

Key management personnel are defined as members of the College Executive Team and were represented by the following in 2019/20:

Sean Mackney	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 – Technical Skills
Craig Litster	Assistant Principal – Academic Studies
Jon Hardy	Assistant Principal – Applied General (Vocational)
Rosalind Algar	Assistant Principal - Commercial

Board of Governors

A full list of Governors is given on page 16 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
Michelmores LLP
Mitchell Law
Irwin Mitchell

Petroc
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Report of the members of the Corporation for the year ended 31 July 2020

The members present their report and the audited financial statements for the year ended 31 July 2020.

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 College aims to lead our community in learning, enterprise and skills; equipping it for the future, economically, socially and culturally. Our Mission is 'Excellence through Learning', our strategy 'Petroc 2025' sets out how we will deliver it.

Our college values are Respect, Community and Empowerment.

Our Strategy sets out the impacts we will make to produce public value. We do this through Creating Outstanding Learner Achievement; Transforming Life Chances and Employment Prospects, Boosting Productivity, Innovation and Agility of Businesses and Organisations; Building Community and Prosperity Within North and Mid Devon and the Wider South West of England; and through Tackling the Climate Emergency.

The character of the College, how it will generate that public value is articulated through our 'Team Petroc' ways of working: Personalised and customer-focused; Agile and entrepreneurial; Digitally-able; Achieving value for money; and continuously learning and improving.

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

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

Implementation of Strategic Plan

In 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

A new Strategic Plan for 2020 to 2025 was adopted by the board to run from 1 August 2020.

Covid-19 virus control measures affected activities and operations in the last quarter of the year. The College's circumstances, as with all other businesses, changed radically in Mid-March 2020 but these changes were managed effectively by the Pandemic Advisory Group, Executive Team and the Board of Governors. The College moved rapidly to digital delivery for the vast majority of its learning, involving the deployment of substantial IT resources to Staff and Learners for home working and learning. The College remained open for students of Key workers and vulnerable Learners.

Stakeholders

The College has many stakeholders including:

- its current, future and past students
- its staff and their trade unions. The main trade unions of which College staff are members of are UCU, NEU and Unison
- the employers it works with
- its funding bodies; ESFA and OfS plus the GLA and WECA
- its partner schools across Devon and North Cornwall and universities, namely Plymouth, Bolton and Exeter
- the wider college community
- its local councils, and the Local Enterprise Partnership
- Banks; Lloyds and Barclays

Finances

The College reported an operating deficit of £2,139,000 (2019: deficit of £2,169,000). This includes pension charges of £2,186,000 (2019: £2,330,000) and fundamental restructuring costs incurred of £313,000 (2019: £566,000).

The Statement of Comprehensive Income reflects an actuarial loss of £10,154,000 (2019: loss of £2,570,000) on pension schemes in respect of FRS102 (28).

Cash and investment balances have increased by £769,000 due to the timing of receipts/payments and changes in spending due to Covid-19.

Looking forward, the College has prepared a financial forecast for the next two years which is based on detailed business plans, but during a time of great uncertainty will require constant review and appropriate action taken to ensure the College's financial health is maintained and strategic objectives are achieved.

Covid-19 impacted particularly heavily on the College's commercial activities as Catering (Commercial and Student Restaurant); Lettings; Hair and Beauty; Performing Arts & Music; Gyms; the Centre of Technology and Innovation Excellence and other facilities closed to the General Public.

The Coronavirus Job-Retention Scheme (CJRS or Furlough) was used to mitigate much of the impact of these closures; although the College maintained all salaries for furloughed staff at 100% of the original.

With grant income being largely protected the College was able to honour its subcontracting obligations and other core supplier contracts (including exams, licenses etc.) as required under the Public Procurement Notice 02/20.

The Defined Benefit Pension Liability was impacted by Covid-19 as Asset valuations and discount rates changes were impacted considerably by the Pandemic.

Performance Indicators

Key Performance Indicator	Target/Measure	Actual for 2019/20
Operating surplus as a % of income	Between 3 – 5 %	1.34%
EBITDA as a % of income	7.39%	6.67%
Cash generation	£1,769k	£1,872k
Cash days	46.86	66.57
Adjusted current ratio	Greater than 1	1.68
Borrowing as a % of income	Less than 40%	12.60%
Reliance on ESFA	63.96%	66.39%
Financial Health Score	Good or Better	Good
Average Class Size	14	12.60
Staff utilisation	>95%	96.50%
Staff costs as a % of income excluding sub-contracting and projects	<65%	76.20%

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 2020 is £3.394m. Debt servicing costs for the two years equate to just over £872k; the 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.

The net cash inflow from operating activities was £1,872k (2019: £1,517k).

No external cash-flow support was requested from the ESFA or others to mitigate the impact of Covid-19 as with the support of the CJRS scheme, guaranteed funding from the Funding bodies and reduced operating and capital expenditure the College was able to maintain a modest but healthy cash reserve.

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.

Covid-19 has brought with it additional risks to both income and expenditure as employers seek to consolidate rather than expand and learners are more hesitant to commit to programmes that require community contacts and/or financial commitments. Costs to make the College Covid-19 Secure are relatively substantial.

The Digital curriculum that the College has, and is, developing requires some different skills-sets and resources but can be deployed relatively cost effectively.

Longer term the area is heavily dependent upon Manufacturing, Tourism, Farming and Pharmaceuticals for its economic well-being and ensuring that these sectors can continue to develop and grow in the light of Covid-19 and Brexit will be critical to the College's recruitment patterns.

Government Funding

The College is managing the ongoing changes that impact on current and future funding, including apprenticeship reforms, the devolution of the adult education budget and Covid-19 regulations.

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. A new strategy will be prepared and approved in 2020/21. 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 further 25.6% reduction in its carbon footprint.

During 2019/20 the College completed the Centre of Technology and Innovation Excellence (Cotie) building refurbishment project with the support of European Regional Development Fund Funding; Started the refurbishment project to create a centre of excellence as part of the South West Institute of Technology with DfE funding; as well as numerous IT and Equipment purchase for the departments.

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 AoC Wellbeing & Mental Health charter, supporting all staff with wellbeing and good mental health.

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.

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; and again in November 2019.

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.

Covid-19 impacted less than expected on the College's student numbers in 2019/20 as the CJRS (Furlough scheme) was used by many employers that we work with to retain staff. The Government allowed furloughed staff to continue to pursue their learning aims which resulted in a very limited reduction in student volumes. The College does not, historically, recruit heavily between February and the year end with the exception of full cost recovery courses where income did fall.

Curriculum Developments

During 2018 the College underwent a restructure into the following 3 departments:

- Technical Skills
- Academic Studies
- Applied General (vocational)

Department of 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 2019/20 we again 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 delivered 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 and maintained 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 2019/20 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 Academic Studies

The Department of Academic Studies is structured on 3 distinct curriculum areas; A levels, Business and Management and Higher Education which also contains Access to Higher Education.

In 2019/20 the A level faculty offered 23 separate A Levels and a Level 3 Vocational Science programme. The vast majority of students in this faculty are aged 16-18, whose primary aspiration is to progress onto Higher Education. To support this process the faculty offers an Aspire programme and tutorial support. Approximately 80% of A levels students successfully progress onto their HE institution of choice.

The Faculty of Business and Management offers a range of full time, adult and apprenticeship programmes, from level 2 to level 5, in subject areas such as Business, Administration, Accountancy, Human Resource Management and Marketing. The focus of this faculty is very much on supporting students into employment and enhancing their career prospects. However, a significant proportion of full time students on these programmes will progress onto further study including progression onto degree programmes.

All our HE curriculum is delivered in partnership with the University of Plymouth. The faculty offers in excess of 20 foundation degree programmes and 5 B.A. honours courses. These programmes offer our local community the opportunity to study for a higher education qualification whilst residing in North Devon. All our programmes have direct progression onto University of Plymouth programmes at undergraduate and post-graduate levels. In addition to levels 4, 5, and 6 we also offer a range of Access to Higher Education programmes, these full and part-time programmes enable over 100 adults every year the opportunity to progress onto degree level study in Science, Social Science, Humanities and Nursing.

Department of Vocational Education & T-Levels (VET)

The Department consists of a range of programmes from Entry Level to Level 5 higher apprenticeships. The Faculty's within this area are:

- Health & Care
- Lifestyle
- Arts & Innovation
- Progressive Studies
- Mid Devon Campus

The Department caters for 16-18 learners, adults, apprentices and our supported learning community. In 2019/20 the faculties taught over 1500 16-18 year olds, 450 apprentices, and almost 3,000 adults. We continued to strive towards outstanding for our staff, students & employers during what was a turbulent year.

The OFSTED inspection during November 2019 allowed us to showcase some of our provision, including Health & Social Care which was selected by OFSTED as our "biggest and best" provision. Performing arts & Music were focused upon, again providing positive insight into our practise. These areas received highly positive feedback from OFSTED, including praise for our excellent work experience links, high quality work produced at Level 3, and layering of learning being highly effective.

Our year was dominated by our response to Covid-19, which saw lessons go entirely online over the space of a weekend. Our work to develop the College's online provision over the past 3 years stood us in good stead and enabled us to engage learners effectively to ensure their safety, wellbeing and progression.

The department also supported all vulnerable learners across both sites during lockdown, the Students On Site (SOS) group, which triaged requests for learners to access provision. Not all requests were granted as we had to risk assess the likelihood of harm to the young person, against the potential benefit of being on site. Over the period of lockdown over 50 students across all sites were assessed as needing this support for a range of reasons enabling them to remain as safe as we could enable during lockdown 1.0. We liaised with local secondary and primary school in the Covid-19 response, which also enabled us to improve our relations with each other.

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 58th 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.

In 2019/20 almost all 16-18 learners engaged with local employers to undertake a wide range of work placements, totalling over 80,000 hours. Using the Heritage Lottery Fund methodology, our learners contributed time to the value of over half a million pounds. This volume of work placement leaves us ideally positioned to lead on T-Levels.

Learners in 2019/20 had access to a wide variety of trips prior to lockdown, totalling over 300 local, national and international trips. Prior to lockdown we had planned for 237 learners to engage in European work placements, as part of Petroc Go. Of these just 48 students and 8 staff were able to travel.

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.

As set out above, Covid-19 impacted less than expected on the College's student numbers in 2019/20 than had been feared but in 2020/21 there are reduced student numbers coming through in Higher Education and Apprenticeships in particular. We anticipate these reduction to be a temporary effect of business taking a while to be confident to re-start hiring and for individuals to pursue Higher Education with Student Debts. Competition from traditional HE providers also, we believed played a part in the decline in HE numbers.

Whilst this will impact into 2021/22 with reduced year 2 cohorts (and carry-in apprentices); the College remains committed to seeking to grow in both these areas.

Going Concern

Covid-19 impacted negatively on the 2019/20 financial results but not to the extent that was feared during the early stages of the lock-down. This was primarily due to the measures put in place by Government and the Funding Bodies. The College received some £250k in CJRS support which partially offset commercial losses. No other external support was requested or received. Bank Covenants were not breached and Financial Health (as measured by the ESFA) was "good".

Going forward the College will continue to operate prudently to ensure its cash position is not jeopardised and has a strong history of cost-control. Learner Number Growth will be key to ensuring the College can invest in facilities but the College will ensure that invest to grow plans are carefully evaluated before they are implemented.

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.

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 £24.74m of net liabilities (including £42.84m pension liability) and long term debt of £3.39m.

The College employs 553 people (expressed as average full time equivalents), of whom 264 (expressed as average full time equivalents) are teaching staff.

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

Student Achievements

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

The overall 16-18 years pass rate for A Levels was 98.6% which is above the national average for 2019/20 of 85.9%. Overall, A*-A grades were 32.9%. This is an 8.3% increase on the previous year. A*-B grades were 65.7% (compared to 49.7% last year.).

The pass rate for Level 3 (excluding AS and A Level) is 85.5%.

GCSE English Language overall achievement rate according to the QAR is 89.4%.

GCSE Maths overall achievement rate is 91.4%.

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 71% completed within the timeframe and at or above national rates. Retention for Apprentices aged 19-23 is now much improved at 81.7% and 24+ at Level 2 the retention has improved by 20.4%.

Staff and Student Involvement

The College supports an active Student Union, employed a Student Engagement 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 Student Union have been supported in gathering a wide range of opinions from the wider student body in order to bring about improvement to ensure all students receive the very best experience and development of learning and teaching. 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 Team and Senior Managers. Feedback on issues raised and how they have been resolved is provided via various communication channels.

In autumn 2019 our monthly student newsletter, 'The Vision', was launched, providing all learners with updates, information and enrichment opportunities to support engagement within our college community. The Vision includes student written features and supports the empowerment of the Learner Voice. In addition, our Student Engagement Officer co-ordinates a broad enrichment programme, including external opportunities across all campuses, which supports personal development through active learner participation in wider activities. Petroc Student Union continues to provide financial assistance to learners in receipt of the bursary, where there is an additional need for support.

The College effectively uses 16-18 bursary funds, Learner Support and Free College 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 face to face and digital solutions, 1:1s between staff and their line managers, team meetings, recorded video blogs, a Staff Forum, the Equality, Diversity and Inclusion committee, Safeguarding committee, the management meeting structures, specialist events/conferences, staff development

days and training sessions, and various research initiatives, including an annual Scholarly Conference. In addition, "In The Know", a weekly online staff magazine, is a key means for communicating what is happening across the College that staff are invited to contribute to and the College has an e-Message of the Day alert for staff to important activities to note.

During 2019/20 we signed up to the AoC Wellbeing and Mental Health Charter.

In November 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. In addition, celebration events, for both students and staff, are held annually.

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



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	3.08

Percentage of time	Number of employees
0%	
1-50%	4
51-99%	
100%	
Total cost of facility time	£18,449.99
Total pay bill	£18,669,722.99
Percentage of total bill spent on facility time	0.10%

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 2019 to 31 July 2020, the College paid 87% of its invoices within 30 days (year ended 31 July 2019 – 86%). 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

2019/20 was an unprecedented year for Petroc students, staff and prospective learners. With the arrival of Coronavirus in March and the subsequent lockdown, many of our planned events had to be cancelled or moved online.

At the start of the academic year, with current limitations a thing of the future, new students were invited along to the North Devon and Mid Devon Welcome Fayres. Subsequent events for learners included the raising of the Rainbow Flag for LGBT month, the signing of the Sustainable Development Goals, the Be Safe for Life Exhibition, Question Time, the Holocaust Memorial Event, Art Exhibitions and Shaping Futures Academies.

Unfortunately, due to COVID-19 restrictions later in the year, our Higher Education graduation and the end of term award ceremonies had to be cancelled. However, in their place, we ran a week-long #CelebratePetroc campaign, and a #Graduatesof2020 social media post, to celebrate the outstanding achievements of our learners - with the hope of hosting the HE Graduation Ceremony the following spring.

Prospective students enjoyed an array of open events in the autumn as well as an Apprenticeship Fair in early 2020 with over 20 employers represented - where we were able to showcase our excellent facilities and provide the opportunity to speak to our lecture staff. Taster days that are usually held in June for all of our feeder schools had to be moved online due to Covid-19 and became our #discoverPetroc event which was well received.

This year saw an increase in events for local businesses, which included business drop-ins hosted by the Business Engagement Team as well as the opening of the Cotie building.

Petroc staff attended the Christmas Party at The Factory, but sadly were unable to attend planned external events such as The National Apprenticeship Show, TEDx, North Devon Show and Mid Devon Show, the North Devon Manufacturing Annual Awards or the North Devon Journal Business Awards. There was also a Charity Christmas Market held at North Devon campus which attracted staff, students and the local community.

Projects

The College delivered 21 different projects in 2019/20 with a total value in excess of £8m. 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 2019/20 the value of this activity was just over £17,000. The team is also responsible for the coordination of the Northern Devon Employment and Skills Board (ESB).

Notable successes during the 2019/20 academic year include securing £1,666,672 of funding for the new ESF Experience Works project to support 15-24 year olds across Devon who are NEET or at risk of becoming NEET and just under £350,000 of funding to support local SMEs to upskill their workforce through the ESF Big Benefits for Small

Businesses contract. The College was also successful in securing funding from the Department for Business, Energy and Industrial Strategy to run the Techknowledgey Transfer project which is a unique collaboration of college staff and students, experts drawn from local employers and small businesses to test the concept of providing support to SMEs through student projects. The team also secured further Erasmus+ funding to extend the very successful Petroc Go projects into 2021/22 academic year.

The Personal Mentor Network project completed in 2019/20 and although it did not meet its challenging recruitment target, it did exceed the KPIs for helping young people find employment with over 220, against a target of 150, securing either full or part time jobs after being on the project.

The Empowering Enterprise project continued to be very successful in supporting the hardest to reach young people across Devon. The project finished all participant activity in the summer of 2020 and has exceeded the overall target for engagement. Even more pleasingly over 50% of participants have made a positive progression as a result of the support and, though final numbers are still being calculated, Empowering Enterprise has already surpassed targets for getting young people into work and education. Compared to figures in the Ecorys 2020 Annual Report which indicates that programme-wide, 14% of all participants have moved into employment, 22% of Empowering Enterprise participants have found work. In addition to this, the team also ran a very successful Positive Perspectives conference in February which brought together a range of organisations who work with young people and gave them the opportunity to network and hear from speakers on how to support young people with their mental health. Topics included gender identity, harnessing the positive power of technology, eco-therapy and building resilience. We surveyed delegates after the event and 91% of them agreed that they now feel more aware of the ways they can support young people with their mental health; 91% agreed that they had heard ideas that they would take directly into their day to day work and 93% agreed that they were more aware of existing support services for young people. Receipts totalling £2,279,615 have been received up to 31st July 2020 of which £92,491 remains unspent and has been treated as payments in advance on the balance sheet

The Community Grant contracts have been extended until March 2023. They continue to be very busy with most organisations able to offer support in innovative ways throughout the first lockdown. The Devon contract has now committed all available funds so a business case is being prepared to request additional income to support further funding rounds into 2021 and beyond.

The Shaping Futures team continued to promote higher level progression opportunities within Petroc. Particular successes to note were the switch to online delivery of the annual HE fair and Summer School activities which both proved to be a great success and the bespoke level 5 Change Management unit which was run remotely over the summer.

The ongoing Covid-19 situation meant that we were unable to run the normal NCS programme but we were able to offer some volunteering opportunities across North Devon and Exeter during the summer. Likewise, the pandemic meant that only 3 of our planned Petroc Go trips were able to run with one of these being in Spain when a national state of emergency was declared and borders were shut. Naturally this caused a great deal of anxiety for both those in the country and also family and colleagues back in the UK. Despite this being a difficult and challenging time, everyone involved was happy with the way in which it was handled and the students themselves behaved in an exemplary manner and were a credit to Petroc.

On the reverse side, the pandemic did allow us the opportunity to review delivery options on the SSW contract meaning that we are now offering online courses around

Innovating in a Post Covid-19 world which are proving popular amongst business across the region.

New Bids Secured 2019/20

Funding Bids

Funding Stream	Bid Title
ESFA Apprenticeships	Register of Apprenticeship Training Providers
Devon Education Fund	The Code for the Future
European Social Fund	Big Benefits for Small Businesses
European Social Fund	Experience Works
ETF Taking Teaching Further R3	Taking Teaching Further
BEIS/Innovate UK Business Basics 3	Techknowledge Transfer
ETF OTLA 7	OTLA 6 Follow-on Project
Erasmus+	Petroc Go VI
DfE College Collaboration Fund	Cirencester-led Bid
DfE College Collaboration Fund	Truro & Penwith-led bid

Apprenticeship Tenders

Employer	Funding Stream	Bid Title
UK Hydrographic Office	Apprenticeship Levy	Apprenticeship provision 2019
Devon County Council	Apprenticeship Levy	Level 3 Team Leader; Level 5 Operational/Departmental Manager; Level 6 Chartered Manager apprenticeship
Devon County Council	Apprenticeship Levy	Adult Care Worker / Lead Adult Care Worker
Devon County Council	Apprenticeship Levy	Advanced Apprenticeship Construction Contracting Operations Level 3
Taunton & Somerset NHS Foundation Trust	Apprenticeship Levy	Dynamic Purchasing System for the provision of Apprenticeship Training
Crown Commercial Services	Apprenticeship Levy	Dynamic Marketplace - Apprenticeship Training

Current Projects Live 2019/20

Funding Stream	Project
Big Lottery ESF Co-financed	Empowering Enterprise 18-24
Erasmus+ KA1	Petroc Go IV Petroc Go V
ESFA ESF Co-financed	Skills for Young People Skills Support for the Workforce 3 Community Grants – Devon Community Grants – Somerset
HEFCE/OfS	Next Steps South West

Direct ESF	Hidden Talent in Devon (HTiD) Strategic Employer Engagement in Devon (SEED) Experience Works
Other Grants	Personal Mentor Network Lot 1 & Lot 2 National Citizen Service 2018 National Citizen Service 2.0 Education Training Foundation Taking Teaching Further Litter Innovation Fund The Code For The Future Teacher Regional Improvement Projects x 3 OTLA – Kent OTLA BTC/CCG Techknowledgey Transfer

Approved by order of the Corporation on 9 December 2020 and signed on its behalf by:

Chair of Governors Kevin Finan

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 2018. 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 2020 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 2019/20

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	30/04/2020	Staff		14%
Mr D Chalmers	01/04/2017 Re-appt 01/04/2018	1 year 3 years		External	Search and Governance	56%
Mr A Champion	01/01/2019	4 years		External	Strategic Review Working Group	45%
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%
Mr H Edwards	01/11/19	1 year		Student		75%
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	89%
Ms L Marvao	28/03/2019	4 years		External		100%
Ms H Milton-Jefferies	01/12/2019	1 year		Student		71%

Mr R Nicholls	01/04/2020	1 year		External		100%
Mrs M Padgham	01/11/2018	4 years		External	Audit	100%
Mr S Richardson	10/07/2017	3 years	31/07/2020	External	Remuneration	78%
Mr M Rogers	01/11/2018	4 years		External	Search and Governance Committee	78%
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 N Tanton	01/04/2020	3 years		Staff		67%
Mr L Thommen	09/12/2015 Re-appt 07/10/2019	3 years 4 years		Staff		89%
Mrs J Wallace Vice Chair	01/02/2017 Re-appt 07/10/2019	3 years 4 years		External	Audit, Remuneration, Search and Governance Committee, Strategic Review Working Group	67%
Mrs D Watson	01/04/2020	1 year		External	Strategic Review Committee	100%
Mr C Williams	31/12/2017 Re-appt 07/10/19	3 years 4 years		External	Strategic Review Working Group	89%

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 2019/20 it met on 9 occasions (2018/19 it met on 8 occasions).

Meetings since the Covid-19 Lock-down in March have been held successfully on-line over zoom with limited connectivity issues and this has had a positive response from the Board.

The Corporation has three committees, each of which had terms of reference, which have been approved by the Corporation. The committees were Audit, Remuneration and Search & Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Governance Adviser at:

Petroc
Old Sticklepath Hill
Barnstaple
Devon
EX31 2BQ

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

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

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee, comprising 5 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.

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 2019/20) and the Governance Adviser. Details of remuneration for the year ended 31 July 2020 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 2019/20 there were 5 members. The committee operates in accordance with written terms of reference approved by the Corporation.

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

The College's Internal Auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations, and Internal Audit undertakes periodic follow up reviews to ensure that such recommendations have been implemented.

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

Internal Control

Scope of responsibility

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

The Corporation has delegated to the Principal and Chief Executive, as Accounting Officer, the day-to-day responsibility for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which they are personally responsible, in accordance with the responsibilities assigned to the Principal and Chief Executive in the Financial Memorandum/Funding Agreement between the College and the Education Skills Funding Agency (ESFA). The Principal and Chief Executive is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Petroc for the year ended 31 July 2020 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 2020 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 Executive 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 2020 meeting the Corporation carried out the annual assessment for the year ended 31 July 2020 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 2020. 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.

Audits continued, albeit online and the Audit Committee chose to ask the internal auditors to review the College's approach to Covid-19. This resulted in a good assurance level.

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.

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

Kevin Finan

Kevin Finan
Chair of Governors



Sean Mackney
Principal and Chief Executive

9 December 2020

Statement of Responsibilities of the Members of the Corporation for the year ended 31 July 2020

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 Statement of Recommended Practice – Accounting for Further and Higher Education, the Accounts Direction issued by the ESFA and the UK's Generally Accepted Accounting Practice, 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
- Assess whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate
- 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

Petroc

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.

Approved by order of the members of the Corporation on 9 December 2020 and signed on its behalf by:

Kevin Finan

Kevin Finan
Chair of Governors

9 December 2020

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

Opinion

We have audited the financial statements of Petroc (the 'College') for the year ended 31 July 2020 which comprise the Statement of Comprehensive Income and Expenditure, 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" (United Kingdom Generally Accepted Accounting Practice) and the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education.

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2020 and of the College's deficit of expenditure over income for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Corporation are responsible for the other information. The other information comprises the information included in the annual report, 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 returns adequate for our audit have not been received from branches not visited by us; 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 the Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 22, the Corporation is 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 is 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 either 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other required reporting

Opinion on other matters prescribed in the OfS Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds provided by the OfS and UK Research and Innovation (including Research England) have been applied in accordance with the relevant terms and conditions attached to them; and
- the requirements of OfS's accounts direction have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the OfS Audit Code of Practice requires us to report to you if, in our opinion:

- the provider's grant and fee income, as disclosed in the notes to the financial statements, has been materially misstated; or
- the provider's expenditure on access and participation activities, as disclosed in the financial statements, has been materially misstated.

Use of the audit report

This report is made solely to the Corporation as a body in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation as a body for our audit work, for this report, or for the opinions we have formed.

Mazars LLP

Mazars LLP

Chartered Accountants and Statutory Auditor

90 Victoria Street, Bristol, BS1 6DP

Date 11 December 2020

Petroc Statement of Comprehensive Income for the year ended 31 July 2020

	Note	2020 £'000	2019 £'000
Income			
Funding body grants	2	19,714	19,838
Tuition fees and education contracts	3	5,101	5,304
Other income	4	2,807	3,558
Investment income	5	14	20
Total income		27,636	28,720
Expenditure			
Staff costs (including pension charges of £1,534,000 (2019: £1,646,000))	6	19,689	19,881
Fundamental restructuring costs	6	313	566
Other operating expenses	7	6,659	7,335
Depreciation		2,188	2,189
Interest and other finance costs (including pension charges of £652,000 (2019: £684,000))	8	906	933
Total expenditure		29,755	30,904
(Deficit) for the year before other gains and losses		(2,119)	(2,184)
Unrealised gain/(loss) in respect of foreign exchange transactions		(10)	11
Profit/(Loss) on disposal of assets		(10)	4
(Deficit) for the year		(2,139)	(2,169)
Actuarial (loss)/gain in respect of pension schemes	20	(10,154)	(2,570)
Total Comprehensive Income for the year		(12,293)	(4,739)

All operations are continuing.

Petroc Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 August 2018	(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)	-
	(4,481)	(274)	(4,755)
Balance at 31 July 2019	(15,873)	3,429	(12,444)
(Deficit) from the income and expenditure account	(2,119)	-	(2,119)
Other comprehensive income	(10,174)	-	(10,174)
Transfers between revaluation and income and expenditure reserves	274	(274)	-
Total comprehensive income for the year	(12,019)	(274)	(12,293)
Balance at 31 July 2020	(27,892)	3,155	(24,737)

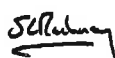
Petroc Balance sheet as at 31 July 2020

	Note	2020 £'000	2019 £'000
Non current assets			
Tangible fixed assets	10	35,517	36,168
		35,517	36,168
Current assets			
Stocks	11	45	38
Trade and other receivables	12	1,692	1,392
Cash and cash equivalents	17	4,900	4,131
		6,637	5,561
Creditors: amounts falling due within one year	13	(5,423)	(5,129)
Net current assets		1,214	432
Total assets less current liabilities		36,731	36,600
Creditors: amounts falling due after more than one year	14	(18,144)	(18,149)
Provisions			
Defined benefit obligations	16	(42,839)	(30,499)
Other provisions	16	(485)	(396)
Total net liabilities		(24,737)	(12,444)
Unrestricted reserves			
Income and expenditure account reserve		(27,892)	(15,873)
Revaluation reserve		3,155	3,429
Total reserves		(24,737)	(12,444)

The financial statements on pages 27 to 51 were approved by the Corporation on 9 December 2020 and were signed on its behalf by:

Kevin Finan

Kevin Finan
Chair of Governors



Sean Mackney
Principal and Chief Executive

Petroc Statement of Cash Flows

	Note	2020 £'000	2019 £'000
Cash flow from operating activities			
(Deficit) for the year		(2,139)	(2,169)
Adjustment for non-cash items			
Release of capital grants		(697)	(726)
Depreciation		2,188	2,189
Loss on disposal of fixed assets		10	-
Unrealised loss in respect of foreign exchange		10	-
(Increase)/decrease in stocks		(7)	7
(Increase)/decrease in debtors		(300)	248
Increase/(decrease) in creditors		326	(240)
Increase/(decrease) in provisions		89	(320)
Pensions costs less contributions payable		2,186	2,330
Adjustment for investing or financing activities			
Investment income		(14)	(20)
(Gain)/loss on disposal of non-current assets		10	(4)
Interest payable		210	222
Net cash flow from operating activities		1,872	1,517
Cash flows from investing activities			
Investment income		14	20
Receipts from sale of non-current assets		-	4
Payments made to acquire fixed assets		(679)	(686)
		(665)	(662)
Cash flows from financing activities			
Interest paid		(210)	(222)
Repayments of amounts borrowed		(228)	(222)
		(438)	(444)
Increase / (decrease) in cash and cash equivalents in the year		769	411
Cash and cash equivalents at beginning of the year	17	4,131	3,720
Cash and cash equivalents at end of the year	17	4,900	4,131

Notes to the financial statements for the year ended 31 July 2020

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 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2019 to 2020*, the *OfS Accounts Direction for 2019 to 2020* 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 £3.4m 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.

The recurrent grant from OFS represents the funding allocation attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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

Inventories

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

Maintenance of premises

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

Foreign currency translation

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

Taxation

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

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

Cash & Cash Equivalents

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

Reserves

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

Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

Agency arrangements

The College acts as an agent in the collection and payment of Discretionary Support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in Note 23, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

Judgements in applying accounting policies

In preparing these financial statements, management have made the following judgements:

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 to value the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	2020 £'000	2019 £'000
Recurrent grant		
Education and Skills Funding Agency – 16-18	11,753	12,403
Education and Skills Funding Agency – Adult	3,212	3,279
Education and Skills Funding Agency – Apprenticeships	2,885	3,001
Office for Students	290	313
European Union Co-Financed	267	121
Teacher Pensions Scheme contribution grant	617	-
Other Non-recurrent grants – ESFA	62	61
Releases of ESFA capital grants	581	627
Release of HE capital grants	47	33
	19,714	19,838

2a OfS

	2020 £'000	2019 £'000
Grant income from the OfS	323	346
Fee income for taught awards	2,095	2,496
Fee income from non-qualifying courses	6	9
	2,424	2,851

3 Tuition fees and education contracts

	2020 £'000	2019 £'000
Adult education fees	124	134
FE Loans	840	759
Higher education fees	2,095	2,496
Full cost fees	405	414
Apprenticeship contracts	55	109
Careers learning pilot	1	191
	3,520	4,103
Local authorities and schools	1,484	1,076
Higher education	97	125
	5,101	5,304

4 Other Income

	2020 £'000	2019 £'000
European grant income	261	454
Other grant income	1,117	1,432
Coronavirus Job Retention Scheme	226	-
Other income	1,203	1,672
	2,807	3,558

Other Income includes deferred grant release of £68,826 (2019: £65,955)

The corporation furloughed staff roles within catering, cleaning, exams and commercial activity under the government's Coronavirus Job Retention Scheme. The funding received in respect of 153 staff of £226,311 relates to staff costs which are included within the staff cost Note 6.

5 Investment income

	2020 £'000	2019 £'000
Interest receivable	14	20

6 Staff costs

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

	2020 No.	2019 No.
Teaching staff	357	373
Non-teaching staff	431	440
	788	813
	2020 £'000	2019 £'000
Staff costs for the above persons		
Wages and salaries	14,039	14,508
Social security costs	1,192	1,235
Other pension costs (including pension charges of £1,534,000 (2019: £1,646,000))	4,376	4,064
Payroll sub total	19,607	19,807
Contracted out staffing services	82	74
	19,689	19,881
Fundamental restructuring costs - contractual	313	566
- non contractual	-	-
Total staff costs	20,002	20,447

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 Executive 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

	2020 No.	2019 No.
The number of key management personnel including the Principal and Chief Executive was:	<u>8</u>	<u>9</u>

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

	Key management personnel	
	2020	2019
	No.	No.
£55,001 to £60,000 p.a.	1	2
£60,001 to £65,000 p.a.	3	3
£65,001 to £70,000 p.a.	-	1
£80,001 to £85,000 p.a.	-	1
£85,001 to £90,000 p.a.	2	1
£130,001 to £135,000 p.a.	1	-
£140,001 to £145,000 p.a.	-	1
	7	9

Including part time workers grossed up to full time equivalent, 1 key management personnel were paid in the £65,001 to £70,000 banding in 2020 (2019: Nil).

Key management personnel emoluments is made up as follows:

	2020	2019
	£'000	£'000
Salaries	620	647
Employers National Insurance contributions	76	80
Benefits in kind	-	-
	696	727
Pension contributions	117	103
Total key management personnel emoluments	813	830

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:

	2020 £'000	2019 £'000
Salary	135	145
Benefits in Kind	-	-
	135	145
Pension Contributions	21	24

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

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

	2020	2019
Principal and Chief Executive's basic salary as a multiple of the median of all staff	5.9	6.7
Principal and Chief Executive's total remuneration as a multiple of the median of all staff	5.9	7.1

Compensation for loss of office paid to former key management personnel

	2020 £'000	2019 £'000
Compensation paid to 1 former senior post-holder	31	29
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.

6a Access and participation spending

	2020 £'000
Access investment	74
Financial support to students	18
Disability support	12
Research and evaluation	39
	143

Includes staffing costs of £106,745 which are included within Note 6.

7 Other operating expenses

	2020 £'000	2019 £'000
Teaching costs	2,246	2,767
Non-teaching costs	2,639	2,835
Premises costs	1,774	1,733
	6,659	7,335

Other operating expenses include:

Auditors' remuneration:

- Financial statements audit	26	25
- Internal audit	16	16
Hire of plant and machinery under operating leases	38	38
Hire of other assets under operating leases	718	630

8 Interest and other finance costs

	2020 £'000	2019 £'000
On bank loans	210	222
Interest on enhanced pension provision (note 17)	44	27
Net interest on defined pension liability (note 21)	627	662
Administration expenses (note 21)	25	22
	906	933

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 Tangible assets

	Land and buildings freehold	Equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 31 July 2019	52,817	12,008	219	65,044
Transfers	916	-	(916)	-
Additions	-	518	1,029	1,547
Disposals	(22)	(121)	-	(143)
At 31 July 2020	53,711	12,405	332	66,448
Accumulated depreciation				
At 31 July 2019	18,469	10,407	-	28,876
Charge for the year	1,641	547	-	2,188
Accelerated depreciation	-	-	-	-
Disposals	(12)	(121)	-	(133)
At 31 July 2020	20,098	10,833	-	30,931
Net book value				
At 31 July 2020	33,613	1,572	332	35,517
At 31 July 2019	34,348	1,601	219	36,168
Inherited at valuation	6,327	-	-	6,327
Financed by capital grant	15,139	317	331	15,787
Other at cost/valuation	12,147	1,255	1	13,403
	33,613	1,572	332	35,517

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 £6,327,000 (2019: £6,602,000) 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.

11 Stocks

	2020 £'000	2019 £'000
Commercial trading activities	45	38

12 Debtors

	2020 £'000	2019 £'000
Trade receivables	531	419
Prepayments and accrued income	708	414
Amounts owed by the ESFA	202	424
Other receivables	251	135
	1,692	1,392

13 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Bank loans	236	229
Payments received in advance	905	646
Trade payables	1,819	2,132
Other taxation and social security	299	370
Accruals and deferred income	1,177	674
Amounts owed to the ESFA	103	258
Deferred income – government capital grants	801	719
Lease costs	-	-
Other payables	83	101
	5,423	5,129

Trade payables include holiday accrual of £678,426 (2019: £729,221).

14 Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Bank loans	3,158	3,393
Deferred income – government capital grants	14,986	14,756
	18,144	18,149

15 Analysis of borrowing of the College

	2020 £'000	2019 £'000
Bank loans		
Repayable as follows:		
- in one year or less	236	229
- between one and two years	243	236
- between two and five years	775	751
- in five years or more	2,140	2,406
	3,394	3,622

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

16 Provisions for liabilities and charges

	Defined benefit obligations £'000	Restructuring £'000	Enhanced pensions £'000	Other £'000	Total £'000
At 1 August 2019	30,499	63	330	3	30,895
Expenditure in period	(2,186)	(63)	(25)	-	(2,274)
Additions in period	14,526	49	43	85	14,703
At 31 July 2020	42,839	49	348	88	43,324

The College has accrued restructuring costs of £48,730 (2019: £63,026) as a result of efficiency savings.

Other provisions include £3,500 regarding an ongoing HE appeal, £36,750 regarding IT costs and £47,874 regarding Covid-19 costs.

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

The principal assumptions for this calculation are:

	2020 %	2019 %
Interest rate	1.3	2.0
Inflation rate	2.2	2.2

The provision includes £Nil (2019: £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 20.

17 Cash and cash equivalents

	At 1 August 2019 £'000	Cash flows £'000	Other changes £'000	At 31 July 2020 £'000
Cash and cash equivalents	4,131	769	-	4,900
Overdrafts	-	-	-	-
Total	4,131	769	-	4,900

18 Lease obligations

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

	2020 £'000	2019 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	754	719
Later than one year and not later than five years	3,018	3,020
Later than five years	251	1,007
	4,023	4,746
Other		
Not later than one year	41	38
Later than one year and not later than five years	55	88
Later than five years	-	2
	96	128

19 Lessee obligations

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

	2020 £'000	2019 £'000
Future minimum lessor payments due		
Land and buildings		
Not later than one year	56	61
Later than one year and not later than five years	18	17
Later than five years	-	-
	74	68

20 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 2020 £'000	Year ended 31 July 2019 £'000
TPS: contributions paid	1,597	1,229
LGPS:		
Contributions paid	1,245	1,189
Pension charge	1,534	1,646
Charge to the statement of comprehensive income	2,779	2,835
Total pension cost for year (note 6)	4,376	4,064

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 2016 and the LGPS was valued at 31 March 2019.

Contributions amounting to £302,302 (2019: £279,584) were payable to the scheme at 31 July 2020 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 2020 was £1,618,196 (2019: £1,547,058) of which employer's contributions totalled £1,244,921 (2019: £1,188,508) and employees contributions totalled £373,275 (2019: £358,551).

For the period from 1 August 2019 to 31 March 2020 the employer contribution was 14.90% and for the period 1 April 2020 to 31 July 2020 the employer contribution was 16.90% (2019: 14.90%).

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2020 by a qualified independent actuary.

	2020 %	2019 %
Rate of increase in salaries	3.20	3.85
Future pensions increases	2.20	2.35
Discount rate for scheme liabilities	1.40	2.10
Inflation assumption (CPI)	2.20	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 2020 Years	At 31 July 2019 Years
<i>Retiring today</i>		
Males	22.9	22.5
Females	24.1	24.4
<i>Retiring in 20 years</i>		
Males	24.3	24.1
Females	25.5	26.2

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

	Fair value at 31 July 2020 £'000	Fair value at 31 July 2019 £'000
Equity instruments	19,768	20,782
Government bonds	1,252	1,230
Property	2,731	2,948
Cash	381	579
Target return portfolio	4,273	4,766
Infrastructure	1,414	1,257
Other bonds	1,593	637
Private equity	-	574
Alternative assets	2,150	1,790
Total fair value of plan	33,562	34,563
Actual return on plan assets	1,157	2,238

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 (1.40% as at 31 July 2020).

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

	2020	2019
	£'000	£'000
Fair value of plan assets	33,562	34,563
Present value of plan liabilities	(76,401)	(65,062)
Net pensions (liability)/asset (Note 21)	(42,839)	(30,499)

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

	2020	2019
	£'000	£'000
Amounts included in staff costs		
Current service cost	2,836	2,459
Past service cost	-	427
	2,836	2,886

Amounts included in investment income

Net interest income	(652)	(684)
	(652)	(684)

Amount recognised in Other Comprehensive Income

Return on pension plan assets	(1,886)	1,389
Experience losses arising on defined benefit obligations	(885)	-
Other actuarial gains/(losses) on assets	(149)	-
Changes in assumptions underlying the present value of plan liabilities	(7,234)	(3,959)
	(10,154)	(2,570)

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

	2020	2019
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(30,499)	(25,583)
Movement in year:		
Current service cost	(2,836)	(2,886)
Employer contributions	1,302	1,240
Administration expenses	(25)	(22)
Past service cost	-	-
Capital gain (Outsourcing)	-	(16)
Net interest on the defined (liability)/asset	(627)	(662)
Actuarial gain or loss	(10,154)	(2,570)
Net defined benefit (liability)/asset at 31 July	(42,839)	(30,499)

Asset and Liability Reconciliation

	2020	2019
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	65,062	57,217
Prior year adjustment to obligations at start of period	-	97
Current service cost	2,836	2,459
Interest cost	1,356	1,511
Contributions by scheme participants	373	359
Experience gains and losses on defined benefit obligations	885	-
Changes in financial assumptions	8,706	7,493
Changes in demographic assumptions	(1,472)	(3,534)
Estimated benefits paid	(1,345)	(967)
Past Service cost, including curtailments	-	427
Defined benefit obligations at end of period	76,401	65,062
Changes in fair value of plan assets		
Fair value of plan assets at start of period	34,563	31,634
Prior year adjustment to plan assets at start of period	-	81
Interest on plan assets	729	849
Return on plan assets	(1,886)	1,389
Other actuarial gains/(losses)	(149)	-
Administration expenses	(25)	(22)
Employer contributions	1,302	1,240
Contributions by scheme participants	373	359
Estimated benefits paid	(1,345)	(967)
Fair value of plan assets at end of period	33,562	34,563

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 £1,596,922 (2019: £1,229,349).

21 Capital commitments

	2020	2019
	£'000	£'000
Commitments contracted for at 31 July	1,559	756

22 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 £471; 2 Governors (2019: £690; 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 (2019: None)

23 Discretionary Learner Support Funds and Other Bursaries

	2020 £'000	2019 £'000
Funding body grants	1,049	900
Interest earned	-	-
	1,049	900
Disbursed to students	(878)	(812)
Staffing	(56)	(52)
Administration costs	(34)	(36)
Balance unspent and repayable at 31 July	81	-

Included within creditors is £258,916 (2019: £91,429) of money not yet paid across to students or repaid 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 Education and Skills Funding Agency ("ESFA")

In accordance with the terms of our engagement letter and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Petroc during the period 1 August 2019 to 31 July 2020 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 ESFA. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record data returns, for which the ESFA has other assurance arrangements in place.

This report is made solely to the corporation of Petroc and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Petroc and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept, or assume, responsibility to anyone other than the corporation of Petroc and the ESFA 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 2019 to 31 July 2020 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 ESFA. 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 ESFA/ funding agreement with the ESFA.
- 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 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 [except for the matters listed below], nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 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

90 Victoria Street, Bristol, BS1 6DP

Date: 11 December 2020